

# Building for the Baby Boomers

Making a housing market for an ageing population

Jack Airey

Foreword by Lord Best OBE





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## Foreword

Lord Best OBE

Co-Chair, All Party Parliamentary Group on Housing and Care for Older People

This timely report underlines the importance of far more homes being built that will attract baby boomers like me to downsize – to “right size”. But it also highlights the barriers to this happening and suggests ways forward.

There are so many gains from a programme of new housing specifically aimed at those of us now in our “extended middle age”. Manageable, accessible, warm homes with low running costs and less risk of falls and accidents, means sustaining our independence, seeing our income go further, and keeping out of hospital or residential care. For many older people, purpose-built accommodation also brings a social life that protects against isolation and loneliness. And, for some, it also means releasing capital to make life easier in retirement.

Meanwhile, the building of new homes for the older generation means tens of thousands of family properties, mostly with gardens, becoming available to buy or rent, for the younger generation.

But despite the statistics in this report demonstrating huge demand for tailor-made, high quality, “age-friendly” homes, the supply is just not there. As the report makes clear, it is the lack of suitable properties that is the biggest obstacle to older people moving home.

It is clear that the major house-builders are not going to shift from their lucrative business model of volume construction of flats and small houses for younger households, subsidised by the Help to Buy scheme – which is not available to downsizers. Their market also benefits from relief from Stamp Duty for first-time buyers – but not for last-time buyers. (The APPG on Housing and Care for Older People is keen to see a Stamp Duty exemption for those over pension age: this would remove one barrier to downsizing and, surprisingly would bring in extra revenue for HM Treasury from the chain of transactions that follow when one older person makes a move.)

In increasing the supply of new homes – and helping government toward its target of 300,000 homes p.a. – the housing associations could do a lot more for this age group. However, it is clear we also need new players – specialist developers, institutional investors, SMEs and entrepreneurs – who can see the scale of the opportunity. These may also bring imaginative ideas for using modern methods of construction and for deploying new technologies to enhance our connectedness in older age.

I congratulate Policy Exchange on this important contribution: I hope it will help the UK toward the tipping point when all of us baby boomers see downsizing as a positive, natural progression in life.



# Executive Summary

In recent years housing has raced up the political agenda and there has justifiably been a focus on young people's experience of the housing market, particularly in cities where rents tend to be highest and the prospects of home ownership are most distant. In this report we highlight an issue that we believe is sometimes overlooked – the shortage of homes suitable for ageing baby boomers and its impact on society, including families and younger people.

People in old age, for instance, are disproportionately likely to live in poor quality housing or housing in need of serious repair, particularly when they live in socially disadvantaged areas. Damp, lack of insulation, poor heating, unsafe stairs, and low levels of both artificial and natural light can all affect physical health.

Unfortunately physical harm is just one part of the picture. Poorly designed homes and isolation can also vastly increase an older person's risk of loneliness. Steep or poorly lit stairs can limit an older person's will or ability to leave the home.

While we will never know the exact number of older people who are living in homes that limit their health and happiness, we do know that, with people living longer – by 2041 it is projected that there will be 17.7 million people in the UK aged 65 and over (in 2016 there were 11.9 million people aged 65 and over) – and more of them living to a very old age – by 2041 it is projected that there will be 3.2 million aged 85 and over (in 2016 there were 1.6 million people aged 85 and over) – the number is only likely to rise. The issue is made even more pressing because ONS data shows people are spending an increasing number of their later years in poor health.<sup>1</sup> This means we need to think more about how to house the ageing baby boomer population appropriately.

Many baby boomers will be safe, healthy and happy growing old in their existing home adapted to their health and care needs.<sup>2</sup> This choice should be respected. However there are also a significant number of baby boomers who would be safer, healthier and happier moving home and growing old in a different property more suited to their needs. They should be supported to do that.

Currently, only a small percentage of older people move home. Of the 10.3 million households where the oldest resident was aged 55 or over, just 0.87 million households (8.4%) had moved in the three years up to 2014/15.<sup>3</sup> Unlike a young professional who chooses to live on their own or with friends, a couple who choose to move in together, or a family who chooses to move to a home with more bedrooms as it grows in size, older

1. ONS, Living longer - how our population is changing and why it matters, <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhyitmatters/2018-08-13#how-is-the-uk-population-changing>
2. Public polling by Ipsos Mori suggests a large majority of older people would prefer to stay in their home with some adaptations if they need care or support in the future. The poll found 64% of disabled people aged 65 and over and 62% of non-disabled people aged 65 and over would choose to remain in their home with some adaptations. IPSOS Mori, Accessible Housing Survey 2016, <https://www.ipsos.com/sites/default/files/publication/1970-01/sri-housing-accessible-housing-survey-2016.pdf>
3. English Housing Survey 2016 to 2017: Headline Report, <https://www.gov.uk/government/statistics/english-housing-survey-2016-to-2017-headline-report>

people rarely move home as their circumstances change.

By comparison, survey evidence suggests many more older people would like to move home than actually do. A survey of 2,503 retirees aged over 55 in the UK by McCarthy & Stone, a retirement homes provider, found that 33% of respondents thought they were likely to move in the next five years.<sup>4</sup>

To support more baby boomers to move home, and as recognised in RIBA's recent publication *Age Friendly Housing*,<sup>5</sup> a far greater provision of retirement homes is needed – that is, homes built specifically for the needs of older people. This sort of housing supply is currently very limited, with private providers targeting equity-rich homeowners and local authorities and housing associations providing some social housing stock for those least well-off.<sup>6</sup> Moving to a property purpose built for an older person is also seen by many to be an undesirable choice. Data from the Bank of England shows a lack of suitable properties is by far the most important factor when it comes to why older people want to move but so often don't.<sup>7</sup>

As we argue in this report, to close this supply gap and correct what is a market failure, a focus on building for the baby boomers is needed with more homes required across all tenures and all price points – something that requires action from the Government, local authorities and housebuilders.

Government should aim for a significant increase in the number of new homes that are purpose built for older people (i.e. retirement housing) each year. To facilitate this, a legal and regulatory platform is needed which enables new models of retirement housing and a new tier of innovative providers to emerge. The target should be for a sales and rental intermediate market to develop – that is, one that better serves baby boomers who are not wealthy enough to afford the more expensive end of the housing market and who are ineligible for social housing.

Using local planning policies and new borrowing powers as announced in the 2018 Budget, local authorities must also play their part – both by improving the sheltered housing stock they already own, and by supporting the development of new retirement housing in their area.

For their part, private providers should spot the gap in the market and build retirement homes, for ownership and rent, that older people want to live in. Retirement housing needs to be seen by baby boomers as a more desirable option – a challenge that is regularly being failed. Too often 'retirement housing' is associated with care homes. The focus must be on providing more choice that is attractive and suited to the expectations of the baby boomer generation – in terms of quality, design and style. Public polling conducted exclusively for Policy Exchange shows these issues are particularly important for older people:

- 93% of respondents aged 65 and over thought better quality buildings and public spaces improve people's quality of life (1% disagreed)
- 93% of respondents aged 65 and over thought living in a well-designed community improves peoples' happiness (1% disagreed)

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4. McCarthy & Stone, The Colour Report <http://www.mccarthyandstonegroup.co.uk/~media/Files/M/McCarthy-And-Stone/documents/colour-report.pdf>

5. Park, J. & Porteus, J. RIBA, *Age Friendly Housing: Future Design for Older People* 2018, <https://www.ribabookshops.com/item/age-friendly-housing-future-design-for-older-people/91915/>

6. In their report last year, *Housing our Ageing Population*, the Local Government Association identified a shortfall of 400,000 new purpose built homes for older people and called for a "residential revolution" in maximising supply. This year, only around 6,000 new private retirement homes will come to the market according to data from the Elderly Accommodation Counsel.

7. Bank of England NMG Survey 2017

- 56% of respondents aged 65 and over thought new homes and communities should be built in traditional terrace style with tree lined streets. 26% said they should be built in a modern style
- 85% of respondents aged 65 and over thought newly built homes and properties should fit in with their surroundings
- 92% of respondents aged 65 and over thought architects should concentrate on designing buildings which are well built, comfortable and beautiful (1% disagreed)
- 13% of respondents aged 65 and over thought new building should be adventurous and different (59% disagreed)

Our recommendations are summarised in full on page 10.

If more homes are built for the baby boomer generation, and people are provided greater choice in the housing market as they enter old age, many more ageing homeowners will be attracted to downsize – data shows there is a significant number of older households with possibility to downsize, for instance the 1.1 million households in England with two or more spare bedrooms that are owned and occupied by a person aged 65 or over who lives alone.<sup>8</sup>

As well as supporting baby boomers to live healthily and happily for longer, this would free up more family homes to younger aspiring homeowners and give a greater number of baby boomers the opportunity to draw down their housing equity providing capital for retirement. It would also help to relieve pressures on the social care system. Evidence suggests that older people who move into housing more suited to their needs are less likely to enter institutional accommodation – i.e. a care home – than those living in mainstream housing.<sup>9</sup>

The ultimate challenge is making the retirement housing sector more desirable to a larger number of people. More choice is needed which is suited to the expectations of the baby boomer generation. Ensuring that housing tailor-made for older people is built to a high quality, and in designs and styles that are popular with older people, is essential to matching aspirations and encouraging a greater number of older people to move home when it is suited to their needs.

The aim should be bringing about a societal change in attitude towards downsizing – and for it to be seen as a natural progression in someone's life. As we have said, this does not mean every baby boomer entering old age should move home – they may be happiest growing old in their existing home adapted to their health and care needs and that choice should be respected. What is important is they are provided with a choice because, too often, there is none.

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8. Census 2011

9. International Longevity Centre-UK

## Recommendations

- 1** Government should aim for a significant increase in the number of new retirement homes built each year – that is, housing specifically aimed at older people. Around 6,000 new retirement homes are expected to come to the market this year. But it is estimated by some that this number needs to triple and by others to increase five-fold. To facilitate this expansion in the supply of homes for older people, there must be a focus on bringing forward a legal and regulatory platform which enables new models of retirement housing, a new tier of innovative providers to emerge and an intermediate market to develop – that is, one that better serves older people who cannot afford the higher end of the housing market and who are ineligible for social housing.
- 2** The planning system should be used as a vehicle to encourage new models for retirement housing. In particular:
  - a** Local authorities should be encouraged to review the need for specialist housing for older people across all tenures as part of their housing market assessment that informs their local plans.
  - b** There should be greater flexibility over Section 106 affordable housing obligations. Government should issue guidance encouraging local authorities to reduce or waive planning obligations when a) the development provides a suitable amount of housing for the intermediate retirement market; and/or b) the development provides a suitable amount and variety of care services and facilities that support older people to live healthily and happily. Tariffs for Community Infrastructure Levy (CIL) could also be set differently, taking into account the communal space offered in retirement homes.
  - c** In its forthcoming Social Care Green Paper, Government should acknowledge the widespread perception that local authorities face a financial disincentive when the number of older people living in their area increases – which discourages them from approving new retirement housing schemes. Government should then consider whether it is accounted for in the needs formulae for assessing social care funding.
  - d** The Letwin Review into Build Out Rate has explained how

encouraging a wider range of homes and tenures on bigger sites can help build homes more quickly. Retirement housing should be part of that mix where appropriate.

- 3 To support and incentivise a new wave of older homeowners to downsize – which in many cases is simply not worthwhile – Government should introduce exemptions on Stamp Duty liabilities for older people. Government should remove the 2 percent stamp duty band – which is levied on those buying homes between £125,000 and £250,000 – for older homeowners looking to move home.
- 4 The growing number of older people renting privately into retirement – projected to be a third of all retirees by 2040 – demands greater attention from Government. In that regard:
  - a More consideration should be given to how older renters without adequate retirement savings are supported by the state in later life. This should reference whether future funding is directed towards higher Housing Benefit expenditure or if older people could be better served by using funding to build a new generation of retirement homes for social rent. It should also reference whether a new sub-market rental or shared ownership tenure specific to older renters can be supported by government, with an affordable housing grant or Care and Support Specialised Housing<sup>10</sup> funding allocated accordingly.
  - b Government and local authorities should look to attract more institutional investment into the retirement housing sector and this should be directed towards private rental housing. One option is for local authorities to enter joint ventures with institutional investors (and developer partners), for instance putting forward public land as equity and the institutional investor putting forward debt. Another option is for Homes England to directly invest in retirement-specific real estate investment trusts (REITs) with funds raised used to build new retirement homes.
  - c Local authorities should consider exempting rental retirement schemes – where profit levels tend to be lower but where need is only going to increase – from needing to provide capital sums upfront as part of their planning obligations. Instead, to enable developments that otherwise may not be immediately viable, they could demand an annual revenue stream in perpetuity.

10. <https://www.gov.uk/government/collections/care-and-support-specialised-housing-fund>

- 5** To increase the number of retirement homes for social and affordable rents:
  - a** Housing associations and local authorities should consider the opportunity to regenerate existing sheltered housing stock more in tune with the expectations of ageing baby boomers but still affordable. As each social landlord does routine appraisals of their stock, they should consider the potential for regenerating sheltered housing sites with a greater number of homes which are better built and more aligned with present need.
  - b** To support housing associations and local authorities to finance the building of new retirement homes, Government should introduce a renewed round of the Affordable Housing Guarantee Scheme (AHGS) – something already mooted in the Autumn Budget 2017 and Social Housing Green Paper.
  
- 6** Across all tenures, there is a need to make the retirement housing sector a more desirable choice to the baby boomer generation. Essential to this is a stronger emphasis on building retirement homes that are built in designs and styles popular with older people. Public polling prepared by Deltapoll for Policy Exchange finds older people overwhelmingly want a sense of belonging and pride from the look and feel of homes and buildings in their area. They want homes that are energy-efficient, built-to-last and have a sense of harmony with other local homes. To support this:
  - a** Retirement housing providers should place a greater focus on the aesthetic design of new homes, alongside their functionality. The aim should be building what is popular with older people. To support this, as part of the Government's 'ageing society' Grand Challenge (a part of its Industrial Strategy) retirement housing providers should be asked to come up with innovative development models that meet older people's design needs – both functional and aesthetic – at a number of price points.
  - b** When local planning authorities put together design codes and style guides, it is important older people are engaged in this process through consultation and design panels.

# 1 Demographics, Housing and Health

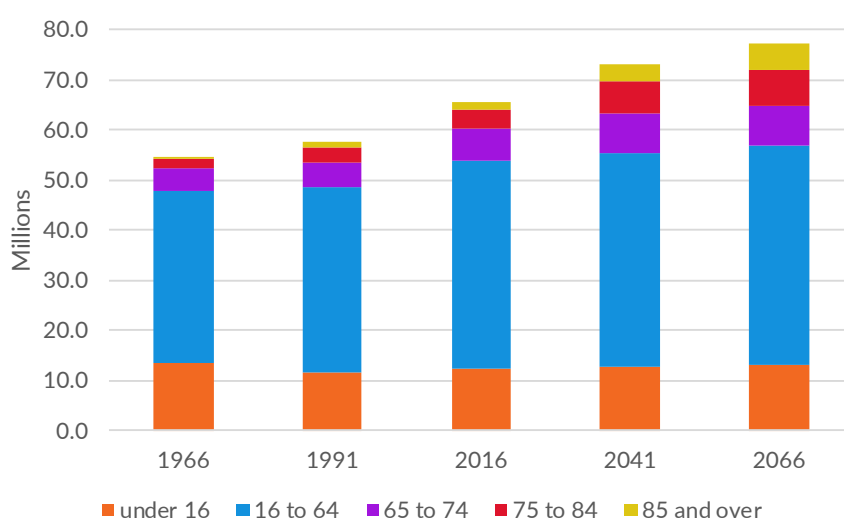
The UK's population is getting older. People are living longer and more are living to a very old age. Increased life expectancy and a falling birth rate have shifted the demographic balance between generations. These trends will have major impacts on the UK and present serious policy implications, particularly for housing.

## Living longer

The number and proportion of people aged 65 and over in the UK has increased significantly over the past fifty years. In 1966, there were 6.7 million people aged 65 and over (12.3% of the total population).<sup>11</sup> In 1991, this cohort had increased to 9.1 million people (15.8% of the total population) and by 2016 it increased to 11.9 million people (17.7% of the total population). These changes to the nation's population structure are shown by figure 1.

More people are living longer – and this is set to continue. Figure 1 also shows how, over the next 25 and 50-year periods, the UK's retiree population is projected to increase at a quicker rate than before. In 2041, the ONS project that there will be 17.7 million people aged 65 and over (24.2% of the projected total population). By 2066, they also project this

**Figure 1: Age structure of the UK Population, 1966 to 2066**



Source: ONS population estimates and population projections (2016 based).

11. ONS, Living longer - how our population is changing and why it matters, <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhy-it-matters/2018-08-13#how-is-the-uk-population-changing>

number will rise to 20.4 million (26.5% of the projected total population).<sup>12</sup>

One of the most significant recent changes is the increase in the number of much older people. In mid-2016, there were 1.6 million people aged 85 and over in the UK. This is a four-fold increase from 1966 (when there were 0.4 million people aged 85 and over) and almost double the number in 1991 (0.9 million). The number of people aged 85 and over in the UK is projected to double again to 3.2 million by mid-2041 and to treble to 5.1 million by 2066.<sup>13</sup> Given that the average 65-year-old can now expect to live another 20 years, we are more likely to see a higher number of families with two generations of retirement age.

These shifts are in part the result of significant demographic changes last century. A high number of births after World War II, and a longer ‘baby boom’ during the 1960s, resulted in large groups of similar ages in the UK population. Better living conditions and scientific advances have meant more of these children survived their early years and lived to move further and further up the age scale.

This points to a population whose age structure is of a very different shape to past decades. The cohort of people born just after World War II is now into their seventies and will be in their 90s in 2040. Baby boomers are now in their 50s and 60s and will be over 70 in 2040.<sup>14</sup> And although the UK population is projected to pass 70 million by 2029, rise to 73 million by 2041, and to 77 million by 2066, the ONS project the number of children will change very little over those periods.

The contrast between changes expected in the proportion of older and younger people can be seen in projections for the old age dependency ratio. The ratio shows the number of people of State Pension Age per 1,000 people of working age. In 2016, there were 305 people of State Pension Age for every 1,000 people of working age.<sup>15</sup> Even after taking into account the rise in the State Pension Age to 67 years for both sexes – to take place between 2026 and 2028 – the ratio is projected to rise to 370 in 2041 and 394 in 2066.

A greater number and proportion of older citizens mean that more and more people will reach the point in their lives where their home is no longer suitable to their needs and wants. In many cases, children will have moved from their family home and, as we write in chapters 1.2 and 1.3, in many cases people will be living in homes that are bad for their health and wellbeing.

As people reach this tipping point in their lives, where their future housing needs look quite different to their past housing needs, they need greater choice in the sorts of homes in which they can grow old. For some, the choice will be remaining in their existing home adapted to their needs. For others, the choice will be to move home – something often referred to as ‘downsizing’. Increasing the opportunities for the second choice is the focus of this report.

12. ONS, Living longer - how our population is changing and why it matters, <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhy-it-matters/2018-08-13#how-is-the-uk-population-changing>

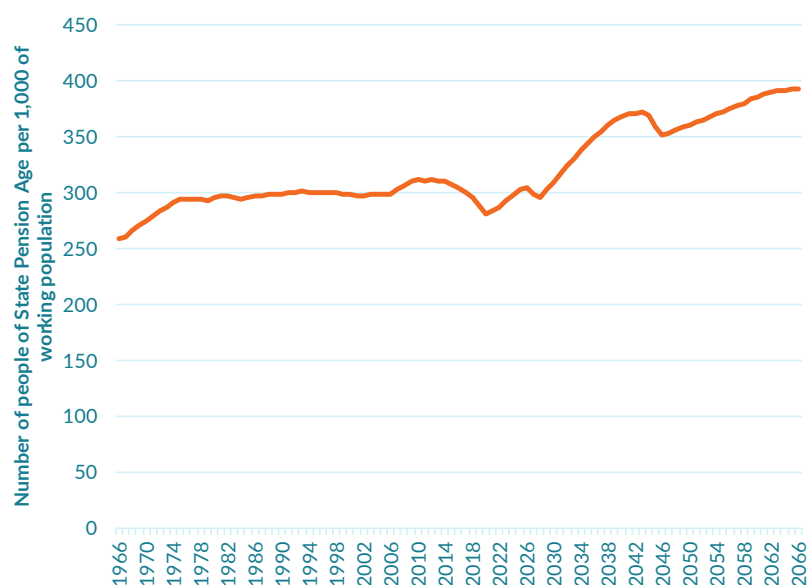
13. ONS, Living longer - how our population is changing and why it matters, <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhy-it-matters/2018-08-13#how-is-the-uk-population-changing>

14. Government Office for Science, Future of an Ageing Population [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/535187/gs-16-10-future-of-an-ageing-population.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/535187/gs-16-10-future-of-an-ageing-population.pdf)

15. ONS, Living longer - how our population is changing and why it matters, <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhy-it-matters/2018-08-13#how-is-the-uk-population-changing>



Figure 2: Old age dependency ratio in the UK, 1966 to 2016



Source: ONS population estimates, State Pension Age Factors, population projections (2016 based).

## Living longer in poor health

The scientific advances and societal successes that have increased life expectancies are to be celebrated. However, while people are living longer, they are spending an increasing number of later years in poor health.

The increase in the number of expected years of healthy life is simply not keeping pace with rising life expectancy – something that has serious implications for quality of life among older adults. The trend is particularly striking among those of retirement age. As Figure 3 shows, an average 65-year-old man can expect to live another 18.6 years, almost three years longer than his counterpart at the start of the twenty-first century. Yet many of those additional years will be spent in poor health.<sup>16</sup>

Age particularly takes its toll on women. While an average 65-year-old woman can expect to live another 21 years, just over two years longer than men, by these measures it is likely many of those additional years will be spent in poor health.

The evidence of a shift from a predominantly young to a much older population has been with us for some time. Yet, from pensions to tax revenues to the NHS, the challenges already arising from this demographic change are under-appreciated. They present a significant challenge for public policy and public finances. As the Office for Budget Responsibility's recent report on fiscal sustainability put it:

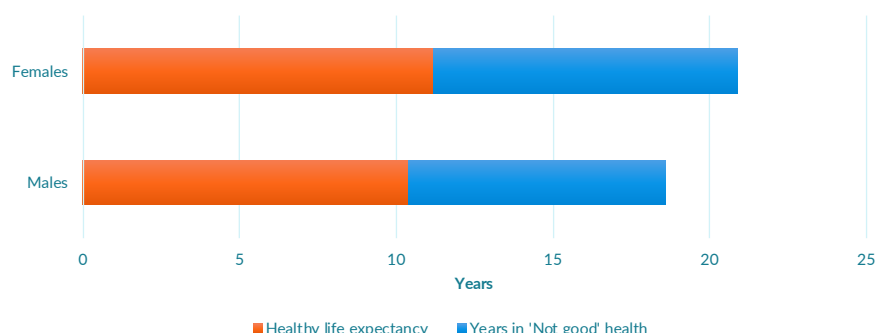
“[D]emographic pressures are likely to be a greater challenge in the future than the past. They will put greater pressures on public spending than in previous decades, while leaving tax-to-GDP little-changed. Moreover, demographic tailwinds that have supported the public finances over the last 50 years will turn to headwinds as the baby-boomers retire.”<sup>17</sup>

The challenges of the ageing population are particularly under-appreciated

16. ONS, Health and Life Expectancies <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/healthstatelifeexpectanciesuk/2014to2016>

17. Office for Budget Responsibility, Fiscal sustainability report, <http://cdn.obr.uk/FSR-July-2018-1.pdf>

**Figure 3: Life expectancy and healthy life expectancy in the UK at 65, by sex, 2014 to 2016**



Source: ONS

when it comes to housing. Debates around the 'housing crisis' tend to centre on the experiences of younger people, yet some of its most acute impacts – from dilapidated homes, to increasing numbers of people renting into retirement, to people living in properties inappropriate to their circumstance – are felt by older generations. Currently there are too few homes appropriate to the health and care needs of older people. This limits older people's choice in the housing market and means many stay in homes which limit their ability to live healthily, happily and independently.

## Health and housing

As set out in a cross-cutting Memorandum of Understanding by government departments and representative bodies of the health and housing communities,<sup>18</sup> the link between health and housing is well established. Unsuitable housing can be the source of many problems: it is damaging to people's wellbeing and increases the burden on the NHS and the public purse. The cost of treating injuries and illness directly attributed to poor quality housing has been estimated to be £1.4bn per year in England. Meanwhile, accidents arising from unsafe homes have been calculated to cost the NHS £2.5 billion across the UK – this is on a similar level to estimates on the cost to the NHS of smoking and drinking.<sup>19</sup>

Older people are disproportionately likely to live in poor quality housing or housing in need of serious repair, particularly when they live in socially disadvantaged areas. Damp, lack of insulation, poor heating, unsafe stairs, and low levels of both artificial and natural light can all affect mental and physical health.<sup>20</sup> Cold and damp homes contribute to 40,000 more deaths in England in winter than would be expected based on mortality rates during the remainder of the year. Falls are the other major health risk, costing the NHS upwards of £600 million a year.<sup>21</sup>

Physical harm is only one part of the picture. Poorly designed homes and isolation can also vastly increase an older person's risk of loneliness. Steep or poorly lit stairs can limit an older person's will or ability to leave the home. In her evidence to Housing, Communities and Local Government Select Committee inquiry into housing for older people, Professor Carol Holland, Centre for Ageing Research at Lancaster University, explained

18. Improving health and care through the home: A national Memorandum of Understanding [https://www.housinglin.org.uk/\\_assets/Resources/Housing/Support\\_materials/Other\\_reports\\_and\\_guidance/Health-Housing-MoU-18.pdf](https://www.housinglin.org.uk/_assets/Resources/Housing/Support_materials/Other_reports_and_guidance/Health-Housing-MoU-18.pdf)

19. Simon Nicol, Mike Roys, Helen Garrett: BRE, The cost of poor housing to the NHS <https://www.bre.co.uk/filelibrary/pdf/87741-Cost-of-Poor-Housing-Briefing-Paper-v3.pdf>

20. Government Office for Science, Future of an Ageing Population [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/535187/gs-16-10-future-of-an-ageing-population.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/535187/gs-16-10-future-of-an-ageing-population.pdf)

21. Government Office for Science, Future of an Ageing Population [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/535187/gs-16-10-future-of-an-ageing-population.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/535187/gs-16-10-future-of-an-ageing-population.pdf)

that the location and the environment outside the home can affect older people's physical and mental health. Professor Holland said that older people whose homes are inaccessible to friends, not serviced by public transport and far from the shops can suffer from isolation, may struggle to have a healthy diet and are likely to be less active.

Meanwhile, Jacquel Runnalls of the Royal College of Occupational Therapists said that loneliness and social isolation were associated with mortality while being physically active was linked to independent living, general resistance to illness and good mental health.<sup>29</sup>

In contrast, research by the International Longevity Centre-UK submitted as written evidence to the Housing, Communities and Local Government Select Committee, found that extra care housing – which, broadly, is housing provided with care support but with recreational facilities and for older people who want to remain active and independent – could play a major part in reducing the long-term care costs facing older people. The study, published in 2011, found that people who moved into extra care housing were less likely to enter institutional accommodation than those living in mainstream housing.

Additionally, around a quarter of people (24%) who moved into extra care housing with social care needs (or went on to develop them) experienced an improvement within five years, were less likely to be admitted to hospital overnight and had fewer falls. Other research by International Longevity Centre-UK found that, in comparison to older people in the general community, extra care residents reported having a higher quality of life, a higher sense of control and lower levels of loneliness.

### A housing market that caters for an ageing population

The continued increase in the number of people with age-related health and care requirements gives a pressing need for a housing market more suited to an ageing population, with more choice in the cost, design and tenure of supply.

As we explore in the rest of this report, this needs a greater understanding of the varying capacities of older people in the housing market (Chapter Two). It needs a greater understanding of the desires of older people to move home (Chapter Three). It needs a greater understanding of the types of home older people want to live in (Chapter Four). And it should mean bringing forward a greater number of homes suited to older people's wants, needs and capacities (Chapter Five).

Supporting older people to live happily and independently is a key priority of government's housing strategy. As written in the Housing White Paper, "we will address people's housing needs and aspirations in the shorter term. This includes supporting people to buy or rent their own home, preventing homelessness, **improving options for older people** and protecting the most vulnerable." This report is written to that end.

22. House of Commons, Communities and Local Government Committee, Housing for older people 2017-19 <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

## 2 Older People's Capacity in the Housing Market

Much attention has been focused on the fact that homeownership is more prevalent among older generations. According to the 2016/17 English Housing Survey, 78% of households headed by someone aged 65 or over own their home. Of these elderly homeowners, just 6% are still paying a mortgage.<sup>23</sup> 16% of households headed by someone aged 65 or over socially rent and 6% privately rent.

The high rate of homeownership – and, indeed, multiple homeownership<sup>24</sup> – by the elderly and comparatively low rate by younger generations has meant the debate on housing for older people has tended to focus on the release of equity by downsizing. There is an assumption that more homes will become available to younger households if elderly homeowners downsize their property.

While downsizing is a worthwhile option for some older homeowners, it is, as we write in the rest of this chapter, not worthwhile and sometimes unviable for many others. What is more, there is a growing minority of older people renting into retirement who are ill-served by the housing market. The truth is that, like all parts of the population, older people's capacity in the housing market varies significantly. This capacity defines their ability to live in a home that is suited to their needs. Understanding how it varies by age, place and tenure is therefore the essential underpinning of any strategy for improving older people's options in the housing market.

### Housing equity is skewed by age and place

The surge in homeownership in the second half of the 20<sup>th</sup> century coupled with house price growth means that a large part of housing wealth is in the hands of older households. A recent study by Savills calculated that the total amount of homeowner equity in Britain is now worth £3.7 trillion. Of this, people over 65 own a total of £1.6 trillion, 50-64s own £1.2 trillion, 35-49s own £0.7 trillion and under 35s own £0.2 trillion.<sup>25</sup>

Headline numbers fuel arguments that wealthy older people can easily rely on equity to downsize. Reality, however, is a great deal more complex with wide regional variations. As table 1 shows, even among homeowners, housing inequalities are evident not just across generations but across the regions. The amount of equity in the hands of households over 65 in the North East is less than 10% the amount held by their counterparts in the South East. Households under 50 in London and South East own a greater amount of housing equity than all pensioner-aged households in the North

23. English Housing Survey 2016 to 2017: Headline Report, <https://www.gov.uk/government/statistics/english-housing-survey-2016-to-2017-headline-report>

24. According to the Resolution Foundation, one in six baby boomers now owns a second home.

25. Savills, Over 50s hold 75% of housing wealth, a total of £2.8 trillion (£2,800,000,000,000) [https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75-of-housing-wealth-a-total-of-£2.8-trillion-\(£2,800-000-000-000\)](https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75-of-housing-wealth-a-total-of-£2.8-trillion-(£2,800-000-000-000))

East, Wales, Yorkshire & Humber, East Midland and Scotland put together.

By avidly focussing the debate on the struggles of younger people to get on the housing ladder, we are missing the fact that many older households have not benefitted from housing wealth to the same extent as those in higher value property markets.

**Table 1: Equity of owner-occupiers by region**

Region	Homeowner equity by age group (£billions)				Total
	<35	35-49	50-64	65+	
South East	£35	£148	£259	£348	£790
London	£81	£178	£229	£251	£740
East of England	£21	£87	£151	£202	£461
South West	£15	£59	£117	£176	£367
North West	£12	£46	£88	£119	£265
West Midlands	£11	£41	£79	£114	£246
Scotland	£11	£38	£73	£91	£213
East Midlands	£9	£37	£69	£90	£205
Yorkshire & Humber	£10	£35	£65	£84	£194
Wales	£5	£19	£39	£55	£118
North East	£3	£12	£26	£33	£74
Great Britain	£214	£701	£1,197	£1,566	£3,678

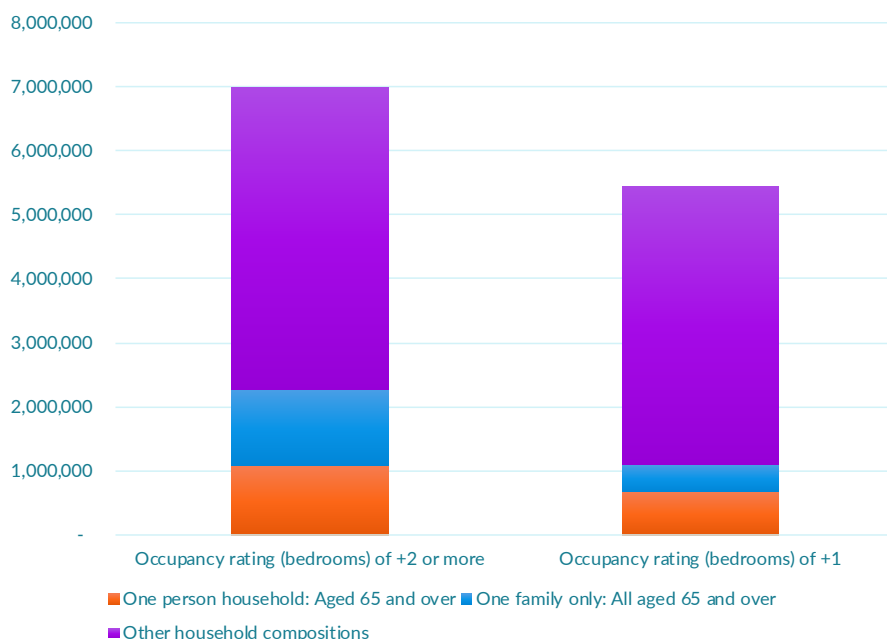
### Older homeowners who under-occupy

Coupled with the focus on equity, a key feature of debate on housing for older people has been the potential of older owner-occupiers to downsize. The argument goes that if a greater number of older households were to downsize, they would benefit from both being able to move to a home more suited to their needs and from the equity release downsizing would bring. It would also benefit society as a whole by unlocking more homes onto the housing market.

With the number of homes under-occupied, the downsizing argument is persuasive. 2011 Census data shows 12.4 million homes in England and Wales lived in by their owners are under-occupied. Of these, more than a quarter are under-occupied by households where residents are aged 65 or over. While occupancy data is crude – the definition of under-occupancy is bedrooms deemed excessive, which does not take into account household circumstance – the data shows there is a significant number of older households across England with possibility to downsize. In particular, 1.1 million households with two spare bedrooms or more are occupied by one person aged 65 or over living alone (figure 4).

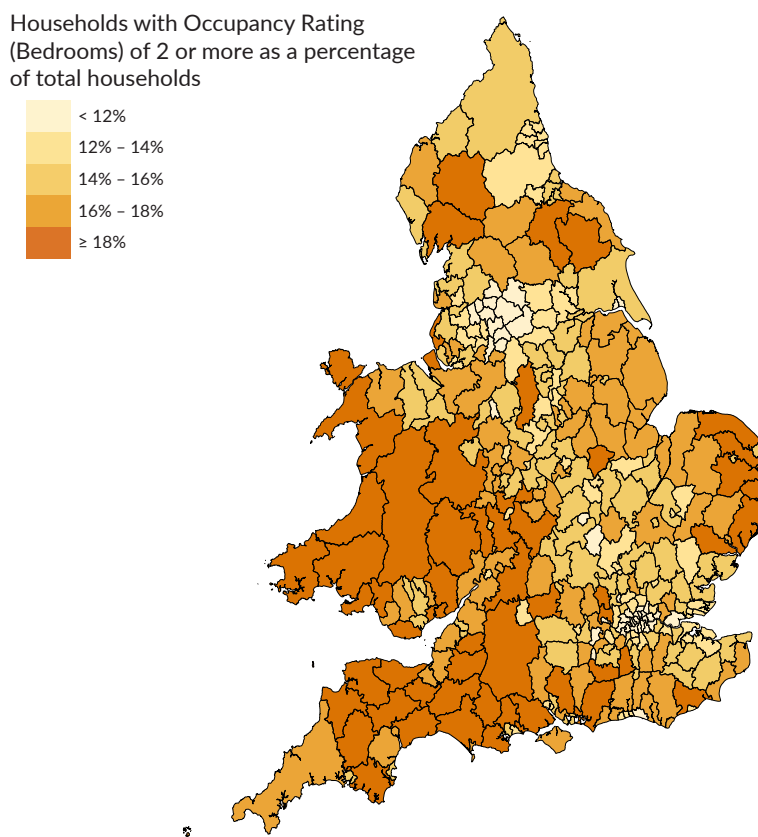
At a local level, however, the picture is more nuanced. Figure 5 shows how older households who own and under-occupy their home tend to

**Figure 4: Under-occupying households owned or shared-ownership in England and Wales by household composition, 2011**



*Data source: Author's analysis of Census 2011*

**Figure 5: Households owned or shared-ownership that are re-sided entirely by people aged 65 and over under-occupying their home by two or more bedrooms by local authority**



*Data source: Author's analysis of Census 2011*

be concentrated in provincial areas. While this includes significant parts of the South East, where both housing demand and levels of over 65 housing equity are high, it also includes many areas where downsizing is less worthwhile and demand for more homes is relatively weak. The ten local authority areas where the rate of under-occupancy by older owner-occupied households is lowest are all in Central London, where demand for more homes is thought to be highest.

### To downsize or not to downsize?

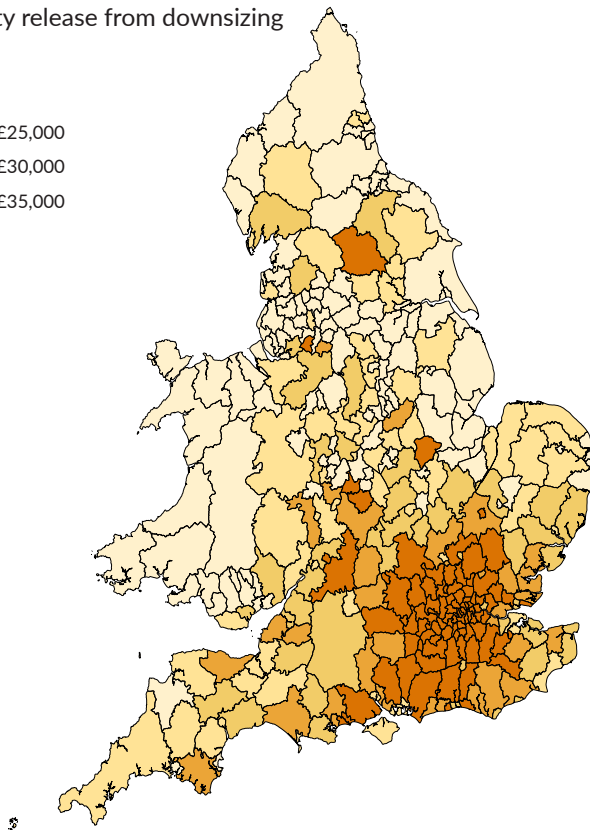
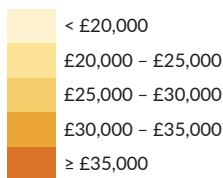
The reality is that, at a granular level, downsizing simply does not stack up financially for all older homeowners. The debate on downsizing is often dominated by examples of wealthier households and average data is skewed by high value markets. The truth, however, is that household capacity to downsize varies significantly by place.

This is shown by our analysis of downsizing profits by local authority areas, as illustrated by Figure 6. The data, shared exclusively with Policy Exchange by property market analysts Hometrack, shows the median value of homes sold in a local authority area by number of bedrooms. It gives an estimate of potential equity release through downsizing by bedroom.

While this estimate is crude – the marginal cost of an extra bedroom

**Figure 6: Downsizing profit per bedroom by local authority**

Estimated equity release from downsizing  
by 1 bedroom



*Data source: Policy Exchange analysis of Hometrack data<sup>i</sup>*

<sup>i</sup> The proxy measure for the value of a bedroom in each local area is based on original data provided by Hometrack on house sale prices for each local area in England and Wales. The median sales prices were weighted to account for the proportion of sales and bedrooms sold as a percentage of the total sales in each area, before then creating the final proxy measure for the average value of selling 1 bedroom - e.g. the difference in sale price between a 3 and 4 bedroom house in that area.



is not linear – it provides a guide to the places where downsizing is most worthwhile for older homeowners.<sup>26</sup> These places are mostly in London and the South East, but also places such as Bath and North East Somerset, Stratford-on-Avon and Trafford.

The evidence suggests<sup>27</sup> there is a downsizing opportunity for many older homeowners and that, in certain areas, this would unlock more homes where demand for housing is especially high.<sup>28</sup> Yet, a housing strategy for older people needs to extend beyond London and the South East. It must also consider how elderly homeowners in other parts of the country are better-supported to move home when they want to. It must also consider, and respond to, the reasons why many older people choose to under-occupy their homes, even when moving appears to be the rational choice (considered in Chapter Three).

### More people will privately rent into retirement

Given that the large majority of older people own their home, it is unsurprising that most attention is paid to homeowners when it comes to designing a housing strategy for the elderly. Yet there is a growing cohort of elderly private renters, which is only likely to increase in size, and which demands greater attention by the Government.

The age profile of private renters in the 2016/17 English Housing Survey, illustrated by figure 7, shows a significant increase in the number of households headed by someone approaching retirement. While some private renters approaching retirement will become home-owners, many will not. Analysis by the Council for Mortgage Lenders (CML) suggests the chances of someone buying a home after the age of 40 are now ‘slim’.<sup>29</sup> Currently 414,000 households headed by someone over the age of 65 are renting privately. With 1.1 million households in the private rental sector headed by someone aged 45-64, we can expect this number to increase significantly in the next couple of decades. Indeed it has been estimated that one third of people over 60 will rent privately by 2040.<sup>30</sup>

A growing number of older private renters will mean more and more people relying on their pensions for housing costs. This presents a significant challenge for public policy – both now and, even more so, in the future. While some elderly renters will have moved into the private sector as part of their retirement plans, a large number are likely to have been long-time renters. If long-time renters have not built up adequate retirement savings in their working lives, this will place significant pressure on their capacities to pay housing costs – especially in higher-cost areas.

Given some will struggle to work after retirement, there is a significant risk that more older people fall into housing poverty without security of tenure. While they are unlikely to have been eligible for subsidised housing in their working lives, it is likely that many older private renters will need, and be eligible for, greater state support (i.e. Housing Benefit) in their non-working ages. This should be a bigger consideration of government’s strategy for housing an ageing population going forward.

For instance, in recent years it has been argued expenditure on Housing

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26. Because the data is representative of sales, it also shows the areas in the country where demand for homes is highest.

27. [https://www.housinglin.org.uk/Topics/browse/HousingExtraCare/ExtraCareStrategy/SHOP/SHOP\\_Practice/DeliveringKeyOutcomes/Downsizing/](https://www.housinglin.org.uk/Topics/browse/HousingExtraCare/ExtraCareStrategy/SHOP/SHOP_Practice/DeliveringKeyOutcomes/Downsizing/)

28. However, the extent of this impact is unknown so should not be taken as definite. There is little research into the matter and there is a possibility someone leaving a home they under-occupy moves into a new home that they also under-occupy.

29. Council for Mortgage Lenders, Missing Movers, <https://www.cml.org.uk/documents/20170630-cml-missing-movers-research-report/7738-cml-missing-movers-a4-jc-v4-3-.pdf>

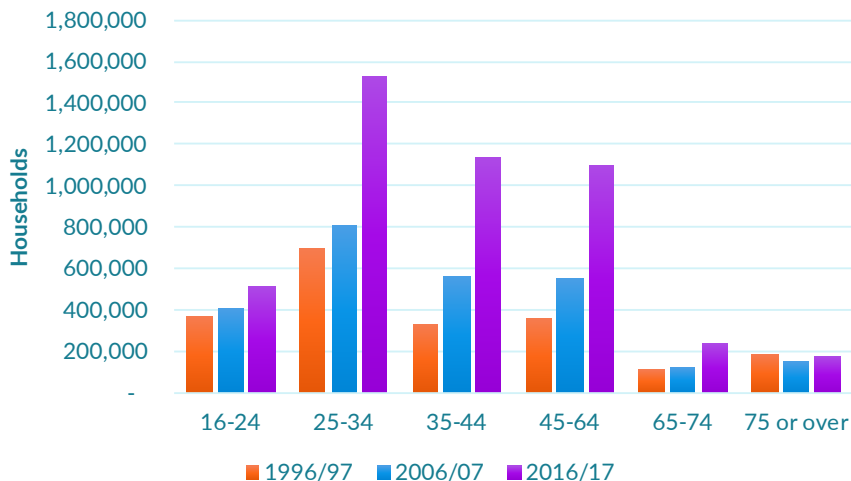
30. Chartered Institute of Housing, UK Housing Review Briefing 2015, <https://www.ukhousingreview.org.uk/ukhr15/index.html>



Benefit would be better directed towards investment in new homes for social rent – both in terms of quality of life and value for money.<sup>31</sup> A new generation of retirement homes built for social rent would therefore be one response. Another response could be a Government review of whether a new sub-market rental tenure specific to older renters is needed, with affordable housing grant allocated accordingly.

In truth, however, future increases in the number of people renting into retirement should be a concern across government departments and local government. Alongside housing provision, it will have an impact on many other parts of the state such as healthcare services, the roll-out of Universal Credit and efforts to increase working age pension saving. A cross-government response is needed.

**Figure 7: Age profile of private renters in England, 1996-97 to 2016-17**



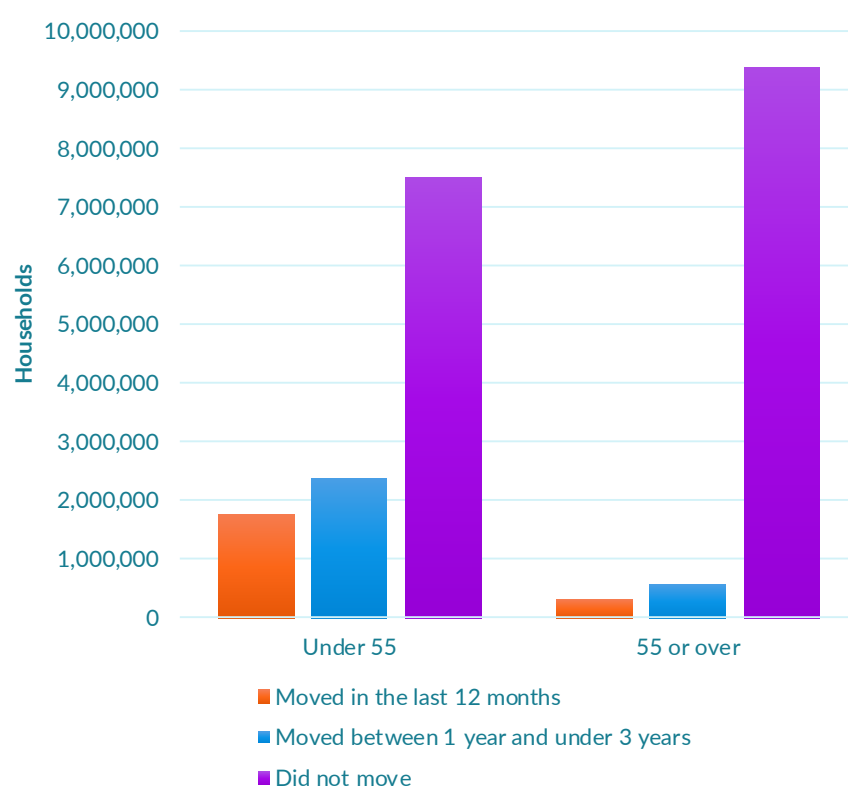
*Data source: English Housing Survey, 2016/17*

31. Capital Economics and Shout, Building New Social Rent Homes, [http://d3n8a8pro7vhmx.cloudfront.net/themes/5417d73201925b2f58000001/attachments/original/1434463838/Building\\_New\\_Social\\_Rent\\_Homes.pdf?1434463838](http://d3n8a8pro7vhmx.cloudfront.net/themes/5417d73201925b2f58000001/attachments/original/1434463838/Building_New_Social_Rent_Homes.pdf?1434463838)

## 3 Moves in Later Life

Older households tend to move home much less than younger households. Data from the 2014/15 English Housing Survey shows that of the 10.3 million households where the oldest resident was aged 55 or over,<sup>32</sup> just 0.87 million households (8.4%) had moved in the three years up to 2014/15 (figure 8). This compares to 4.1 million households where the oldest resident was aged under 55 who moved in that period out of a total 11.7 million households (35.0%).

**Figure 8: Recent movers in England by age, 2014-15**



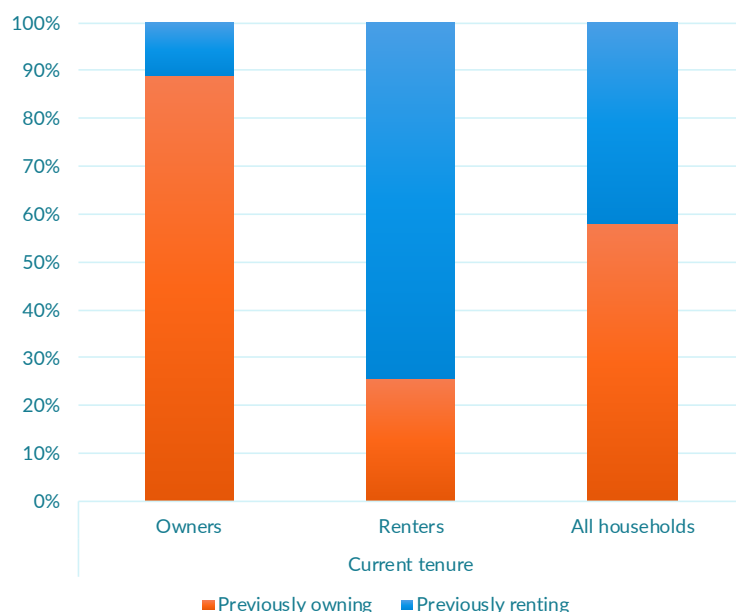
*Data source: English Housing Survey 2014/15. Recent mover defined as having moved in last 3 years*

### Moves by tenure

A majority (58%) of recent moves by older households – defined in this instance as those over 55 who moved in the past three years – were made by people moving into home ownership (figure 9). Of these recent movers, 89% had owned their previous property and 11% had rented. The

32. While the tipping point we refer to in this report – when someone's future housing needs look quite different to those in the past – is likely to occur later in someone's life than the age of 55, and most of our analysis of older households is constructed accordingly, unfortunately the English Housing Survey data for recent moves is only disaggregated by this division. Nonetheless we believe the data to be a useful representation of why older people move and where.

**Figure 9: Recent moves by people in England aged 55 or over by tenure, 2014/15**



*Source: ONS. Recent mover defined as having moved in last 3 years.*

remaining 42% of recent moves by older households were made by people moving into rented property.

Given home ownership is by far the most popular tenure of this age cohort, the over-representation of renters is striking. Of these recent movers, 26% moved from a property they had owned and 74% had rented before. The data suggests more than twice as many older people moved from owning their home to renting their home than vice-versa.<sup>33</sup>

### Why people move in later life

The English Housing Survey also shows older households tend to move longer distances than younger households – this is particularly so when it comes to very long distances of 50 miles or more (figure 10) – though half of all home moves made by over 55s are still within five miles.

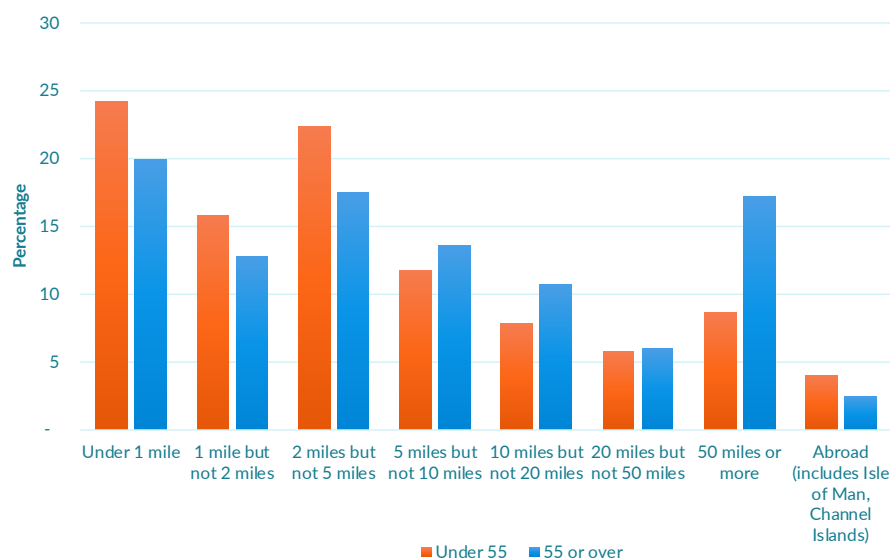
This suggests that older people are more likely to relocate large distances – probably to move closer to their family – however, just like the rest of the population, older people have a strong attachment to the place in which they live. Even if their home is unsuitable to their needs, many older people are unlikely to even consider moving if more suitable options are not available locally. This underlines the importance of local authorities taking an active role in planning for older people's housing needs.

The English Housing Survey also shows that older households tend to move for family or personal reasons and to downsize (figure 11). Younger households tend to move for family or personal reasons too, but also for a larger property and to live independently.

Research into older people's migration by Maria Evandrou using data from the British Household Panel Study (BHPS) over 1991-2007 allows for a more granular analysis. Her findings show that overall 3.4% of people

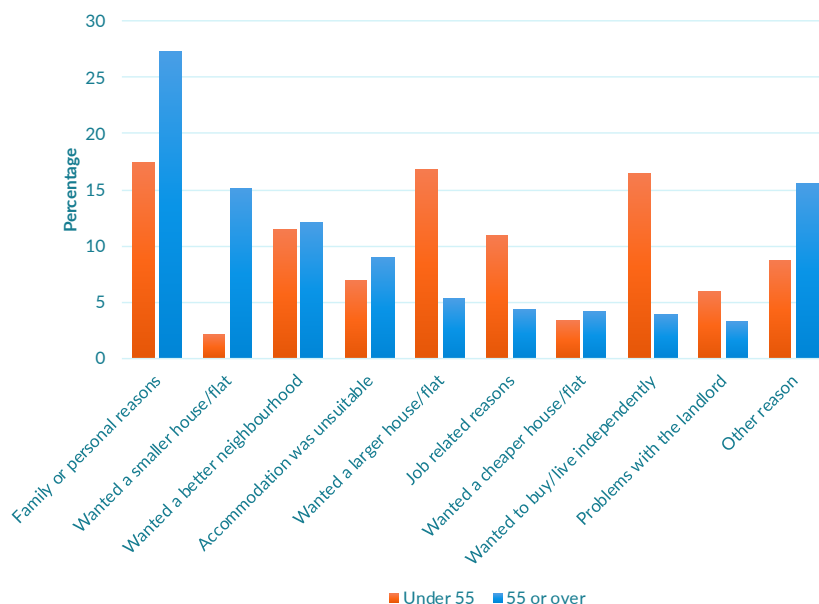
33. 107,000 older people who used to own their property became renters. This compares to 48,000 older people who were renters but became owners.

**Figure 10: Distance moved by recent movers in England by age, 2014/15**



*Data source: English Housing Survey 2014/15. Recent mover defined as having moved in last 3 years*

**Figure 11: Main reason for moving for recent movers in England by age, 2014/15**



*Data source: English Housing Survey 2014/15. Recent mover defined as having moved in last 3 years.*

aged over 50 moved in the UK over that period. The relationship between migration and age is U-shaped. For both men and women the likelihood of migrating decreases with age until the late 70s and 80s, at which point it picks up again.<sup>34</sup> Evandrou suggests these patterns show that those moving at younger ages tend to do so because of a change in lifestyle whereas

34. Evandrou, Maria et al, University of Southampton 2010, Migration in later life: evidence from the British Household Panel Study <http://cpc.geodata.soton.ac.uk/publications/2010%20population%20trends141%5B1%5D-Migration%20in%20later%20life.pdf>

those who move at the oldest ages move for health reasons. (It is worth noting that this particular dataset excludes moves to institutions so that actual numbers are likely to be higher.)

Evandrou's analysis of the BHPS data found that while wealth did not make a significant difference to older people's propensity to move overall, it did impact on the poorest 60 to 69-year-olds who were less likely to move than the age group overall. This suggests that a person's financial situation does play a role in facilitating moves around the time of retirement. As a proportion of all older people, renters (11.1%) are more likely to move than homeowners. However, in terms of overall numbers, movers who own their home outright made up the biggest group (but the smallest percentage 2.5%).

Partnerships are a key part of the picture. Changes to relationship status are an even more significant driver in prompting moves in later life. People move because of relationship breakdowns, divorce, spouse's death and the start of new partnerships. The significance of intimate relationships does not wane as people age. If anything, changes in attitudes to marriage and partnerships are playing a significant role in older people's lifestyle choices. The number of divorces amongst the over-65s has sharply increased over the past few decades.<sup>35</sup>

### Older people's appetite to move

The fact that a number of people are seeing retirement as the start of the next phase in life and reassessing their choice of partner is reflected in *The Colour Report* by McCarthy & Stone.<sup>36</sup> The survey of 2,503 retirees aged over 55 in the UK sought to dispel the myth that older people are an amorphous grey lump by highlighting the varying attitudes among the age group and changes to expectation in retirement.

One third of those polled lived alone. But while death of a partner was the most common reason given among those over 70, most of those in the 65 to 69 age bracket said they were alone through choice or divorce. However, 68% said they would like to live close to their family, a feeling which increased as people got older. The wish was highest amongst the 70- to 74-year-olds and correspondingly, 14% of those over 75 had already made the move.

Among those polled in this study, 33% said they were likely to move in the next five years. This is a far higher percentage than ONS migration data or longitudinal studies suggest actually go through with it and is likely to reflect the sample in this study rather than society as a whole. Nonetheless, it does suggest that an appetite to move does exist amongst certain demographics and that there is a market for providers of retirement housing. Within the McCarthy & Stone poll, those aged 75 and over were the most likely to move (41%): 35% to downsize to a smaller property, and 61% to a specialist retirement home.

A similar study by the insurance company Prudential found that 3.9 million over 55s planned to downsize to a cheaper property in later life.<sup>37</sup> Of those polled, it was expected that on average they would raise £112,000

35. Mintel, *Lifestyles of the Over-55s and Seniors*

36. McCarthy & Stone, *The Colour Report* <http://www.mccarthyandstonegroup.co.uk/~media/Files/M/McCarthy-And-Stone/documents/colour-report.pdf>

37. Prudential, *Nearly 4 million homeowners over-55 plan to downsize*, <https://www.pru.co.uk/press-centre/nearly-4million-plan-to-downsize/>

in equity by downsizing. However, the main reason for downsizing was convenience (74% responded this way). Just 28% said releasing money for retirement was the main reason for downsizing.

### What would enable more people to move in later life?

Previous research, recounted above, suggests many older people would consider moving to retirement housing. Yet, as we have shown, a huge majority of older people choose not to – either because it is not worthwhile or because it is simply unviable. The objective of policy, therefore, must be to address the obstacles older people face when moving home.

Of course, moving home will remain out of the question for a significant proportion of the population – research suggests a large majority of older people would prefer to stay in their home with some adaptations if they need care or support in the future.<sup>38</sup> However, the reality is a number of barriers prevent many older people from moving home even when they would like to.

From the costs and financing, to the stresses of moving house – experienced by home movers of all ages, but accentuated by old age<sup>39</sup> – these obstacles are varied and numerous. A report by the Housing, Communities and Local Government Select Committee details each in length.<sup>40</sup>

Another report by the Design Council, the Centre for Ageing Better and the Social Care Institute for Excellence has put forward innovative ideas for how more older people can finance home moves (and home adaptations) – for instance lifting age limits on borrowing and re-mortgaging, extending personal health care budgets to include housing costs and using the Disabled Facilities Grant more innovatively for housing costs.<sup>41</sup>

A number of organisations have also recommended Government introduces Stamp Duty exemptions for older people who downsize.<sup>42</sup> They argue lost receipts would be recouped by receipts gained in sales unlocked by an older person choosing to downsize. The Institute of Public Care at Oxford Brookes University have calculated that if it resulted in 10 percent more transactions, exempting older people from Stamp Duty would generate £186 million extra tax revenue per annum.<sup>43</sup>

Given the relatively small number of moves by older homeowners and the extra incentive a Stamp Duty exemption would provide to an older person who is considering moving home, we believe there is merit to this recommendation. As suggested by the APPG on Housing and Care for Older People, the focus of this policy should be older homeowners who have not benefitted from housing wealth to the same extent as those in higher value property markets – and for who downsizing often simply does not stack up financially. Government should remove the 2 percent stamp duty band – which is levied on those buying homes between £125,000 and £250,000 – for older homeowners looking to move home.

However, the biggest obstacle older people face when moving home, and the focus of this report henceforth, is the provision of suitable properties. Data from the Bank of England, illustrated by figure 12, shows a lack of suitable properties is by far the most important factor when it comes to

38. Public polling by Ipsos Mori poll finds 64% of disabled people aged 65 and over and 62% of non-disabled people aged 65 and over would choose to remain in their home with some adaptations. IPSOS Mori, Accessible Housing Survey 2016 <https://www.ipsos.com/sites/default/files/publication/1970-01/sri-housing-accessible-housing-survey-2016.pdf>

39. Older people's physical capacity to move a lifetime's possessions tends to be less than younger people, meaning the disruption of moving home can be a much greater obstacle the older the household.

40. House of Commons, Communities and Local Government Committee, Housing for older people 2017-19 <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

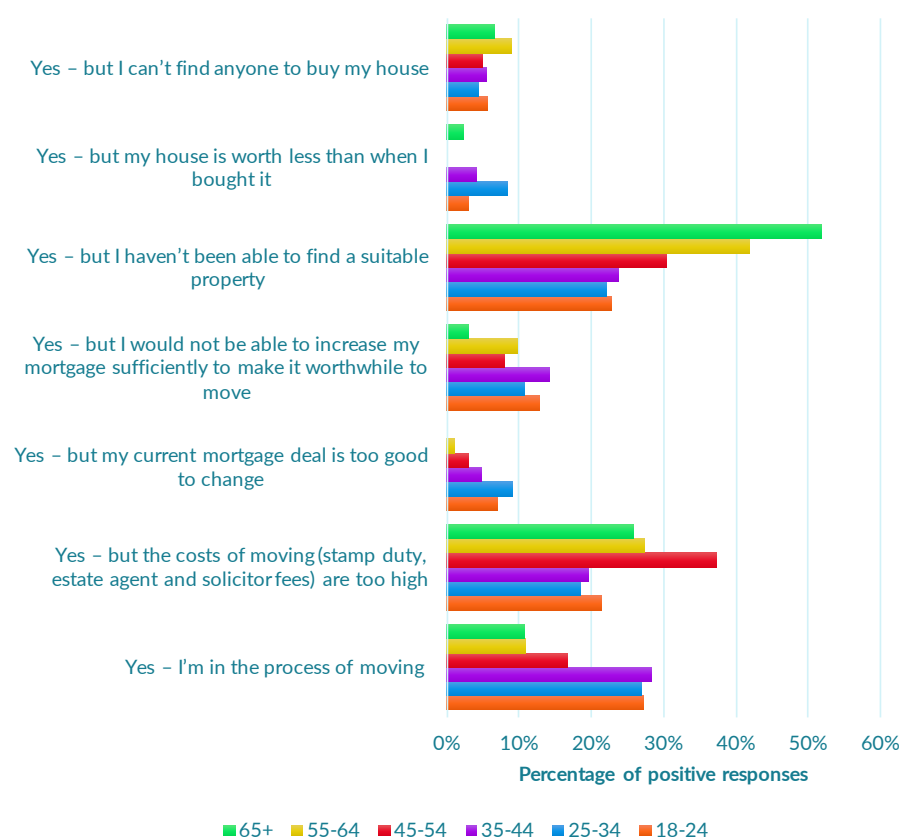
41. Design Council, Centre for Ageing Better and the Social Care Institute for Excellence, 100 Year Life, <https://www.designcouncil.org.uk/sites/default/files/asset/document/100-year-life.pdf>

42. For instance, the All Parliamentary Committee on Housing and Care for Older People and Legal & General.

43. IPC, Stamp Duty and Housing for Older People, <https://ipc.brookes.ac.uk/publications/IPC%20Stamp%20Duty%20and%20Housing%20for%20Older%20People.pdf>

why older people who want to move choose not to. This data is exclusive to older people who own their home,<sup>44</sup> but its conclusions are reported to be common across the private and social rented sectors.<sup>45</sup>

**Figure 12: Have you considered moving since the beginning of 2017? Positive responses of owner-occupiers by age group**



*Data source: Author's analysis of Bank of England NMG Survey 2017. Respondents were able to choose all answers that applied*

44. Bank of England NMG Survey 2017

45. New Policy Institute, Market Assessment of Housing Options for Older People [https://www.npi.org.uk/files/5213/7485/1289/Market\\_Assessment\\_of\\_Housing\\_Options\\_for\\_Older\\_People.pdf](https://www.npi.org.uk/files/5213/7485/1289/Market_Assessment_of_Housing_Options_for_Older_People.pdf)

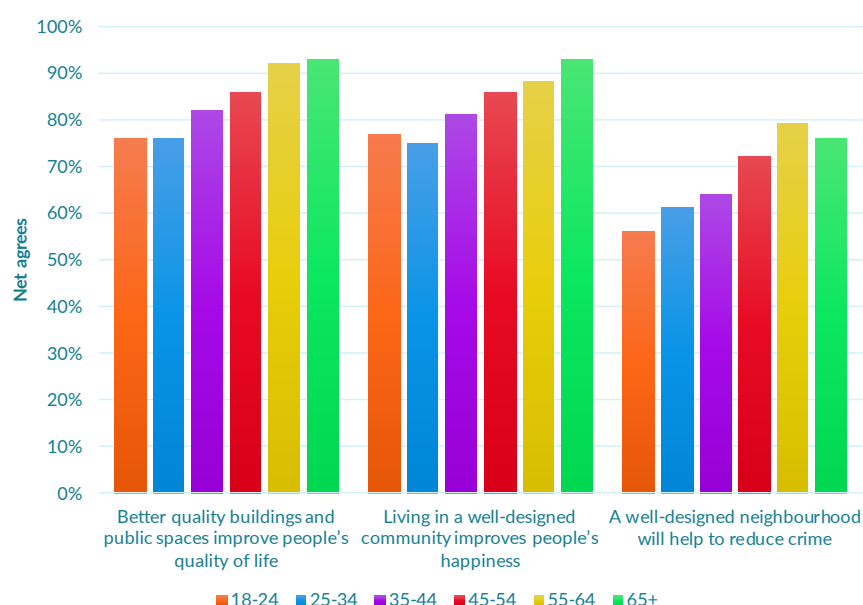
## 4 The Homes Older People Need and Want

To increase the supply of homes suited to older people, a deeper understanding is needed of what older people want and like in their home and wider place. As noted by the Housing, Communities and Local Government Select Committee, the lack of desirable and attractive properties suited to retirement is a fundamental part of overcoming the practical, financial and emotional difficulties associated with moving.<sup>46</sup> The Committee urge a greater ambition by retirement housing providers when it comes to aesthetic design, noting there is often an emphasis on property functionality as opposed to aesthetics.<sup>47</sup>

The reality is the design and style of homes and communities is very important to older people. Figures from public polling (illustrated by figure 13 and prepared by Deltapoll for Policy Exchange)<sup>48</sup> show that older people are overwhelmingly positive about the impact of good design. In fact, the older someone is, the more positive they are about good design.

In the rest of this chapter we detail the design features and styles older people tend to want and like in their home and wider place. This is partly

**Figure 13: Perceptions of the impact of design by age group**



46. House of Commons, Communities and Local Government Committee, Housing for older people 2017-19 <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

47. House of Commons, Communities and Local Government Committee, Housing for older people 2017-19 <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

48. Public polling prepared by Deltapoll. Online field-work dates: 3rd May-10th May 2018. 5,013 respondents from London and the South East.

**Data source: Deltapoll. Respondents answered the following question: 'For each of the following statements, do you agree strongly, tend to agree, neither agree nor disagree, tend to disagree or disagree strongly?' N=5,013**



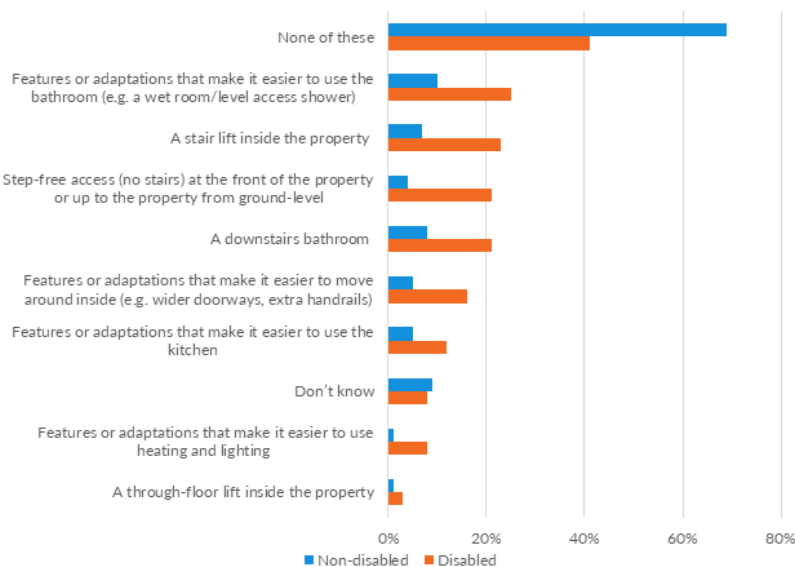
about features that improve accessibility – something that is particularly important in the context of supporting older people to live independently. However, more fundamentally, it is also building houses that people like the look of and feel proud to call home.

### Features for functionality

Research by IPSOS Mori in 2016 shows the specific features older people expect to need in their home with regard to accessibility – shown by figure 14.<sup>49</sup> The most prominent conclusion is how many older people (aged 65 and over) think they will not need any accessibility features in their home. 69% of older people without a disability responded this way. 41% of those with a disability responded this way.

The accessible housing design features older people most expected to need were those that made it easier to use the bathroom (either through a wet room/level shower or by it being downstairs) and those that made it easier to go up and down stairs (either through an internal stair lift or, externally, step-free access at the front of a home).

**Figure 14: Demand for accessible housing features by people aged 65 and over among disabled and non-disabled sub-groups**



*Data source: IPSOS Mori, 2016. Respondents aged 65 and over. For disabled, n=117. For non-disabled, n=391*

### Functionality and aesthetic quality is needed

Accessibility features are a hugely important part of improving the supply of homes for older people. Yet we must think more widely about the design of homes and communities too. The reality, as shown by the large proportion of people who don't expect to need accessible housing features, is that functionality is not always front-and-centre when someone makes a decision on their housing.

The truth is, like every other part of society, older people's needs and wants for their home extend far beyond accessibility features

49. The question is posed as whether the respondent thinks they will personally need accessibility features within the next five years or so. IPSOS Mori, Accessible Housing Survey 2016 <https://www.ipsos.com/sites/default/files/publication/1970-01/sri-housing-accessible-housing-survey-2016.pdf>

like handrails and chairlifts. The look and desirability of homes and neighbourhoods remains as, if not more, important to older people as it does to younger people.

To encourage a greater number of older people to move, downsizing must be sold as something more than just about being better for their health requirements. It must be seen as desirable and a natural progression in someone's life. Key to this is a focus on the aesthetic design and style of retirement homes and communities.

The Housing our Ageing Population Panel for Innovation (HAPPI) has put together ten design criteria relevant to older people's housing need.<sup>50</sup> They are appropriate to newly-built homes and adaptations to existing homes too. We have listed them in the box below. The principles are instructive for the design and build of new homes for older people.

### HAPPI principles for the design of new retirement homes

1. Generous internal space standards designed to accommodate flexible layouts
2. Windows of a size and detail that ensure plenty of natural light
3. Home layouts that maximise natural light and ventilation with balconies, patios or terraces
4. Homes designed to be 'care ready' so new technologies can be readily installed
5. Building layouts that promote circulation areas as shared space, promoting interaction and supporting interdependence
6. Provision of multi-purpose space with facilities designed to support a range of activities
7. Well-designed streets with plants and wildlife habitats to give colour, shade and shelter
8. Homes that are energy-efficient, well insulated and well ventilated
9. Adequate storage provided for bicycles and mobility aids
10. Shared external surfaces that prioritise pedestrians rather than cars

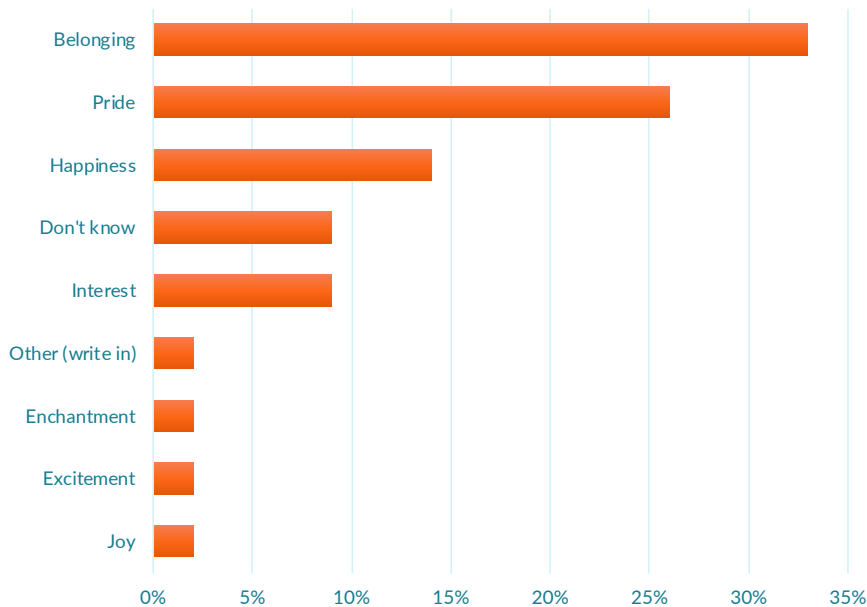
### Older people's preferences for the design of homes and communities

As well as HAPPI's principles, however, we must also account for older people's preferences for the design of new retirement homes. Policy Exchange recently commissioned public polling on design and style preferences which we have disaggregated by older people (respondents aged 65 and over). These responses are summarised below. We hope they provide greater texture to the types of homes and communities older people want to live in – and therefore the types they would consider moving to. While not all older people want the same thing from their home and community, there are a number of common trends.

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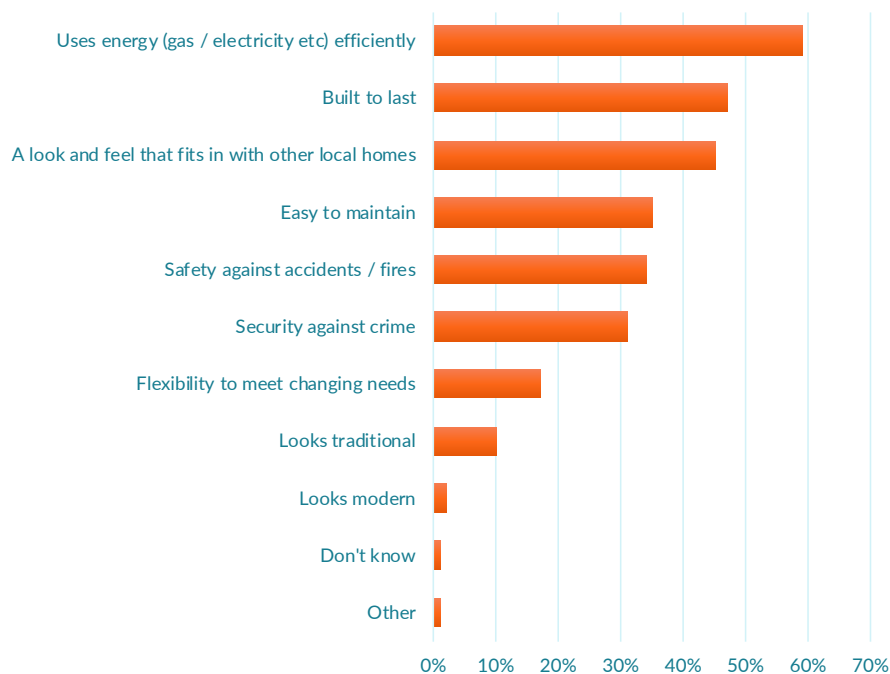
50. Housing our Ageing Population Panel for Innovation (HAPPI) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/378171/happi\\_final\\_report\\_-\\_031209.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/378171/happi_final_report_-_031209.pdf)

**Figure 15: How older people want to feel about the look and feel of homes and buildings in their area**



*Data source: Deltapoll. Respondents answered the following question: 'What single emotion do you think you should have when you think about the look and feel of homes and buildings in your area?' N=902. Respondents aged 65 and over*

**Figure 16: Older people's priorities for the design of homes**



*Data source: Deltapoll. Respondents answered the following question: 'In your opinion, which two or three things on this list are most important to consider when designing homes for people to live in?' N=902. Respondents aged 65 and over*

Figure 15 shows older people overwhelmingly want a sense of belonging and pride from the look and feel of homes and buildings in their area. They want homes that are energy-efficient and built-to-last (figure 16). Moreover, they want new homes to have a sense of fittingness with other local homes.

Figure 17 shows how, when it comes to the sort of place they would like to live, older people value proximity to, and the presence of, greenery in their area. They also value nice-looking streets and homes that are close to shops in quiet areas. When it comes to what features older people would be willing to pay for, transport links, parks and large rooms are most wanted (figure 18).

### Meeting older people's needs and wants

The housing market needs to better serve older people's needs and wants. As we write in the first chapter, the UK has an ageing population that brings specific challenges. In housing terms this should mean a market that supports more people to live independently. This necessitates an emphasis in design on functionality and aesthetics. It is applicable to newly-built homes and the upgrading of existing stock of retirement housing.

For the many older people who own their home, adaptations may be the most appropriate choice. As we have said already, a large majority of older people would prefer to stay in their home with some adaptations if they need care or support in the future.<sup>51</sup> They should be supported accordingly (a theme beyond the scope of this report).

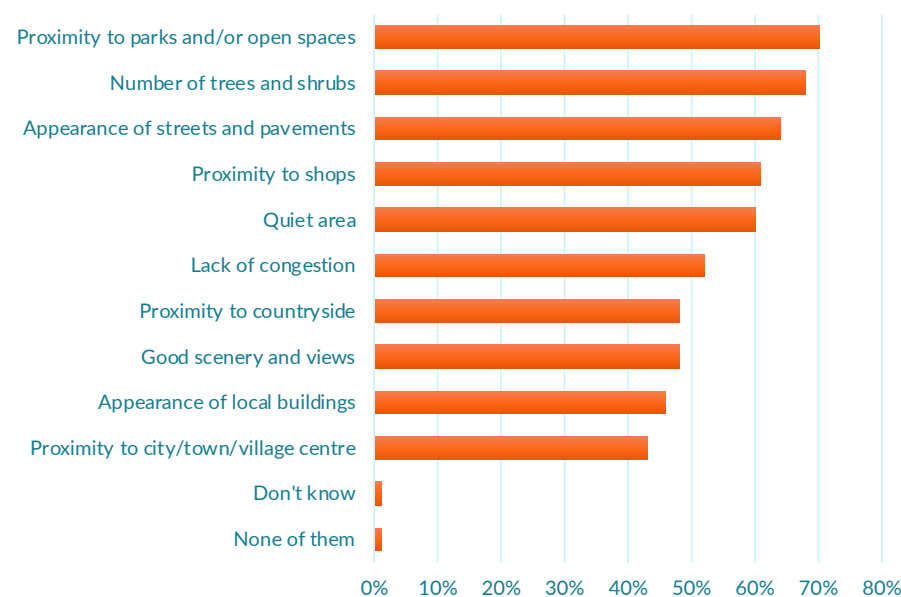
For the older people who own their home but would consider moving to a property better suited to their needs and wants, a better supply of retirement-suited homes should be a priority for housing policy in the UK. The aim should be developing an intermediate market for retirement housing – with homes for sale and rent at a variety of price points.

If made a more attractive option, a greater number of older people will begin to see downsizing as a natural progression as a person ages. The National Planning Policy Framework (NPPF) announced a stronger emphasis on design and style, encouraging more local planning authorities to adopt design codes and style guides, and it is important older people are engaged in this process through consultation and design panels.

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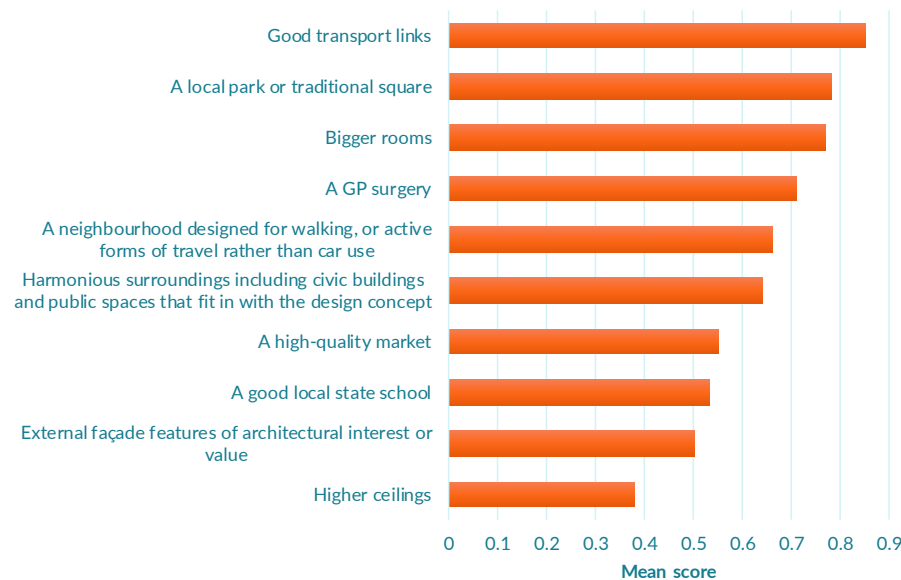
51. Public polling by Ipsos Mori poll finds 64% of disabled people aged 65 and over and 62% of non-disabled people aged 65 and over would choose to remain in their home with some adaptations. IPSOS Mori, Accessible Housing Survey 2016 <https://www.ipsos.com/sites/default/files/publication/1970-01/sri-housing-accessible-housing-survey-2016.pdf>

Figure 17: What features older people like about the place they live



Data source: Deltapoll. Respondents answered the following question: ‘Thinking only about the area in which you live, which, if any, of the following do you think are important in making your area a pleasant place to live?’ N=902. Respondents aged 65 and over

Figure 18: The extent to which older people are willing to pay more for certain features in their home and community



Data source: Deltapoll. Respondents answered the following question: ‘If you were in the market to buy a newly built home, would you be prepared to pay a lot more, a little more, or no additional money for each of the following design features?’ N=902. Mean score denotes the average answer to: A lot more money (2.0), A little more money (1.0), No additional money (0.0). Respondents aged 65 and over

## 5 Expanding Existing Provision

In this report we have argued older people's housing needs are often going unmet. We have argued that more people have an appetite to move than choose to and that a focus on design and style, alongside functionality, is important to closing that gap.

Finally, in this chapter we consider existing provision and how that supply can be expanded. Specifically, we argue both that there is a need for an intermediate market for retirement housing to develop – that is, one that better serves older people who cannot afford the higher end of the housing market and who are not eligible for social housing. We also argue for the building of new, and the regeneration of old, retirement housing for social and affordable rent. This is integral to providing older people greater choice in terms of the form, tenure and cost of housing suited to retirement.

The reality is older people's housing needs are unlikely to be met by existing providers. The development model of major house builders – one that tends to focus on volume, younger households and which is supported by government subsidy – is well-known and they are unlikely to deviate from the model given its profitable nature. Furthermore, existing retirement housing providers tend to focus on the higher end of the market.

To encourage the development of an intermediate market for retirement housing, a legal and regulatory platform that enables new development models of retirement housing, both for ownership and rent, is needed. This would enable a new tier of small and medium-sized providers to emerge. There should also be an emphasis on upgrading existing retirement housing stock. In this chapter we look to outline policy changes for achieving both.

### The UK lags other countries and its demographic change when it comes to specialist housing

The majority of older people in the UK live in ordinary mainstream housing with only a small percentage living in tailor-made specialist housing. Estimates range from 1% to 7% depending on definitions and how the data is calculated.<sup>52</sup> By comparison, 17% of over 60s in the USA and 13% among that age group in Australia and New Zealand are living in tailor-made retirement properties.<sup>53</sup> The retirement housing markets for each of these countries, and the Netherlands, are described in the boxes across the page.

When it comes to provision of housing for older people, the UK is clearly lagging behind other developed countries, and there is a vast opportunity for an increase in provision to meet the growing demand and need.

This year (2018), around 6,000 new private retirement homes will

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52. Government Office for Science, Future of an ageing population, evidence review [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/445583/gs-15-11-future-ageing-homes-neighbourhoods-er21.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/445583/gs-15-11-future-ageing-homes-neighbourhoods-er21.pdf)

53. APPG on Housing and Care for Older People, HAPPI 3, Making Retirement Living a Positive Choice, 2016 [https://www.housinglin.org.uk/\\_assets/Resources/Housing/Support\\_materials/Other\\_reports\\_and\\_guidance/HAPPI3\\_Report\\_2016.pdf](https://www.housinglin.org.uk/_assets/Resources/Housing/Support_materials/Other_reports_and_guidance/HAPPI3_Report_2016.pdf)

come to the market according to data from the Elderly Accommodation Counsel. This is in line with the level of delivery we have seen in recent years. But estimates suggest this is a huge undersupply. Savills calculates that we should be building 18,000 homes for older people a year simply to maintain existing levels of provision as the population ages.<sup>54</sup> The think tank Demos has argued annual demand for new homes purpose-built for older people is in fact over 30,000.<sup>55</sup>

However, increasing provision of retirement housing to match international benchmarks would require an additional 60,000 new homes per year over the next ten years on top of that – a total of 78,000 homes aimed at older people.<sup>56</sup> That is just over a quarter of the current Government target of 300,000 new homes a year.

### Retirement housing in Australia – a similar challenge to the UK

Australia's retirement housing market is very similar to the UK. It has an ageing population, high rates of home-ownership among older generations and many older homeowners are said to under-occupy their home.<sup>i</sup> While many express an interest in downsizing, few actually move. Common concerns include high moving costs, emotional attachment and inheritance. Literature from Australia suggests that older people only use their housing wealth as a last resort or a reactionary measure in response to illness or bereavement.<sup>ii</sup> It also suggests the vast majority of older people prefer to remain in their own homes and acquire professional assistance for issues relating to health decline and home maintenance.

The retirement housing market is limited. There is a shortage of small, age-friendly housing even for those with significant levels of equity.<sup>iii</sup> Retirees were found to be more interested in downsizing the exterior of their home rather than the interior. Like the UK, there is also a strong preference to stay close to former homes and communities.

State and central government has taken a role in trying to increase the range of housing options for older people. To make it easier for older people to downsize, and reduce the return needed on the sale of the principal home, some states like Victoria have introduced stamp duty exemptions for pensioners who move into a new-build property.

The Australian Government has also taken steps to assuage fear that downsizing will have an impact on pension eligibility. Eligibility is determined by both income and assets. A person's principal home is exempt from asset calculation which incentivises older people to tie up wealth in their principal home. In response to concerns that releasing some equity through downsizing would mean losing a part of a person's pension, the Government distributed pamphlets to say this was not the case and that older people are very unlikely to lose their pension as a result of downsizing.

i. Australian Bureau of Statistics, Housing Occupancy and Utilisation, <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4130.0~2013-14~Main%20Features~Housing%20Occupancy%20and%20Utilisation~4>

ii. Judd et al., Downsizing amongst older Australians, <https://www.ahuri.edu.au/research/final-reports/214>

iii. Ibid

54. Bryant, T. Savills, UK's ageing population needs new homes to meet changing needs, <https://www.savills.co.uk/blog/article/197075/residential-property/uks-ageing-population-needs-new-homes-to-meet-changing-needs.aspx>

55. Demos, Unlocking the housing market, <https://www.demos.co.uk/wp-content/uploads/2017/11/Unlocking-the-Market-Demos-Report.pdf>

56. Hudson, N. Savills, Housing an Ageing Population, 2015 [https://www.savills.co.uk/research\\_articles/229130/193071-0](https://www.savills.co.uk/research_articles/229130/193071-0)

### Retirement housing in the Netherlands – homes for life

The Netherlands also faces the challenge of an ageing population and has high levels of home-ownership. However, there is not seen to be a shortage of appropriate housing for older people. A major reason for this is that the Dutch Government does not actively encourage older people to downsize. Instead, it encourages older people to live independently in their own home for as long as possible. For instance, the Government provides support for home adaptations and promotes volunteer schemes that provide students with cheap accommodation in exchange for providing a certain amount of care. It also provides flexibility in working hours for potential carers.

Alongside a policy environment that encourages ageing in place, there is a culture which discourages relying on housing equity for paying for care in older age. One reason for this is the lack of urgency in repaying mortgages. In 2017, the Dutch Central Bank warned 55% of aggregate mortgage debt consisted of interest-only and investment-based mortgage loans, which did not involve any contractual repayments during the loan term. Many owner-occupiers do not intend to repay their mortgage in full and, as a result, few elderly citizens are outright-owners of their home.

Another reason is the two-pillar pension model is seen to be reasonably adequate. In a study into retirement planning, interviewees emphasised income-based solutions for paying for care in later life.<sup>iv</sup> They suggested this would be achieved by reducing expenditure or gainful employment.

### Retirement housing in New Zealand – a capital intensive option

In New Zealand, homes are typically three bedroom standalone properties with a good amount of outdoor space. Maintenance of these homes can be significant and unsuited to elderly people. This provides an incentive to downsize; however, the market is relatively limited.

In recent years, there has been a boom in retirement villages – 159 units received planning permission every month in the two years to the end of 2015. After paying a capital sum for the value of the property, residents are provided with a license to occupy a home in the village but without ownership rights. Instead, up to 30% of the property value is used to cover costs such as communal facilities, management or long-term maintenance. On top of this, if they leave their home, any value uplift realised through sale of the home is retained by the developer. These sorts of retirement villages are popular. However, their price structuring is a barrier to people with lower levels of wealth. It has been argued zonal regulations operate against the building of more affordable retirement housing for older people.<sup>v</sup>

iv. Toussaint and Elsinga, Dutch households' strategies for old age and the role of housing wealth, [http://dk.fdv.uni-lj.si/db/pdfs/tip20105\\_toussaint\\_elsinga.pdf](http://dk.fdv.uni-lj.si/db/pdfs/tip20105_toussaint_elsinga.pdf)

v. Taylor, A., Building Affordable Elderly Housing: How New Zealand's planning system influences market outcomes, [https://www.planning.org.nz/Attachment?Action=Download&Attachment\\_id=3777](https://www.planning.org.nz/Attachment?Action=Download&Attachment_id=3777)



## Retirement housing in the USA – encouraging retirement homes through zoning

In the USA the ageing population is more diverse than previous generations. As minority groups tend to have lower rates of home-ownership, lower median incomes and fewer assets, it is expected that, as this generation reaches retirement age, there will be a significant shift in housing demand. While many older people in the USA will stay in their current home as they age, a great many will also require new housing options. Many city governments have taken a planning-led method to increasing supply of suitable homes.

One approach some places have taken is adapting zoning regulations that encourage the building of different types of housing that meet the specific needs of older people.<sup>vi</sup> In Foster City, California, for instance, there is an ‘overlay district’ – i.e. a layer of local planning regulation – specific to older people’s housing. It was introduced to support the building of affordable rentals for older adults in high-density locations. Similarly in Howard County, Maryland, the council designated a district that permits the building of age-restricted housing and institutional and cultural facilities for older people.

Another planning-led approach has been to encourage the building of smaller, denser and more affordable units on infill plots of land on streets predominated by single-family homes.

## Current supply of specialist housing in the UK

There are currently around 515,000 homes specifically aimed at older people in England according to data from Elderly Accommodation Counsel – provision is outlined in the box below.<sup>57</sup> These account for only 2% of England’s housing stock. Although the numbers are small, the variety is large and can be confusing. Currently the range of products and services on offer come under a number of different names and there are no universally accepted definitions. The options vary depending on design and style, services and facilities provided, management arrangements, level of care required, tenure of housing and, crucially, price.

Three quarters of homes specifically aimed at older people are rented and managed by local authorities and registered providers. They play a vital part in housing the neediest. However, many were built in the 1980s and early 1990s and are now in need of refurbishment and upgrade. Many of these homes are arguably no longer fit for purpose and require regeneration. Simply maintaining ageing stock of housing as demand grows is a particular challenge.

Private operators make up the remainder with just under 130,000 homes. A typical new build retirement development comprises around 20 to 50 one or two bed flats close to town centres. These offer some communal space and visitor accommodation but can be short of car parking space, often relying on nearby bus stops. Retirement villages are much larger and can include up to 350 homes, although 250 is more typical.

vi. Joint Center for Housing Studies of Harvard University, Housing America’s Older Adults, [http://www.jchs.harvard.edu/sites/default/files/jchs-housing\\_americas\\_older\\_adults\\_2014\\_0.pdf](http://www.jchs.harvard.edu/sites/default/files/jchs-housing_americas_older_adults_2014_0.pdf)

57. Elderly Accommodation Counsel, EAC <https://www.housingcare.org/downloads/eac%20stats%20on%20housing%20for%20older%20people%20March%202015.pdf>

### What's on offer in the UK?

#### Mainstream housing

Residential developers are alive to the fact that there is tremendous potential in the downsize market, particularly among wealthier homeowners with equity. But to tap into this market, developers need to think differently about design and style. To attract downsizers new homes must be large enough to accommodate a lifetime of belongings and provide space for visiting family.

New build apartments with open plan kitchen-dining spaces may work for younger buyers but be off-putting to downsizers. Also crucial is ensuring that adaptable design is future-proofed and can accommodate people as they age. That means avoiding anything that could become a trip hazard, wiring for alarm systems, walk in showers and space for stair lifts if necessary. It is important that age-friendly design is done subtly and attractively. Anything too 'medicated' in style can be a turn off.

#### Retirement/sheltered housing – 455,000 homes

In the public and social sectors, 'housing with support' has traditionally been known as 'sheltered housing', and in the leasehold private sector as 'retirement housing'. Rented sheltered housing makes up 75% of this category. But this sector also covers homes for sale and shared ownership. Key features across tenures include homes with their own front door, communal areas such as lounges and restaurants, managers and varying levels of personal care and support.

#### Extra Care housing – 60,000 homes

Also known as assisted living or continuing care. Within this category, 78% is rented. This offering provides more in terms of care and recreational facilities and can respond more flexibly to people's changing needs. Retirement villages are often grouped in this category. These retirement communities are much larger ranging from 90 to 350 homes.

The purpose-built retirement market is dominated by McCarthy and Stone, Churchill and PegasusLife which has recently acquired Renaissance. They provide 90% of purpose built private retirement housing but serve the mid to upper end, aiming at buyers with equity to spend. As a result, their developments tend to emerge in more affluent parts of the country particularly in markets with a large proportion of semi-detached and detached privately-owned homes.

A number of major property consultancies, trade and professional networks have noted the potential for expansion in the lucrative retirement market. In recent years, retirement housing providers have expanded away from the mass market sector to deliver premium developments targeting aspirational downsizers. Knight Frank calculates that the development value of the private retirement living sector is worth £29bn across the UK in today's house prices.<sup>58</sup> This is nearly twice the size of the care home

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58. <https://www.knightfrank.co.uk/resources/retirement-housing-market-update-q1-2018.pdf>

sector which was valued at £15.9bn in 2016.

### A gap in the middle of the market

There is clearly the opportunity for the lucrative retirement market to grow, but policymakers and planners must consider carefully what kind of provision is needed and where these homes need to go.

The current private ‘retirement’ market tends to provide for the equity rich and is becoming increasingly aspirational. Savills estimates that a new build home in a retirement development would typically be priced at around the upper quartile of the flat market. In other words, retirement homes tend to be more expensive than 75% of flats in that area.<sup>59</sup> This is before you add up the ongoing costs of living in retirement housing which can include a service charge in leasehold property.

In the affordable housing market, social landlords providing for the less well-off are facing considerable pressures to maintain their ageing stock and invest in improvements and/or develop new age-friendly housing typologies, such as to the HAPPI design principles, to meet the demands of older occupiers.

This leaves a considerable gap in provision for those in the middle.

There are those who may own their own homes but are not wealthy enough to choose to downsize. People in this position can become stuck in ageing family homes, long after their offspring have left, with little cash to maintain or heat their properties. Their homes may be unsuitable to an older person’s needs. But, as discussed in Chapter Two, there is a tendency to stay put until ill-health or death of a spouse prompts a move much later in life.

There are also the growing numbers of people who will rent privately into retirement. Some will be able to support themselves into retirement while some will require support from the state. Both will need more rental retirement options suited to their circumstance (for instance, longer tenancies to provide greater security).

Put simply, the gap in the provision of retirement homes for those in the middle is a market failure. We believe the state and composition of the market demands a wider range of housing options for older people. A focus on design and aesthetics is a significant part of this, as we argue in Chapter Four. However, it also demands new thinking in how retirement housing is provided, planned and regulated.

### Attracting new sources of private capital into the retirement housing market

To encourage a wider range of intermediate housing options to suit older people, a greater level of market competition is needed. This requires a planning and legal framework that enables new and disrupting types of provider business models and new models of ownership and renting for older people. These need to reflect the expectations of older people, making best use of existing and future housing stock, with new products closely monitored to ensure they are fair and provide value to the

59. Bowles, L. Savills, Housing for older people 2017 [https://www.savills.co.uk/research\\_articles/229130/217396-0](https://www.savills.co.uk/research_articles/229130/217396-0)

consumer. A key part of enabling this is attracting new sources of capital into the retirement housing sector.

In that regard, there is an opportunity to make retirement housing for private rent, and shared ownership, a more common and more known option to institutional investors. With investment strategies based on generating regular revenue streams over a long period, retirement housing is a suitable market for more investors like pension funds in which to operate – particularly retirement villages where a number of services will be provided. This would be advantageous for the consumer, both in terms of developing a new intermediate rental market and in the development of retirement homes and communities that are well-designed and well-maintained – something necessitated by the need for their assets to retain their value over a long period.

Yet, despite its suitability to consumers and investors, institutional investment in retirement housing is relatively low. Although some funds have begun investing in the retirement housing market – Legal & General, for instance, last year announced plans to build 3,000 new homes for over 65s in a five year period<sup>60</sup> – the market remains modest. Given its potential, we believe the state should pursue a more active role in developing the market.

One option is for local authorities to enter joint ventures with institutional investors, for instance putting forward public land as equity and the institutional investor putting forward debt (in partnership with one or a set of developers). As part of the partnership agreement, the local authority could stipulate a wide range of rent levels, ensuring homes are relatively affordable. And, like the institutional investor, the local authority would benefit from the long-term rental revenues the development would generate.

Another option is for government to use its brand and financial capacity to attract new sources of investment to the retirement housing sector. Homes England could directly invest in a retirement-specific real estate investment trust (REIT) which is then floated on the stock exchange and used to raise new funds for the development of retirement homes for rent.

A REIT is a company that owns, operates or finances revenue-generating housing. Popular in America and relatively new to the UK – the regime was introduced in 2007 – this was the instrument used by Homes England last year to attract investment into professionally managed private family homes in the private rental sector. It invested £25 million in a PRS REIT which was then floated on the London Stock Exchange. Supported by the confidence of the HCA's backing, the REIT raised the target £250 million and was heavily oversubscribed.<sup>61</sup>

### Supporting housing associations and local authorities to increase their supply of retirement homes

As housing associations and local authorities look to expand their housing supply – albeit for many local authorities this will be from a near standing start – social landlords should consider the opportunities for increasing their supply of homes suited to retirees. With more of the elderly population in

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60. Inside Housing, L&G enters the retirement sector with £40m purchase <https://www.insidehousing.co.uk/news/news/lg-enters-the-retirement-sector-with-40m-purchase-51754>

61. Property Week, HCA-backed PRS REIT raises £250m <https://www.propertyweek.com/finance/hca-backed-prs-reit-raises-%C2%A3250m/5089469.article>

homes more suited to their health needs, this would be beneficial to local care budgets. It would also, in some circumstances, allow older people in larger social homes to move to homes more suited to their need, making available bigger social homes for other families.

Two opportunities stand out:

First, there is an opportunity to regenerate existing sheltered housing stock more in tune with the higher expectations of ageing baby boomers but still affordable. In our research we heard how sheltered housing sites are often inefficiently used. As each social landlord does routine appraisals of their stock, they should consider the potential for regenerating sheltered housing sites with a greater number of homes which are better built and more aligned with present need.

Second, there is an opportunity for housing associations and councils to build new retirement homes for social and affordable rents. As well as new local authority borrowing powers – which have been gained through the removal of the debt cap on Housing Revenue Accounts – this can be supported by a renewed round of the Affordable Housing Guarantee Scheme (AHGS). The first round of the AHGS ran from 2012 to 2016 and involved the Government underwriting the debt of housing associations and private sector developers for the building of affordable homes. It enabled small and medium-sized housing associations to access new capital markets. A renewed round, already mooted in the Autumn Budget 2017 and Social Housing Green Paper, should be introduced with specific provisions for housing associations to build new homes suited to older people. This could also support schemes for the regeneration of existing sheltered housing stock, as outlined above.

## Planning for older people's housing

Government policy is clear about the requirement for local authorities to meet the care and housing needs of older people. The Housing White Paper emphasised the need to improve options for older people and the responsibility of local authorities to address the housing needs of older people. The revised National Planning Policy Framework (NPPF) makes clear the housing needs of older people – including the size, type and tenure – should be assessed and reflected in local planning policies. Yet there are questions over whether the planning system is doing enough to promote and develop the number and options needed for an ageing population. At the heart of the debate is the planning 'use class' system.

Housing for older people can fall in different use classes within the English planning system. At its most specialised, nursing homes will be considered as C2 along with other institutions such as hospitals. However, retirement housing with a lower degree of care is usually considered as a C3, along with ordinary residential development, despite offering a higher degree of facilities and communal space. That means that developers of retirement housing usually face the same planning obligations as mainstream developers in terms of financial contributions towards affordable housing and Community Infrastructure Levy (CIL).

Retirement housing operators, including the Home Builders Federation Retirement Group, argue that the additional costs associated with delivering specialist retirement housing means that these forms of development cannot support the same level of planning contributions, preventing some developments from coming forward and restricting supply. This has prompted calls to create a new use class to cover homes aimed at older people. Policymakers should resist this seemingly straightforward arrangement. The retirement housing market is still in its infancy and developing. A new use class may not cover all the emerging variations and only serve to complicate the planning system further.

A better way forward is to empower local authorities to deal with the issue at local level. Some local authorities are already excluding retirement housing from CIL obligations, but decisions are patchy. Exempting retirement housing developers from financial obligations faced by mainstream developers would help them compete more effectively in the land market and could result in higher delivery of retirement housing. Government should look to encourage local authorities to waive planning obligations when the development provides a suitable amount of housing for the intermediate retirement market.

In particular, local authorities should look towards exempting rental retirement schemes – where profit levels tend to be lower but where need is only going to increase – from needing to provide capital sums upfront as part of their planning obligations. Instead, to enable developments that otherwise may not be immediately viable; they could demand an annual revenue stream in perpetuity.

Perhaps an even bigger issue than whether retirement housing has its own planning use class is the perceived financial disincentive to a local authority when the number of older people living in their area increases. Because older people tend to need to use public services more than younger people, and retirees tend to add less to the tax base, the assumption tends to be that building more homes for older people is less beneficial to an area than building homes for younger people.

It can be counter-argued that the ‘grey pound’ is a financial benefit to an area, bringing more money to ailing high streets. It can also be counter-argued that, because they do not tend to move far, older people do not often move to another borough. But the perception remains and it is a barrier to local authorities more actively planning for housing for older people. Government should acknowledge this in the forthcoming Social Care Green Paper and consider whether it is accounted for in the needs formulae for assessing social care funding.

## Older people's housing can support the acceleration of build-out rates

The Letwin Review of Build Out Rate was commissioned by the Government to consider the gap between planning permissions granted and housing completions made in areas of high housing demand. The final report, published alongside the 2018 Budget and to which HM Treasury is due to respond, focused on ways in which the Government can increase the variety and differentiation of large housing development sites. In this regard, we believe retirement housing can play a significant role.

A key reason why developers stagger the build of new homes is that the local housing market is thought to only be able to absorb a limited number of homes at one time without prices falling. This means that, in large part, the operating model of the developer and development sets the rate at which homes will be built out. This was described by Oliver Letwin in his letter to the Chancellor and the Secretary of State for Housing earlier in the year setting out his early findings; “The absorption rate of homes sold on the site appears... to be largely determined at present by the type of home being constructed (when ‘type’ includes size, design, context and tenure) and the pricing of the new homes built.”

If developments have a wide variety of housing types, the local housing market should be able to absorb new homes at a rate that does not overly-impact the developer's business model. To that end, we hope retirement housing can more often be a part of the mix of new large housing developments, rather than simply an afterthought. This would allow the building of homes more quickly, and also the development of mixed communities – something older people prefer.

In its response to the Letwin Review, HM Treasury should acknowledge the potential for purpose-built retirement housing to increase the diversity of large new housing development sites.

## Ground rents and an opportunity for reform

Retirement housing has been made exempt from recent Government proposals to cap ground rents on new leasehold properties at £10. This was welcomed by the retirement housing sector. Measures originally proposed by Government to end unfair practices in the leasehold system, which included a ban on leaseholds for almost all new build houses and setting ground rents on both houses and flats to zero on long leases, would have had major implications for the viability of future retirement housing developments.

Providers argue that ground rents make them financially viable and help them compete in the land market. Many new-build retirement properties now come with 999 year leases. The leaseholder pays an annual ‘ground rent’ to the freeholder of the property, which usually increases at a rate set by the freeholder. According to Age UK the annual ‘ground rent’ may be as low as £50 but can be £300 or more. This is on top of any service charges.

It is sensible retirement housing has been exempted from Government



proposals to cap ground rents on new leasehold properties. Much of the recent controversy centres on mainstream housing developments where homeowners faced escalating and onerous ground rents rather than retirement housing specifically.

However Government's review of leasehold should still serve as a catalyst for change within the sector: the more complex leasehold structure and additional costs might be a disincentive to older homeowners to downsize from the more straightforward freehold houses. Moreover, it is unlikely for older people to face a different set of regulations when it comes to ground rents.

Going forward, proposed leasehold reforms provide an opportunity for innovative thinking on the structure of leasehold retirement housing. More clarity and transparency would support consumer confidence in this maturing sector and serve as a platform for further thinking on new structures to help keep down costs.

One option with particular promise for the retirement sector is the commonhold tenure. Commonhold works by residents owning the freehold of their property through a commonhold association with a management agent appointed to deal with the property's day-to-day operation and maintenance. It is thought to give tenants greater control and has a greater sense of transparency.

The Law Commission is currently reviewing how commonhold can be reformed and reinvigorated. Following the publishing of the Commission's review, central government and local authorities should more actively plan and promote commonhold as the default tenure for future retirement housing for sale. This could help overcome resistance amongst older people who have strived for freehold and its benefits.

### Law Commission review into exit fees

Within the retirement sector, the leasehold controversy has surrounded 'event fees'. These fees are also known as 'transfer', 'exit' or 'departure' fees and can be charged by the landlord or management organisation when there is a change in circumstance. Most commonly, these are triggered when a home is sold or sub-let. But they are sometimes charged if a new partner, relative or carer moves in.

Event fees and their financial consequences are not always clear to consumers when they buy a retirement property and given the nature of the fee, may be triggered by unexpected events. This not only leaves leaseholders angry and frustrated but also tarnishes the reputation of the industry which could have an adverse impact on future demand.

Last year's Law Commission Report (2017) found that event fees and their consequences are often not explained clearly enough to consumers. Its recommendations, to the then Department of Communities and Local Government (DCLG), included greater transparency for consumers and the regulation of event fees to restrict the situations in which event fees can be charged to prevent unfair practices.<sup>62</sup>

However, it did not call for a ban. Instead, the Commission found

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62. Law Commission Report <http://www.lawcom.gov.uk/app/uploads/2017/03/LC-373.pdf>



that event fees can make specialist housing, which inevitably comes with high operating costs, affordable to consumers. Older people on a fixed income may be deterred or prevented from buying a retirement property by service charges - covering the full cost of these services and facilities may be unaffordable. The comments were generally welcomed by retirement providers who see successful reform as a way of building confidence in the sector.

## 6 Conclusion

The debate over how to house an ageing population is skewed by an association with equity-rich over 65s who live in homes too big for their needs – with the assumption that they can and should downsize to free up their property to increase mobility in the housing market. While there are a significant number of households which can be categorised as such, they are mostly in London and the South East.<sup>63</sup>

Providing suitable and comfortable housing to an ageing population is too important a challenge to be defined so narrowly. The circumstances, needs and capacities of older people vary greatly and are likely to polarise further. For instance the number of people renting into retirement is expected to increase significantly – one-third of people over 60 are projected to rent privately by 2040.<sup>64</sup> Government should therefore be wary of simplistic policy responses like changes to planning use classes.

Instead the focus should be local. Local planning authorities should take the lead in planning for their ageing population, including homes that are specifically designed for older people's needs and set within an environment that provides additional support and care. They should write and adopt design codes and style guides, engaging older people in the process. They should also be open to working with innovative providers and looking to attract new sources of capital, for instance institutional investors.

However, to support local authorities to take the lead in the delivery of more homes for older people, a stronger central strategy is also needed. This strategy should be based on a clearer recognition from Government that the country's ageing population requires the right kind of housing. It should include consideration of whether local authorities are suitably incentivised to build more retirement homes in their area. It should consider how forthcoming reforms to leaseholds can encourage the building of more retirement housing. And it should consider how the growing numbers of people renting into retirement can be supported to live affordably and securely in the private rental sector.

The ultimate challenge is making the retirement housing sector more desirable to a larger number of people. More choice is needed which is attractive and suited to the expectations of the *baby boomer* generation. The aim should be enticing people to move at a younger age, avoiding a more traumatic move in later life and to lighten the demand for more expensive care homes.

To encourage those options, policymakers must think beyond just numbers. Too often 'retirement housing' is associated with care homes. Ensuring the quality, design and style of housing tailor-made for older people is high is

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63. Savills, Over 50s hold 75% of housing wealth, a total of £2.8 trillion (£2,800,000,000,000) [https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75-of-housing-wealth-a-total-of-£2.8-trillion-\(£2,800-000-000-000\)](https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75-of-housing-wealth-a-total-of-£2.8-trillion-(£2,800-000-000-000))

64. Chartered Institute of Housing, UK Housing Review Briefing 2015, <https://www.ukhousingreview.org.uk/ukhr15/index.html>

the key to matching aspirations and encouraging more downsizing.

As a generation, the over 55s may hold most of the housing equity, but this does not mean that the sums for downsizing work everywhere for everyone. Much of the provision being delivered by private developers is aimed towards the high end of the market and is not comprehensively available across the country.

More homes are needed for older people where need is greatest, not just in the areas where it is profitable for business. Filling that gap requires a greater diversity of product and intermediate housing that offers some of the attractions and care provided by private operators but at a more affordable price.

Finally, delivering a broader range of housing requires a more innovative approach to different products, charging structures and tenure mixes particularly in parts of the country that are not being served by the private sector and those with an ageing social housing stock.

Debates around the 'housing crisis' tend to centre on the experiences of younger people, but some of its most acute impacts are felt by older generations. While many older people will be able to live happily and independently with relatively little change, through continued health and adaptations to their existing homes, many would prefer to move to a home more suited to age-related health and care requirements.

To support this there is a pressing need for more homes specifically aimed at older people with greater choice in their cost, design and tenure. Currently it is only wealthy homeowners who are catered for by the retirement housing market. The aim must be increasing housing choice in later life for people of all financial means.

As the UK population continues to get older, with people living longer and more to a very old age, this report puts forward a policy programme for a retirement housing market more characterised by competition and choice. We make recommendations to Government, local authorities and developers. The report's foreword is written by Lord Richard Best, Co-Chair, All Party Parliamentary Group on Housing and Care for Older People