



## Leasehold sales premiums in older people's housing – dispelling the myths

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One of the most frequently asked questions of Carterwood when undertaking local market analysis is “what premium can my specialist older people's housing project achieve?” To ensure a viable development opportunity, traditional conventions indicate that a “premium” is required above traditional housing to help to offset some of the challenges of additional development costs and the potential risks involved in developing this specialist form of housing.

Inherently, this is an obvious and logical statement – if you are providing more facilities / services / care / support etc. then people should be prepared to pay for these additional services to reflect the costs associated with them.

However, there are a number of different operational and development models in the sector, and establishing market norms in the private sale market can be challenging, particularly as new entrants seek to try to innovate to identify and target ever more specific slices of the market.

The specialist older people's housing sector for private sale is fascinating for its complexity of moving parts, and commentators (and advisors!) try and invariably fail to “put all the different elements into specific boxes”. The lack of a formal regulatory process creates a spectrum of different housing options / models rather than a menu to select from (as is the case in a traditional care home model).

The upshot of the above is the challenge this creates when analysing new development opportunities and determining how much individual units will sell for and therefore ascertaining the value of the scheme, and ultimately how much developers / operators should pay for the site?

Without question, this is the most important element of the commercial due diligence process that we are involved with and which our clients are usually most concerned about when we prepare work on their behalf; our role being primarily to assist stakeholders in their decision making processes and provide justification for development and pricing assumptions, using a mixture of empirical evidence, professional judgement / knowledge and demographic profiling.

However, there is often a lack of knowledge about the fundamentals that determine the factors that influence the “premium” that someone is prepared to pay for a specialist older people's housing product against traditional forms of sheltered housing. If there is such a premium how is it calculated? Does it even exist? Does it vary regionally or by operator / developer? Does “extra care” generate a higher

premium than more traditional forms of sheltered housing? What are the key factors that influence a sales premium?

With the Housing LIN annual conference fast approaching, the aim of our knowledge and innovation session is to try to dispel some of these myths and identify the key factors that drive the pricing of older people's housing and how this approach can vary, often considerably, depending upon different site and operator / developer characteristics.

Following a brief review of the key drivers, we will put participants into teams and they will do battle to see who can guess the sales premium achieved (if any!) on a number of different actual developments that are in the process of, or have recently completed.

The prize for the successful team will be in the form of the sheer joy of having participated in the event; the losing teams will have to console themselves with a Carterwood-sponsored biscuit.

We very much hope that you can join us in our workshop as we analyse our way through this important component of the site appraisal process.

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