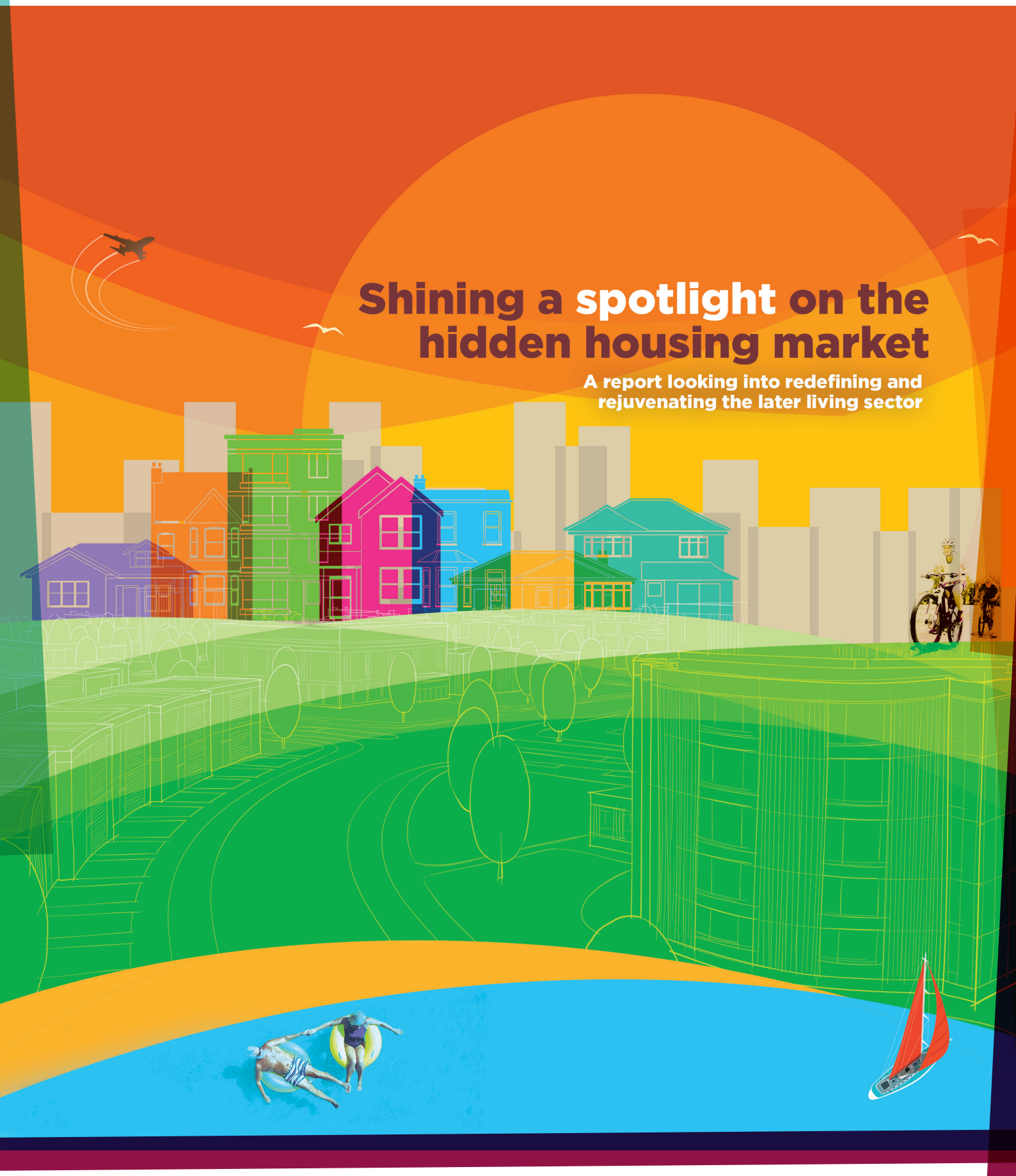




Shining a spotlight on the hidden housing market

A report looking into redefining and rejuvenating the later living sector



About the survey

It's a little over 10 years since the Government's Housing for Older People strategy *Lifetime Homes, Lifetime Neighbourhoods* was published. A decade on and there is no national direction and an urgent need to provide a fresh approach.

During January 2019, we conducted one of the most comprehensive survey exercises in the UK's later living sector. The 200 survey respondents came from a variety of backgrounds, and included local authorities, registered providers, private developers, care operators and businesses in the charity and voluntary sector, as well as architects and designers.

Two thirds (62 percent) of the respondents were senior management-level or above, and 20 percent were middle management. 86 percent of respondents were responsible for making decisions in their organisations.

Almost half (42 percent) of those surveyed operate on a national level and 58 percent operate regionally. The participating organisations and individuals were spread across England, Scotland and Wales, reflecting the growing interest in the later living market.

The results have been analysed by independent research company, Nisus Consulting.



Let's get you up to speed

Housing – or lack of it – is one of the most heated topics in UK political and social discourse. From policy makers debating the best way to structure legislation, developers and operators finding innovative ways to deliver homes, to families and individuals looking for places to live; it affects everyone.

While change is afoot, there is a key demographic whose needs are yet to be fully addressed: the later living market. The UK has an ageing population and of its 66 million inhabitants, nearly 12 million (18 percent) are aged 65 or above. In the next 50 years, this figure is expected to rise by an additional 8.6 million¹.

Tapping into the needs of this market is essential in alleviating the current housing crisis. The days of housing for older people being limited to residential care and sheltered housing are over and around the world there are innovative, appropriate and considered alternatives to these isolated models.

However, across the country, there is a chronic shortage of choices available. Retirement housing makes up just 5–6 percent² of all older people's housing, highlighting the hundreds-of-thousands of new homes required to make up this shortfall. The UK is lagging far behind, instead of leading the charge.

For a market segment of such importance, national policy has been largely silent. There has been little government oversight or market insight into how the sector perceives both itself and the needs of its target consumers.

Our report aims to change that.



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¹ Age UK Later Life in the UK 2019 factsheet

² Age UK Housing and Later Life July 2014

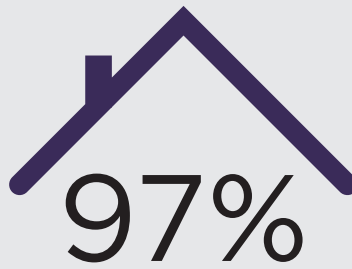


Executive summary

We surveyed 200 senior-level respondents operating in the later living space, from private developers, registered providers, local authorities and care operators, right through to architects, charities and voluntary organisations.

All were united by one conviction: in the context of the current housing crisis, a re-think into the way the later living market is addressed and supported is essential if a range of solutions are to be found. Stakeholders must come together to demand a national housing strategy for an ageing population which has a far-reaching scope and impact, freeing up capacity across the market to lay the foundations for meeting the diverse and evolving housing needs, as well as lifestyle choices of people in later life.

Here is what we found.



of respondents agree that the development of later living accommodation will play a key role in alleviating the housing crisis



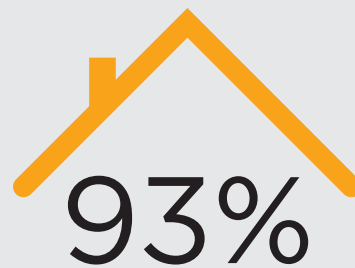
believe the demand for later living accommodation will significantly increase over the next five years



of respondents are unsure as to whether they are following HAPPI principles



of respondents are calling for more government funding incentives to bring the later living marketplace to life



of respondents think that the popularity of 'rightsizing' is set to increase



of respondents feel that planning laws need to change to boost later living development



are calling for a Retirement Villages Act



What's in a name?

Settling on a definition is the first step in moving forward

Later living, retirement communities, senior living? These are all terms associated with this area of the market and the lack of a clear definition is evident – is this holding progress back?

It may not be the root cause but it is certainly a contributing factor.

On top of an absence of a firm definition, the survey respondents were also divided over the age bracket to which the term should be applied. 37 percent of respondents feel that later living started at 55, the age at which people can draw their private pension, and 38 percent believe the market started at 65 years old, in line with the more traditional age for retirement.

Interestingly, a small proportion (5 percent) of respondents even believed that 45 years old was the threshold for the 'later living' bracket. Is it ever too early to plan for your future?

With so many different stakeholders involved in the later living market, and so much untapped potential, the failure to agree on a unified term for the sector, or on the age group to whom this type of accommodation should be marketed, is holding the industry back.

A term can be a powerful thing and in such a diverse market, it is essential that no person, regardless of their age, situation or motives for accessing the later living market, feels discriminated against or alienated.

So what should the term be?



Arriving at a solution which is both fit for purpose, while also resonating on a global scale relies on the sector forming a united front and agreeing on a concept which encapsulates lifestyle and care ready housing; something that has for so long eluded definition.

Housing crisis? What crisis?

Factors holding back UK later living development

It's a well-known fact that the UK is currently in the midst of a crippling housing shortage. From first time buyers, to families and those in later life, there is a lack of appropriate - or affordable - homes in the places where people want to live.

While many stakeholders are trying to find innovative solutions to this problem - not least Lord Best's HAPPI³ reports - our survey respondents were overwhelmingly confident about the role that later living accommodation would play, were it to benefit from better design and planning.

Overwhelmingly, 97 percent of all individuals surveyed agree that the development of later living accommodation would play a key role in alleviating the housing crisis.

So, if this area of the housing market has such an important role to play, what's holding back its development? Our survey indicates that while the provision of later living accommodation will become increasingly critical in improving housing options overall, the issues, challenges and potential solutions are far from simple.

Help to Retire?

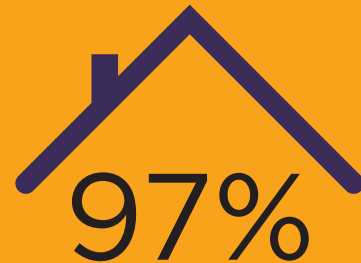
The Government's Help to Buy scheme has supported a significant number of people to get on the housing ladder. However, its effects on the later living marketplace have not been so positive. In many cases, developers choose to build housing stock which will qualify for Help to Buy, turning their focus away from alternative types of housing in favour of guaranteed financial support. Understandably, why would they risk entering into the later living market, when the Government is heavily incentivising first-time buyer developments?

Could introducing Help to Retire be the answer?

Make it attractive

The success of the later living market boils down to facilitating a psychological shift in the national psyche. It needs to be made acceptable and financially viable for people to move from unsuitable accommodation - whether it be too large to manage, too costly to maintain, poorly-located or unequipped to deal with changing needs - into better, thoughtfully designed homes in sought-after places.

Rightsizing does not mean a compromise on design and there is huge potential for a range of later living accommodation to be built which tick boxes in terms of accessibility and adaptability to match the current and future lifestyle goals of residents.



of respondents agree that the development of later living accommodation will play a key role in alleviating the housing crisis

³Housing our Ageing Population: Panel for Innovation



Imbalanced competition

Across the UK, land is precious and with a national push to deliver ambitious housing targets, some smaller later living SME developers regularly lose out to their larger counterparts, many of which are focused on developing ordinary family or first-time buyer homes with no future proofing for age in mind.

Treating land for later living development in the same way as that for conventional residential development is counterproductive and leaves smaller players unable to compete. As a result, innovative schemes which could transform the later living market often do not get built, or end up having to compromise on location, quality of design, space or facilities.

Lack of land

Shortage of land is a problem which affects all areas of UK development, making it difficult to find the right parcels of land in the right locations. New sites cannot simply be provided wherever and whenever needed; perhaps this problem calls for creative solutions? This could include private rental schemes in urban areas, or intergenerational living homes and neighbourhoods, where people from across the age spectrum live together in blended communities.

Stringent tax regimes

Removing Stamp Duty Land Tax for first time buyers was a shrewd move by government, helping younger people get a foot onto the housing ladder. However, the problem still exists for older people who are often held back from 'rightsizing' by the prospect of paying such a significant tax liability on their next property purchase.

This pack needs a leader

The survey results show that the benefits of a more coordinated approach to later living accommodation are widely known. So why is no one taking the first step? There are a number of registered providers, private developers and local authorities already operating this type of housing, but as of yet no party has pinned their colours to the mast as a leader in the later living arena. While there are a few that are leading the charge, the task is so huge that it can't be left to one organisation to do it all.



Housing supply

The right homes, in the right places

With critical issues, such as later living, it is vital that the market focuses on the solutions, rather than the problems. However, our survey results reveal that the later living market is currently lacking in the types of housing offered to potential residents.

For registered providers and local authorities, there are three most commonly offered types of later living accommodation (see diagram below). These three types of accommodation - out of a total of ten - accounted for 59 percent of all responses to this question, highlighting the need for more variety.



Most common types of later living accommodation

- Age-designated properties (e.g. bungalows)
- Extra care housing
- Retirement living or sheltered housing

Lack of variety - in terms of scheme, design and tenure - is clearly an issue and the later living accommodation market can offer so much more, including the private rented sector, cohousing and intergenerational developments. However, as they stand, many of these remain in their embryonic stage and are not established enough to be brought into the mainstream housing market.

So, how can central government, registered providers, local authorities, planners, private developers and other stakeholders work together to find solutions which work and which will provide the range of housing types which consumers want? After all, if you introduce the right housing products, demand will increase, reassuring developers and providers that there is indeed a market for their later living products.



of respondents are unsure as to whether they are following HAPPI principles

Direction from the top down

There is a chronic lack of choice in the later living market and while the Government has been focusing on improving access for first time buyers, choice is lacking for older people, especially those who may not have the financial means to access the more high-end retirement developments. The Local Government Association⁴ suggest at least 400,000 new homes for older people will be needed by 2030. With nearly three quarters (73 percent) of respondents saying that the demand for later living accommodation will significantly increase in the next five years, the range of options clearly needs to be widened.

The rapid growth of the UK's ageing population is currently not taken into account at a policy level, from a housing perspective; on a global scale, the country is woefully under-prepared. There are government schemes in place, such as the Care and Support Specialised Housing Fund, but with only £80-100 million capital grant available per annum, while welcome, it is still extremely modest and does little to truly incentivise the building of a variety of later living accommodation.



believe the demand for later living accommodation will significantly increase over the next five years

Don't worry, be HAPPI

HAPPI principles are a set of 10 criteria (see page 19) relating to the design of housing, specifically, later living. They take into account various aspects such as space, adaptability, shared facilities and the natural light. When implemented correctly, they can make accommodation more attractive for residents and more suitable for changing lifestyle requirements.

As underlying design principles, HAPPI criteria should underpin all types of development work in the later living sector. However, the survey results show that 25 percent of respondents are unsure whether they were following the HAPPI principles or not. Of the care providers surveyed, none are building in accordance with the HAPPI principles.

The problem lies in the fact that they are 'guidance', and not rooted in regulation or legislation. Social housing providers must demonstrate how they will abide by them in order to unlock government funding. However, for private developers, there is little impetus to do so, especially as the costs can be higher for building HAPPI-compliant properties.

From a developer perspective, there must be more pressure – or incentive – from government to build according to the HAPPI design principles, which will in turn provide housing better suited to a range of consumer wants, needs and budgets. The Government has gone some way to promoting this with the introduction of its 'Grand Challenges' – one objective of which is to harness the power of innovation to meet the needs of an ageing society⁵.

Raising awareness about the benefits of HAPPI housing is also crucial. Other countries around Europe, such as Holland, have a dedicated certification scheme to signify when a property meets age-appropriate design criteria.

Introducing a similar system in the UK would raise the profile of HAPPI properties, increasing awareness and giving them a sense of prestige.

Modern methods of construction

Speed is essential across the construction industry to get housing stock built in a timely fashion. Luckily a new wave of modern methods of construction are growing in popularity and could help providers of all types build a range of accommodation which is not only quick to construct, but is also high-quality, accessible and adaptable.

But first, the image of 1960s pre-fabricated properties must be banished. Modern offsite and modular construction is anything but flimsy, cold and ugly. This new breed of property offers the market quicker build times, higher levels of energy efficiency and cost savings, in comparison to more conventional builds.

This is the future of UK property construction and could provide an answer to the later living conundrum. Homes and schemes could be designed with the needs of residents in mind, rather than having to adapt or equip existing properties at a later stage to accommodate for older age.

A greater push from government is crucial. Policymakers are beginning to wake up to the benefits which modular construction could offer, but there is still work to be done. Tax incentives, encouragement from local planning authorities and awareness-raising amongst consumers will all go a long way in helping to achieve a step change in this area.

⁴ Housing our Ageing Population: Learning from councils meeting the housing need of our ageing population

⁵ UK Government: The Grand Challenges 2019

Steps for success





Funding & finance

Finding the funds

Currently, the UK's later living market predominantly caters for those consumers at the top and the bottom end of the spectrum. Those lucky enough to have significant savings or equity in property have a wide range of options, and those at the lower end of the wealth spectrum can access sheltered housing. For the middle ground, there are very few affordable options.

This financial quandary extends to providers too, who are often put off from developing later living housing due to their perception that it is not financially viable. This was a feeling echoed by 90 percent of survey respondents, who are calling on government to put more capital funding incentives in place to bring the later living marketplace to life.

For both individuals and operators, finance is clearly a major barrier to the later living market, which must be overcome.



of respondents are calling for more government funding incentives to bring the later living marketplace to life

For businesses

Access to build finance

Later living housing can cost more to build. Demanding design specifications can add a chunk onto any developer's budget, which can be off-putting. Securing traditional capital finance can be a challenge and often, providers may find themselves faced with tough borrowing criteria to meet. While registered providers may be able to access some government funding, this excludes the large number of private developers looking to become active in the market.

Innovative concepts already exist in the wider housing market. Registered providers can access capital from various Homes England schemes which are aimed at building accommodation for older and vulnerable adults. Surely, extending the reach of the existing Care and Support Specialised Housing Fund will better benefit this demographic by providing more capital grant funding for development in the social and affordable later living market?

Reducing the risk

Building later living housing contains a degree of risk for developers. After all, if the units can't be filled, then a dent to profits may be on the horizon.

Introducing a purchase incentive is one way to help reduce risks for later living developers. Developers could entice potential buyers through cash incentives, deals on white goods or cover costs related to legal fees and stamp duty. Taking this a step further, the incentive could be tailored towards the needs of buyers later in life such as housing modifications, wet rooms, and assisted living provisions.

Much like Help to Buy, supporting operators with an equity loan programme to incentivise and de-risk the process would also go a long way to help accelerate housebuilding in the later living market. Knowing that a scheme is government backed – financially

and nationally – will at the least instil some confidence into the building community. Additionally, knowing that higher value houses can be built and still be affordable for the 'forgotten' midmarket may well encourage more developers to take the plunge.

The dots must also be joined up between health, housing and local authorities. Lowering the cost of land is central to reducing risk for later living developers and local authorities have the power to do this. Could they be subsidised to supply land more cheaply to developers, making it more financially viable and reducing risk? The wider benefits would be felt across the sector, in turn alleviating pressures on housing, health and social care.

Think outside the investment box

Attracting investment is always going to be a challenge. But investors are out there and many have eyes on the later living market. For example, Islamic Finance institutions are focusing in on the UK social and affordable housing market. For them, it is seen as a 'safe bet' offering regular returns with a relatively low risk profile. Likewise, pension funds have a relatively solid reputation for investing in the UK housing market.

While raising awareness amongst operators that this type of financial support is available is crucial, it relies on the UK as a whole broadcasting that it is still very much open for business, despite the political climate. Nevertheless, geopolitical situations should not be ignored, especially as over half (54 percent) of developers, local authorities (50 percent) and registered providers (61 percent) believe Brexit will have a negative impact on their operations.



For individuals

Single householders

It is an unavoidable reality that a large proportion of older people live alone, either out of choice, as a result of climbing divorce rates, being widowed or for other reasons. It is this tranche of the population which will find it the hardest to transition into later living accommodation as the situation currently stands, particularly those with smaller savings pots or lower levels of property equity.

Smoothing the way for these single people to move into more 'age-friendly' housing is essential. This could be through the creation of a 'Help to Retire' register, through increasing access to 'Build to Rent' schemes aimed at older people, or by simply providing more widespread guidance at an early life stage about the importance of planning for the future.

It's time to 'rightsizing'

The concept of 'rightsizing' – encouraging people to move out of unsuitable accommodation, into more appropriate homes – is pivotal to the future success of the UK's later living sector. Fuelled by an ageing population, 'rightsizing' allows people to relocate from properties which are poorly located, too large or unequipped for changing care needs, into more appropriate housing.

A relatively new concept in the later living market, the popularity of 'rightsizing' for people approaching retirement age is only set to increase, according to over 93 percent of survey respondents.

Driving the success of 'rightsizing' initiatives depends on a change in public perception. People need to be made aware of the benefits – from both a financial and a lifestyle perspective – of moving into homes that are fit for their futures. The choice spans beyond extra care and sheltered housing. 'Rightsizing' should not imply a loss of independence, nor does it instantly mean a retirement home. It means moving into a home that is adaptable and fit for the challenges of later life, yet still just as personal and perfectly crafted as the last.

There is no denying that encouraging this cohort of people to rightsize, will free up larger properties for young families – creating a wave of incremental movements that free up housing supply across the entire population. It all sounds so easy, doesn't it?

Tax breaks

Building any type of new housing is already attractive from a tax perspective for developers. New build developments and conversions in the 'build to rent' sector are already zero-rated for VAT.

The tax pinch is often felt by the consumer; the rightsizer. There is a large proportion of the population who are asset rich and cash poor, owning large properties but lacking in accessible funds. For them, the prospect of selling their house and moving into a new property is daunting, especially considering the large Stamp Duty Land Tax (SDLT) liabilities which need to be paid. This will no doubt be holding many back.

The time to change is now. The Government's focus on the first time buyer end of the market is commendable, but continuing to penalise older people who wish to move into smaller properties is counter-productive. A re-think of SDLT for this part of the market is urgently needed.



of respondents think that the popularity of 'rightsizing' is set to increase

Steps for success





Legislation

Pushing for change at the highest level

Change almost always happens from above and it is the UK Government which holds the power to change the later living marketplace. The legislative changes needed are widespread and cover everything from a restructure of the planning system and dedicated ministerial support for later living housing, right through to ways of increasing consumer protection for new and existing residents.

This will no doubt be a complex process and getting policymakers to sit up and listen will require the concerted efforts of all stakeholders in the world of later living. It is highly unlikely that this will be a quick process.

But, as a united front, change can be brought about.

Planning

The UK's planning system is under constant scrutiny, from all angles of UK development. However, the survey results show that calls for reform are particularly strong in the world of later living, with 89 percent of respondents feeling that planning laws need to change to foster the development of later living housing.

But in such a complicated world, what exactly does that change look like? Well, it must start with planning policy and the development plans.



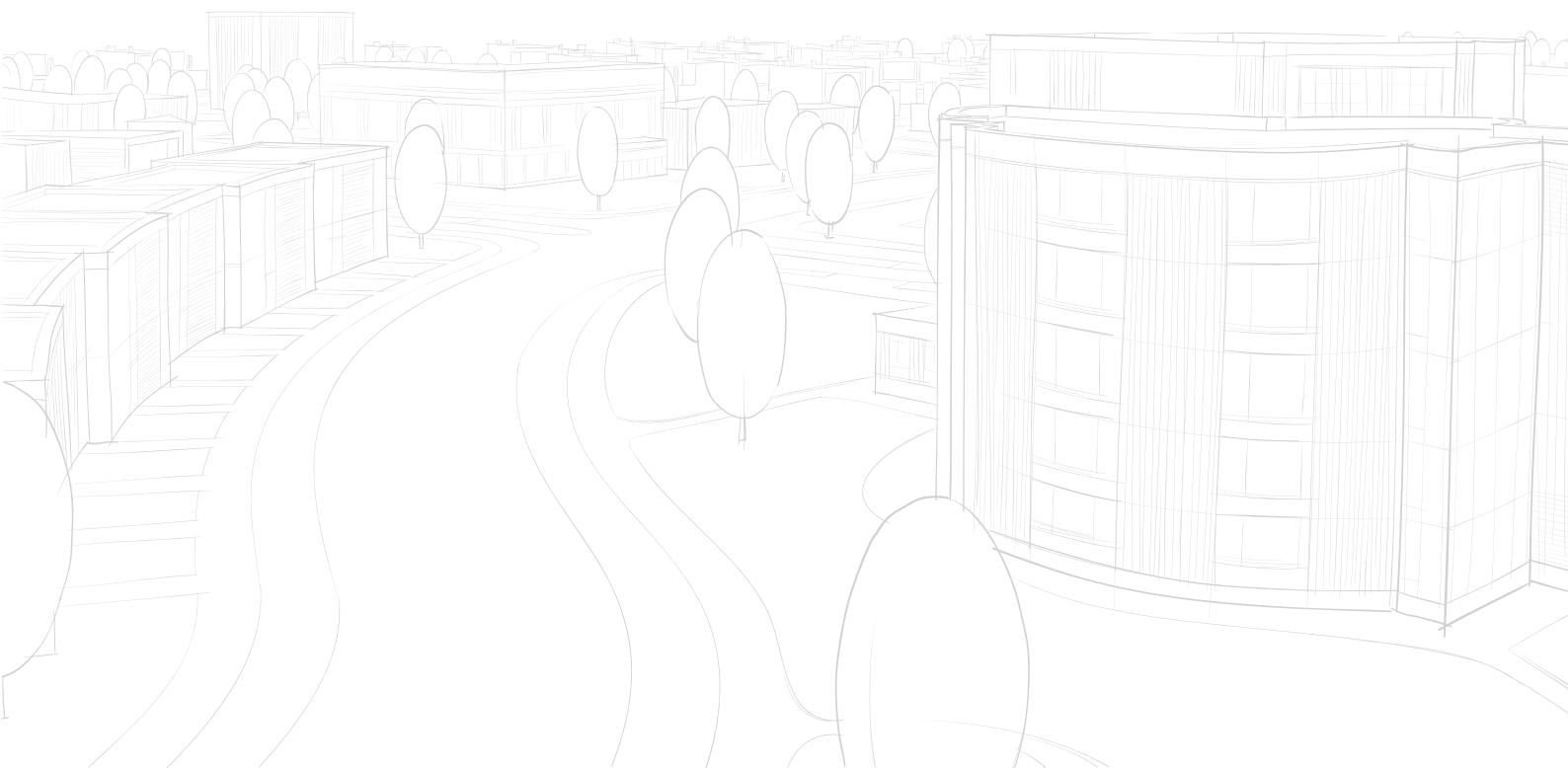
of respondents feel that planning laws need to change to boost later living development

New policy

Local authorities must have more bespoke planning policies in place, in addition to those described in the National Planning Policy Framework. Currently, local authorities must account for the needs of all parts of the community, including older people, which it defines as those approaching retirement age, or currently retired. This definition fails to recognise the widened scope of the later living spectrum and many local authorities believe their obligations are met by granting planning permission to a small number of retirement schemes, such as extra care. As the population ages further, the planning system must adapt to provide housing for those later living groups, who are less affluent.

Innovation

The Build to Rent sector, which is in many ways focused on students and young professionals is slowly turning its eyes to the later living marketplace. This is largely a positive thing. There are already some innovative urban schemes where unused retail land is being repurposed, but this approach is far from widespread. Planning conditions for the conversion of retail or industrial land to residential use could be further relaxed and more local authorities could be promoting city centre land for development themselves.



New use class

Retirement living schemes are often somewhat 'homeless' in the planning system, falling outside a particular use class. C2, C3 and sui generis are all used, depending on the type of scheme. This leads to inconsistencies, for example in relation to delivery, location and affordable unit percentage, between local authorities. Recognising the variety and value of later living accommodation by creating a new planning use class would be extremely beneficial, well received and allow the market to understand how big the shortfall of housing for this group is.

Local authority power

Local authorities must be creative and start acting now. This includes designing housing policies and allocating land with their local plans which meets the needs of their residents, and not merely government targets.

Best practice

Learning from each other is crucial and while a carbon copy approach is unlikely to be helpful, there are certainly commonalities around the country which should be used as a starting point. Since the Housing and Older People Development Group (HOPDEV) disbanded 10 years ago, little progress has been made, so surely a more focused Later Living Advisory Group should be reinstated?

A spokesperson for the sector

Scotland and Wales have one, but England does not. A dedicated Minister or Commissioner for Older People would be essential in getting the needs of the later living sector heard at governmental level, while representing the interests of the consumers targeted by the later living sector.

As a cabinet minister, this individual would be responsible for championing the housing, social and welfare needs of our ageing population in Parliament. Having a spokesperson in such an influential position would be beneficial for all stakeholders in the later living space, allowing them to feed directly into policy decisions and have their concerns fast tracked, where possible.

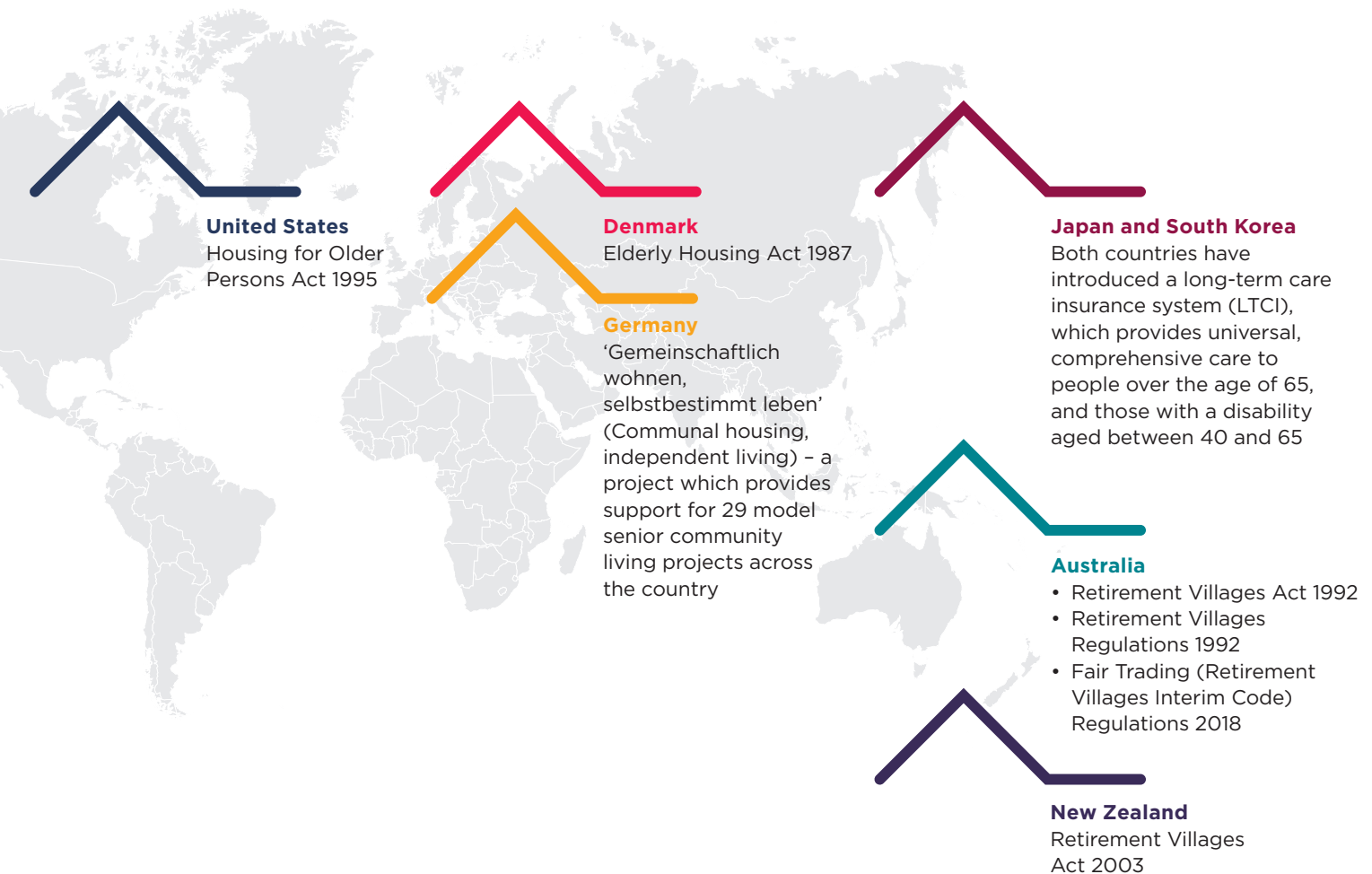
Time for a Retirement Villages Act?

More than one in three (37 percent) of survey respondents believe concrete legislation – in the form of a Retirement Villages Act – was necessary to help the sector flourish. This would provide solid legal and industry definitions of what constitutes a retirement village and would provide consumer protection for residents during their time living there. Not only that, but it would help the later living sector and its wider stakeholders to understand what it is and what its core aims are.

It's an approach that has been adopted around the world, so which countries are leading the way?



Later living policies around the world



Review design and building regulations

To ensure that the HAPPI principles are fit for purpose, they must be backed up by strong regulatory and legislative support from government. Rather than being a recommendation for government-backed Care and Specialised Support schemes, the core design criteria on which the principles are based should be incorporated into any upcoming changes to design and building regulations for all new homes. If such an amendment were to be implemented, the number of developers, operators and local authorities who do not currently use the age-friendly principles would drastically reduce.

As they stand, the 10 HAPPI design principles are:



Early planning for later living

Moving into any form of retirement or age-appropriate housing can be costly and this should form part of normal financial planning – for everyone. Understanding the need to prepare finances at an early stage is crucial, and this is a message which should be continually reinforced by government.

However, recent policy changes could be holding consumers back from making the move. The extension of the nil-rate band, or inheritance tax threshold, in recent years has made it more attractive for people to hold onto property to pass on as part of their estate. There are some tax breaks for rightsizers in later life already; however, the system is complicated and could be discouraging older people from making the move.

Simplification would go a long way. As would better access to information on how to plan and make decisions to move home. Reinforcing the point that people will not be financially penalised for choosing to downsize or ‘rightsized’ will help destigmatise the concept of ‘rightsizing’, encouraging people to move and release family homes back into the housing system.

Steps for success





The hard work starts now

At the beginning of this project we set out to explore whether later living provision has a key role to play in alleviating the housing crisis.

The results were united.

Our survey proved this, with the majority (97 per cent) of respondents agreeing that a more strategic, planned and ambitious approach to later living is essential going forward. With 50 per cent of respondents also saying their appetite for investment will increase over the next five years, it's time to take action.

The UK later living sector has the potential to change the way age-friendly housing and homes are approached across the board. The survey has shown us that the demand for later living accommodation is only going to increase over the coming years, but in order to achieve that, radical changes need to be made.

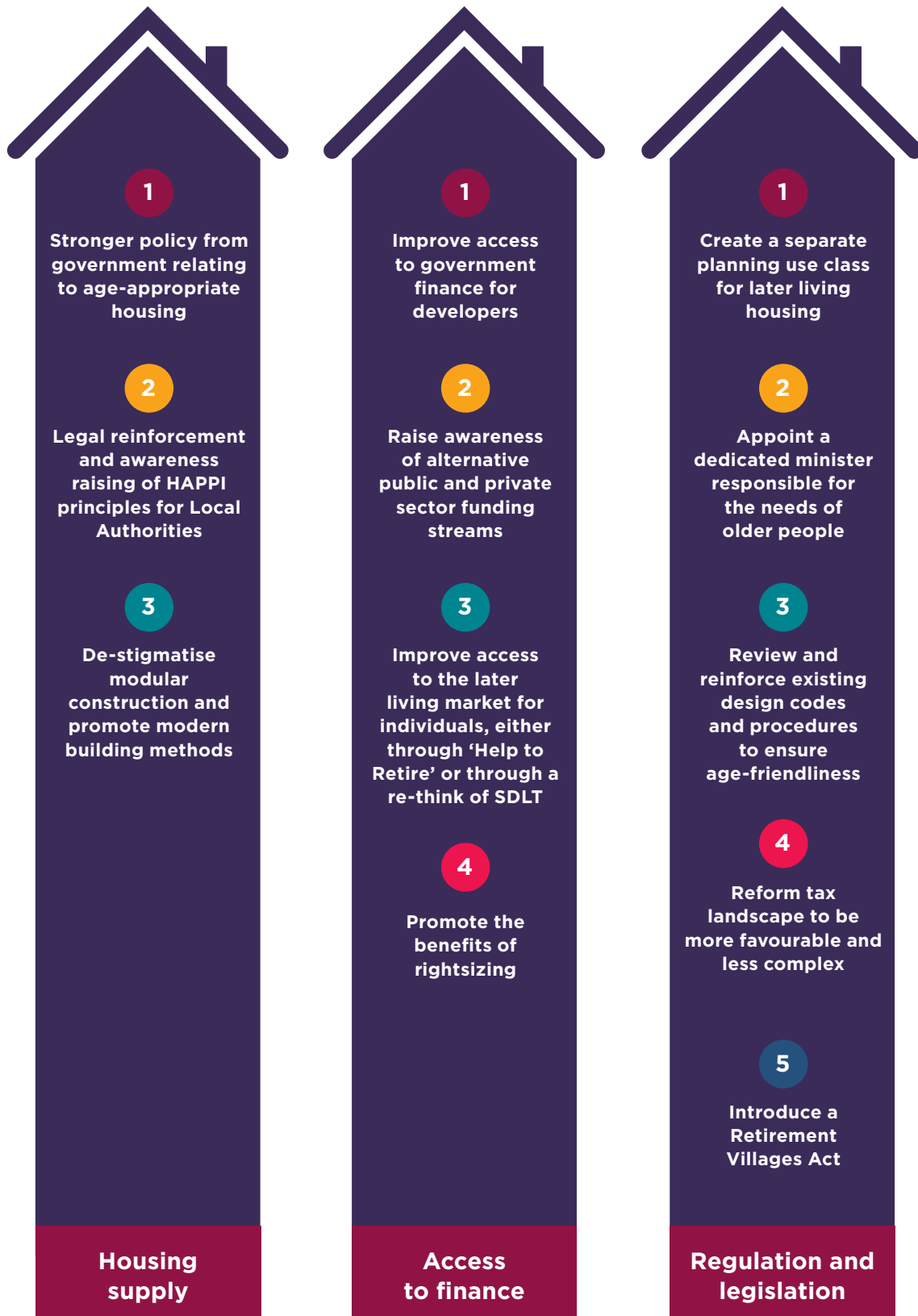
A united front is essential in enacting this change and a coalition of all stakeholders, from trade and professional networks, registered providers, and local authorities, to private developers, architects and other businesses operating in the sector, must harness their combined energies to call with a singular voice and demonstrate the benefit that investment in later living will bring.

As one of the leading global nations, the UK's strategic approach to later living housing is woefully inadequate, poorly classified and offers no clarity on the choices available to older consumers nor market certainty to investors, developers and operators

We want to be leading the charge, not trailing behind. Who is in?



Steps to success



We would like to express our gratitude to those who have given up their time to help further deepen our understanding of the later living sector. The findings of the report would not have been possible without such honest insights.

About Shakespeare Martineau

Shakespeare Martineau is a Top 50 law firm that combines creativity, commerciality and clarity.

We pride ourselves on protecting and growing our clients' businesses through pragmatic advice and market expertise. Our approach goes beyond legal solutions; clients instruct us to advise on what's possible, what's prudent and what's around the corner.

We are proud of the fact that we have one of the biggest real estate teams dedicated to later living outside London and we have supported the delivery of a wide range of national schemes targeting the over 55s.

Our experience in social housing and understanding of the many different delivery models, coupled with our expertise in delivering residential developments, means we are an ideal legal partner for your later living concept. Working with us from the start and at every stage of delivery, will help to ensure your investment is money well spent.

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About the Housing LIN

The Housing LIN is a sophisticated network bringing together over 25,000 housing, health and social care professionals in England, Wales and Scotland to exemplify innovative housing solutions for an ageing population.

Recognised by government and industry as a leading 'knowledge hub' on specialist housing, our online and regional networked activities:

- connect people, ideas and resources to inform and improve the range of housing choices that enable older and disabled people to live independently
- provide intelligence on latest funding, research, policy and practice developments, and
- raise the profile of specialist housing with developers, commissioners and providers to plan, design and deliver aspirational housing for an ageing population.

Visit our website to register to receive updates on latest sector developments or to be notified of our free upcoming learning events and browse our extensive resources on later life housing.

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