



The case for Retirement Housing

Retirement Housing Insight Series **2018**

The case for Retirement Housing

There are currently 9.9 million people in England (and 11.8 million in the UK overall) over the age of 65. This number is forecast to rise by 20% over the next decade.

The number of people aged 90 or over is set to almost double in the next 10 years.

Changing demographics can have profound political, economic and social implications. The UK's population is ageing at a faster rate than ever before and the 'grey pound' is becoming increasingly influential.

Indeed, it could be argued that the wealth, income, and the needs of our elderly population are likely to shape our built environment as much as younger generations in years to come.

There is a significant potential market for age appropriate housing and this demand is only set to grow in years to come.

Current stock levels

The Retirement Housing sector (from age-restricted over-55 housing to housing with care*), currently comprises 725,000 homes, which equates to c.2.6% of the total housing stock in the UK. According to the latest EAC data, around 23% of retirement stock is private housing. A recent survey conducted for Retirement Homesearch, a retirement property specialist said that "19% of over-50's believe it 'likely' that they'll spend their autumn years in a purpose-built retirement community". This highlights the gap between current supply and projected demand for retirement housing in the UK.

Demographic drivers

In 2016 there were 9.9 million people in England over the age of 65, 4.5 million were over 75, 1.3 million aged over 85 and 480,000 aged over 90, according to the latest data. These age cohorts have grown

strongly since 2001, as shown in the charts in this report, and they are forecast to continue to rise, as examined in more detail on pages 4-5. By 2026, official projections show there will be nearly 12 million people aged 65 or over in England. As the older population rises, the amount of the time spent in 'retirement' will also lengthen. This underlines the increasing demand for Retirement Housing.

Some 25% of over-55's would consider downsizing; or moving into some sort of retirement, or purpose-built, accommodation, according to Knight Frank research. Again, the gap between this potential pool of demand and current supply is stark.

If this assumption is applied to the over-65s, with 25% choosing Retirement Housing over the next decade, there is a potential demand for this type of housing from an additional 582,283 individuals.**

While there is clearly large potential demand for Retirement Housing, we have taken our analysis one step further, conducting a modelling exercise to establish the number of households for which a move in retirement might be financially viable.

Not surprisingly, analysis of property wealth distribution in the over-65's reveals that housing wealth varies by region. London and the South and East have a higher proportion of their population living in high value properties compared to the rest of the country.

Overall, some 2.2 million over-65 households (46% of the total) live in a property with an average value of up to £250k, 1.9 million (38% of the total) live in a property with a value between £250k and £500k, and some 812,000 households (16% of the total) live in housing worth more than £500k.

This breakdown highlights the fundamentals underpinning rising activity in the mid-market Retirement Housing sector.

We have compared the current housing equity of the over-65 population in owner-occupied housing, assuming outright ownership, and compared this to the cost

of buying a flat in the same locality. This has allowed us to establish how many households could make this move whilst retaining at least 25% of the equity from the sale of their original home for themselves (as shown in Figure 10).

Some 3.5 million households can downsize to a local flat using this criteria. The highest percentages are in the South East and East Midlands where 78% of households fit the criteria. This is followed by the South West, East Midlands and the South West where three in four households could downsize with at least 25% equity to spare. Those who do not fit this criteria could usually afford to move, but without a comfortable cash cushion equal to a quarter of the value of their home.

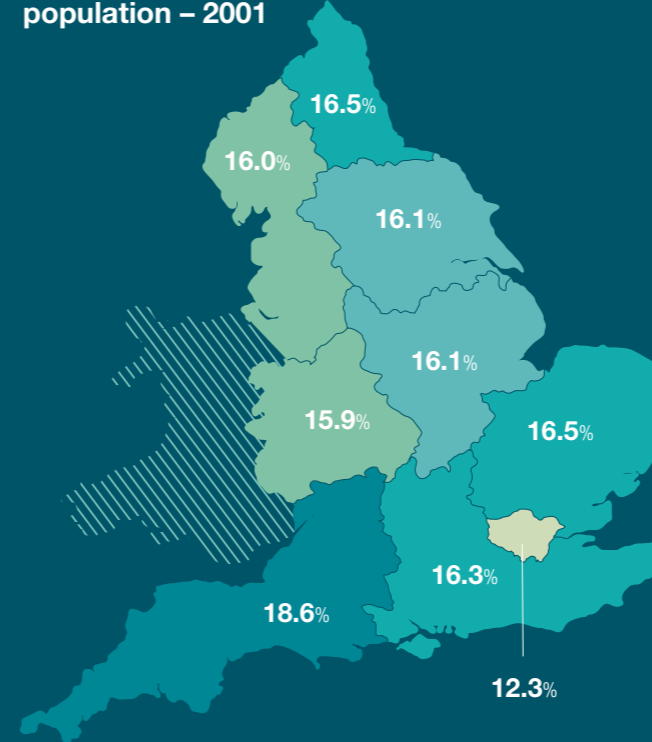
Detailed requirements

The demand for Retirement Housing can be seen from several angles in the data within this report, but when considering how to deliver this housing, the preferences and requirements of potential residents should be paramount, so the most attractive forms of age-appropriate housing can be delivered.

Knight Frank's *Tenant Survey* reveals that for older people in rented accommodation, less emphasis is placed on optional amenities, in contrast to younger renters, who are prepared to pay a premium for such extras. Take, for example, communal roof gardens. The *Tenant Survey* showed that 45% of iGEN's (under-25's typically in their first jobs and living in urban areas) were willing to pay extra for access to such an amenity, compared to just 8% of renters aged over 65 (Figure 11).

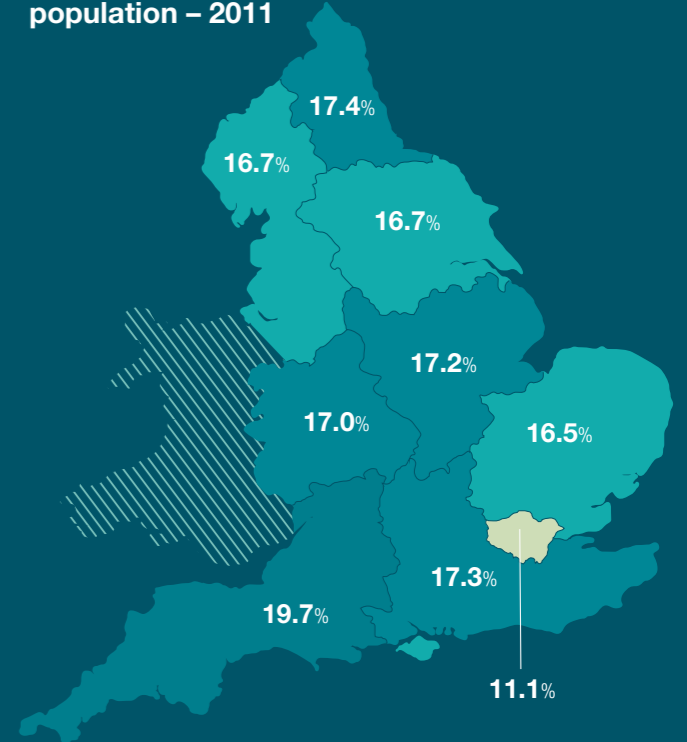
As has been examined above, the demand for Retirement Housing is clear. As Tom Scaife, Head of Retirement Housing, Knight Frank, examines in more detail on Page 8, the forecast growth in the UK's older population coupled with a need for housing that can free up family homes and help alleviate the stress on the NHS and social services means that the case for retirement housing delivered at scale has never been stronger.

Figure 1
Density of over-65's as % of total population – 2001



Source: ONS, Knight Frank Research

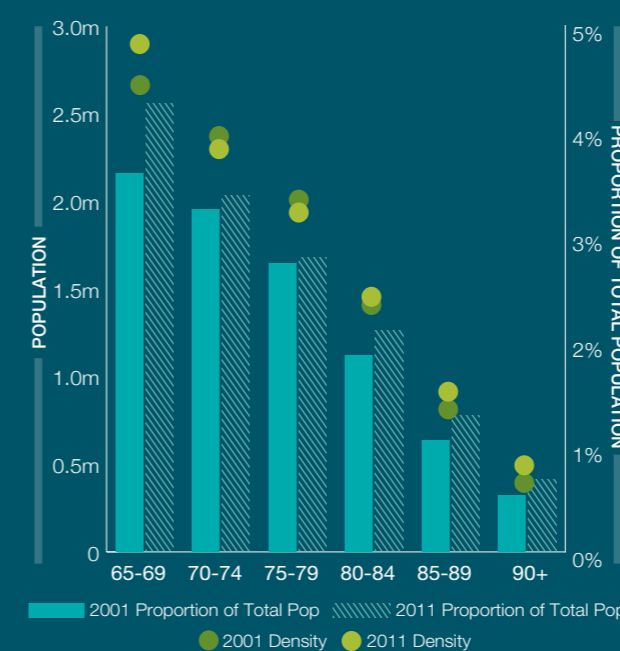
Figure 2
Density of over-65's as % of total population – 2011



Source: ONS, Knight Frank Research

The density of over-65's has been relatively stable at around 16% of the total population since 2001, with the highest densities found in the South West

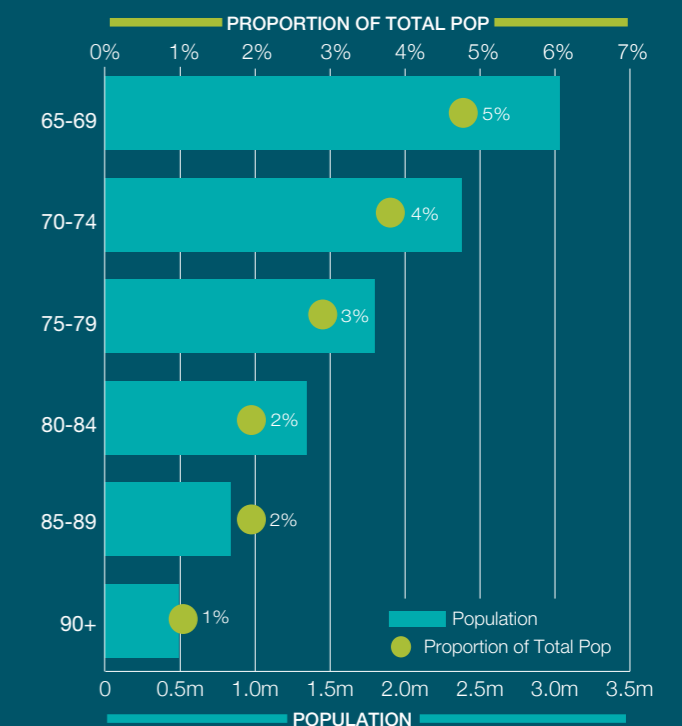
Figure 3
Change in population of over-65's in England, 2001-2011



Source: ONS, Knight Frank Research

All age brackets from over-65 have experienced an increased density across the UK with the highest growth experienced in the over-90 years category (29.3% increase from 2001 to 2011).

Figure 4
Population of over-65's in England, 2016

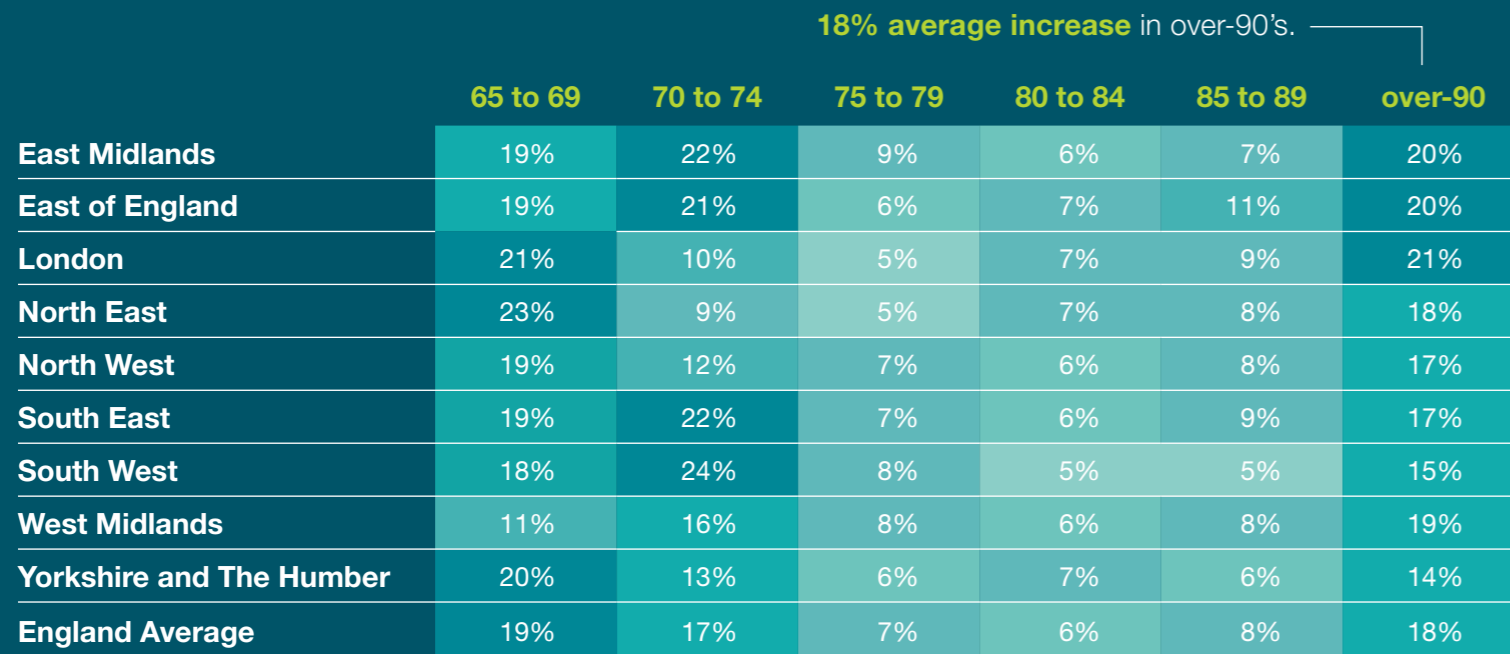


Source: ONS, Knight Frank Research

According to the latest data published in 2016, there are currently 9.9 million individuals in the UK over the age of 65.

*Housing with care – Accommodation with increased provision of communal facilities and on-site care.
**Based on 2016 ONS Population Projections.

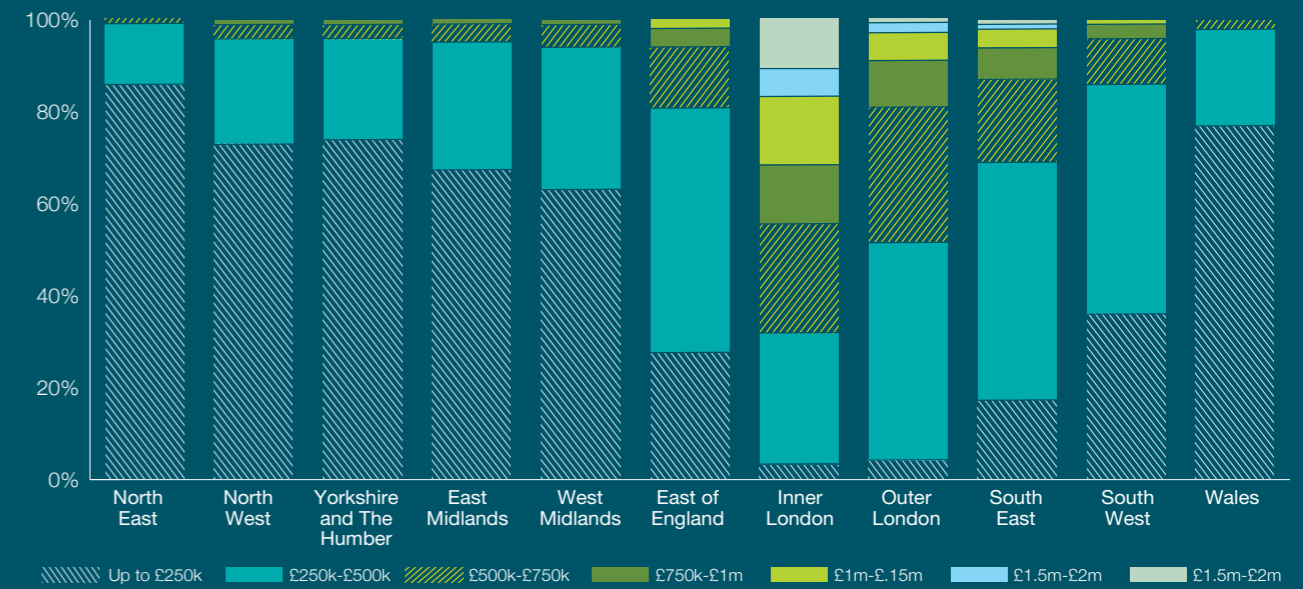
Figure 5
The rise in density of over-65's across England, 2011-2016



Source: ONS, Knight Frank Research

65-74 age group increase due to baby boomers reaching retirement age.

Figure 7
Average house price distribution for properties owned by over-65's, England and Wales, as of Dec 2017

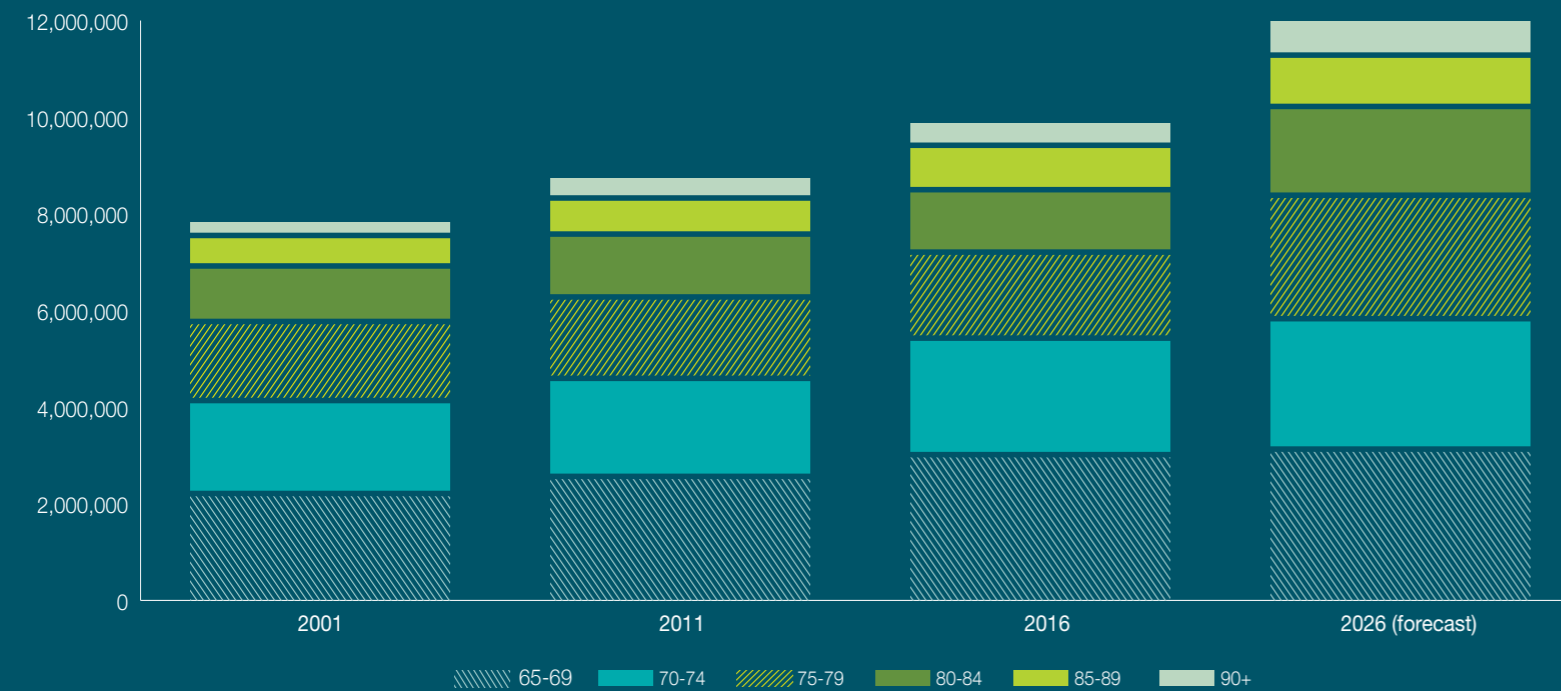


Methodology: The number of households who are both owner occupiers and over 65 years old was estimated using the MOSAIC household data. Their equity was estimated using Land Registry price sold data and size of the property owned by over 65s based on EPC data by the Ministry of Housing, Communities, and Local Government.

Source: Knight Frank Research, Experian Mosaic, Land Registry, MHCLG

Figure 6
Projected growth in over-65's by age group in England, 2001-2026 (forecast)

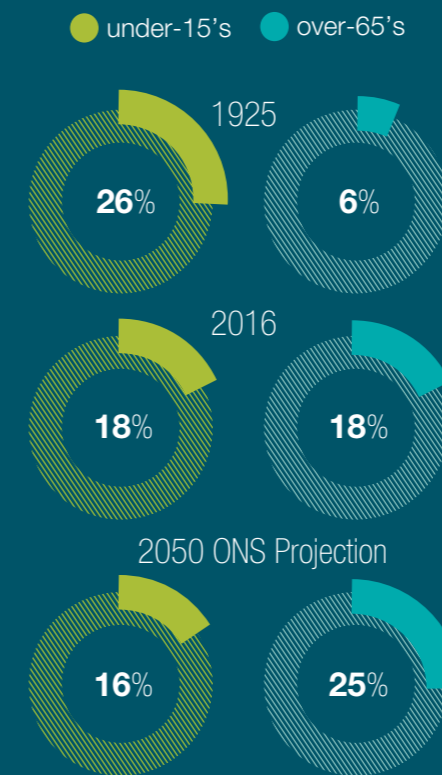
The fastest growing group is the over-90's – expected to almost double in the next 10 years.



By actual numbers, the 75-79 age group will grow the most.

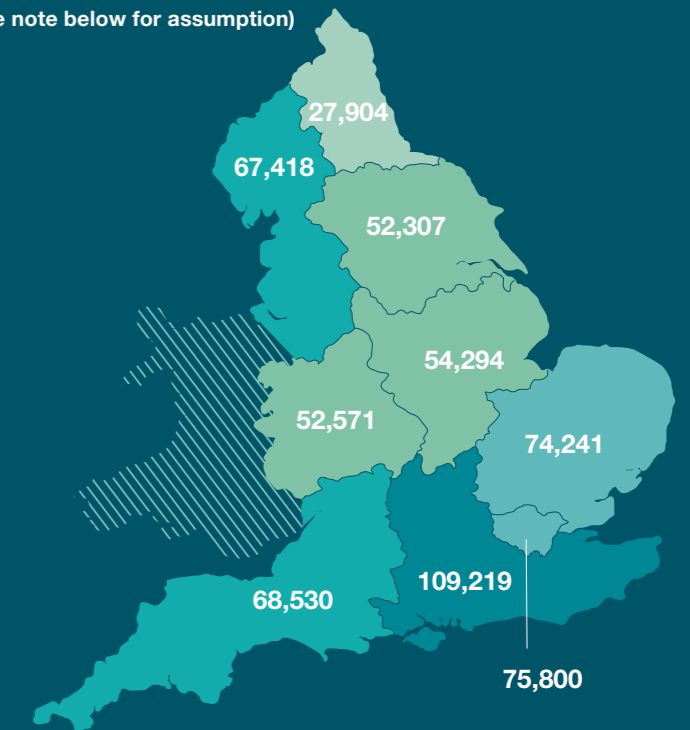
Source: ONS, Knight Frank Research

Figure 8
The UK is getting older: under-15's and over-65's as % of the population



Source: ONS, Knight Frank Research

Figure 9
Potential additional number of people with a demand for Retirement Housing, 2018-2028 (see note below for assumption)



By 2028, there could be an additional 582,283 individuals requiring housing with care in the UK.

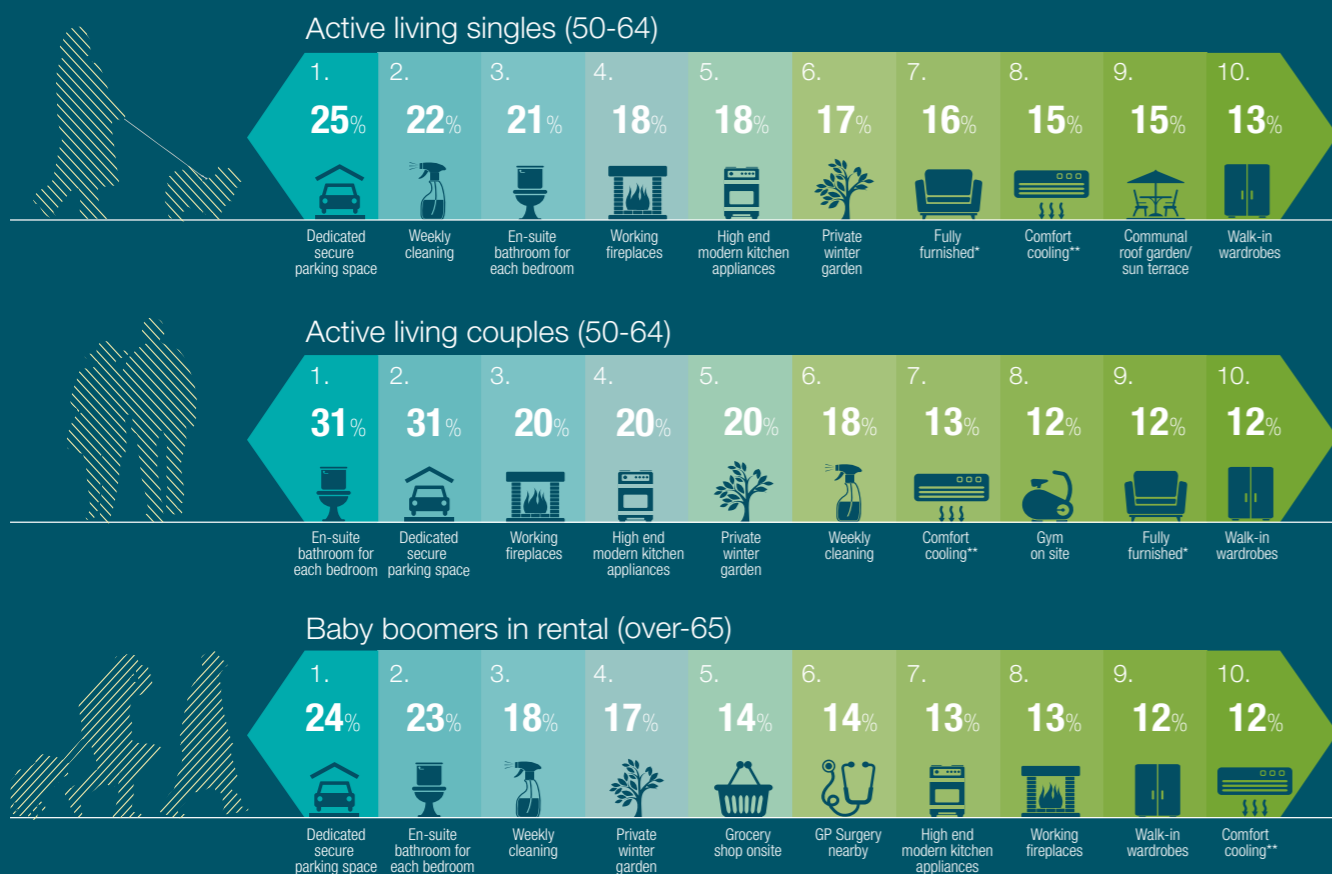
Note: We have made the assumption that 25% of the over-65 population would consider moving into Retirement Housing.

Source: ONS, Knight Frank Research

Figure 10
Proportion of over-65 households where average housing wealth in primary home would allow a move to an averagely priced flat in the same locality with 25% of equity retained as cash

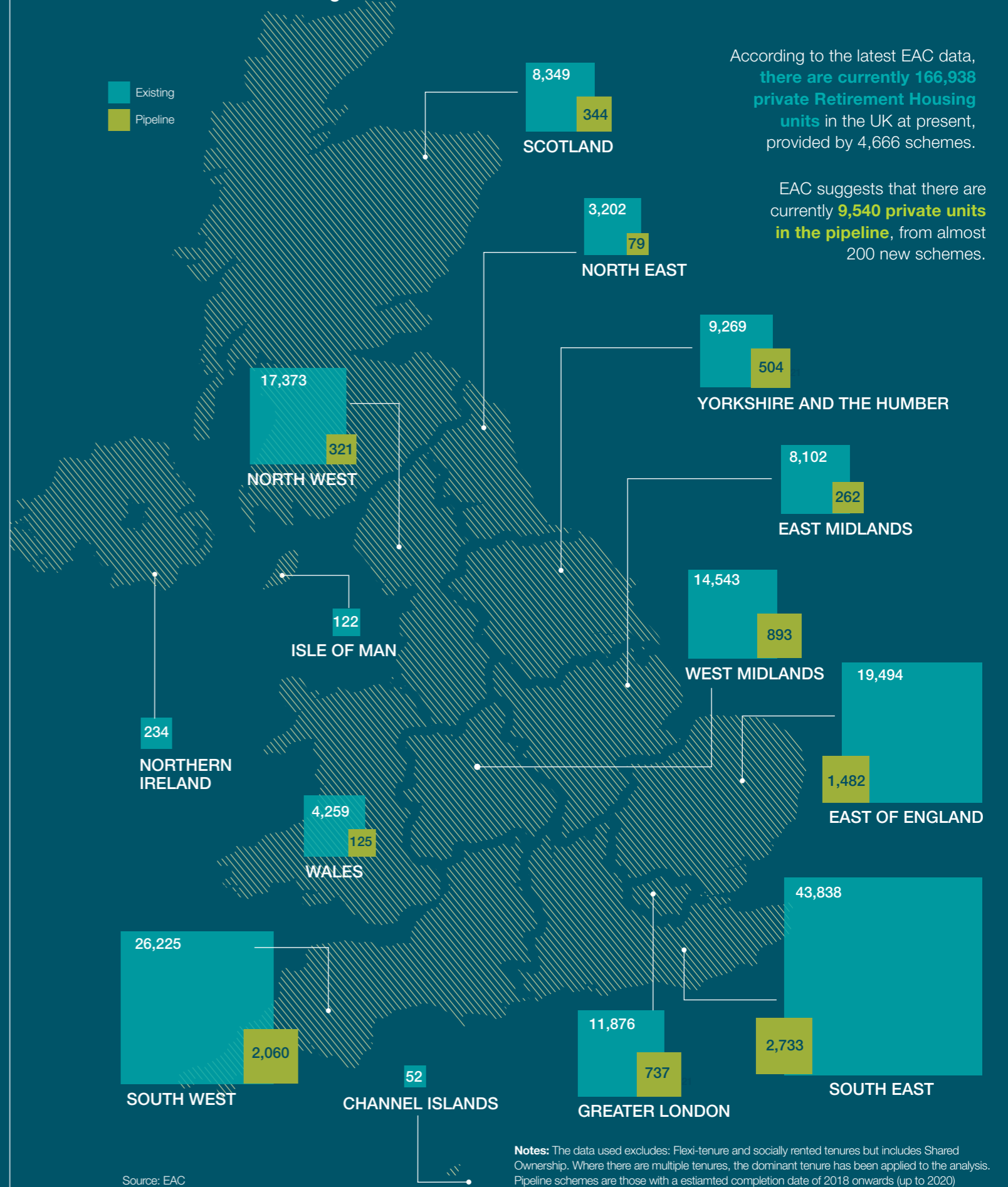


Figure 11
Top 10 amenities for which tenants are prepared to pay a premium (share of UK tenants in %)



*Including soft furnishings **i.e. air conditioning
 Source: Knight Frank Tenant Survey

Figure 12
Private retirement housing units in the UK



Expert view



Tom Scaife
Partner, Retirement Housing

In 1922, there were 160 centenarians (those aged 100 or over). In 2100, forecasts suggest there will be 1.4 million. Indeed, the UK's population *continues to age both individually and at the population level*, adding to the "dramatic change" which has already taken place according to George Leeson, Director of the Oxford Institute of Population Ageing.

Speaking exclusively to Knight Frank, Dr. Leeson said: "The 20th century saw a dramatic transformation of the population's age structure as the changes in fertility, and in early life and then later life mortality passed into and through the age structure of the population. This is a continual demographic process and the population structure of the future will reflect the increasing longevity predicted for males and females."

Improvements in healthcare and the ability to manage existing health conditions for longer are two of factors why the UK population is living for longer. As a consequence, the cohort of older people is growing. Back in 1925, only 6.4% of the population was over the age of 65; by 2016 this had increased to 18%, and in 2050 it is forecast to increase to 25%, according to the ONS.

BY 2050, ONE IN FOUR PEOPLE IN THE UK WILL BE AGED 65 OR OVER.

The ageing population must be considered in social policy. There is already an ongoing crisis in social care and the NHS, with frequent cases of older patients occupying hospital space recovering from illness and accidents rather than being in their own homes (as they would prefer). With the projected increase in the older population the current strains on the system will be magnified.

This is where retirement housing can play a part. There are many benefits of

this tenure, – both to residents within the schemes, and to surrounding local services including reduced pressures on NHS.

In its basic form, retirement housing can help reduce loneliness, is a safer environment in a community setting and reduces visits to hospital. The scenario of falling down the stairs at home, commencing a cycle of increased frequency and length of stay in hospital and, finally, the need to go into a care home could be negated. **Well-designed housing with care nearby reduces the likelihood of an 'event', such as a fall, and also enables much faster reaction times should such an event occur, resulting in better outcomes.**

A study by the Strategic Society Centre suggests that an increase in specialist Retirement Housing will lead to significant savings for the NHS and the state.

The study estimates that "if one couple for every 50 older homeowners moved into a new unit of specialist retirement housing for at least 10 years, this would yield savings in the long-term of.... £14.5 billion across the country"*

(Source: Valuing Retirement Housing, The Strategic Society Centre).

With one million people aged 85 or over visiting A&E every year, and the over-65's accounting for four-fifths of hospital stays of less than two weeks it is time that retirement housing is seriously considered as a way to reduce pressures on local services and as a part of the solution to the nation's social care problem.

With increased awareness of the benefits of retirement housing, clarity at the development planning stage, and some much needed incentives retirement housing can be delivered at scale and help to tackle the social care and housing crisis in one go.

Contacts

RETIREMENT HOUSING

Tom Scaife

Partner, Retirement Housing
+44 20 7861 5429
tom.scaife@knightfrank.com

RETIREMENT RESEARCH

Lauren Cole

Associate, Residential Research
+44 20 7268 2599
lauren.cole@knightfrank.com

HEALTHCARE

Julian Evans

Head of Healthcare
+44 20 7861 1147
julian.evans@knightfrank.com

RESIDENTIAL CAPITAL MARKETS

Peter Wyatt

Partner, Residential Capital Markets
+44 20 3869 4698
peter.wyatt@knightfrank.com

Front cover photo courtesy of Audley Group Chalfont Dene scheme



Important Notice

© Knight Frank LLP 2018 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

*In this particular context, long-term savings relate to the adult life cycle of first-time buyers (around 50-70 years).