



Policy Paper: Economic implications of housing in an ageing society

This is one of a series of policy papers published by the national Housing and Ageing Alliance to stimulate debate and a coherent policy response to the critical issue of demographic change and housing.

The Housing and Ageing Alliance is made up of representatives from a broad spectrum of organisations working together with a single objective; to bring about improvements to the housing and living conditions of older people. It believes that homes, communities and housing related services should be planned and designed to enable choice, control, inclusion & independence in later life. Other policy papers include:

- ◆ *Housing, Ageing and Social Care*
- ◆ *Population Ageing and Housing Implications*
- ◆ *Housing, Ageing & Health*

Older people, housing and economic growth

It is increasingly acknowledged that housing has a significant role to play in boosting the UK economy. Older people are a major force in the general housing market as well as being a potential growth market for specialist housing.

- Older people live in 30% of all homes
- 76% of older people (over 65) are owner occupiers, most owning outright
- Between 2008 and 2033 around 60% of projected household growth will be made up of households with someone aged 65 or older.¹

Older householders spend £121 billion each year and are major consumers of goods and services, hence their importance to a healthy economy.² With regard to the wider building industry, they are a potentially growing market for spend on home adaptations, maintenance and improvements.

There is an estimated £250 billion of equity³ in older people's housing. This is increasingly seen by policy makers as a potential solution to a range of social issues, from meeting the cost of later life care, topping up pensions and supporting younger generations. However, home equity is very unevenly spread geographically and there is great diversity of economic circumstances amongst older people, including homeowners, hence the issue of home equity use is not a straightforward one, as reflected in the current limited take up.

¹ DCLG (2013). Available online at: <https://www.gov.uk/government/policies/providing-housing-support-for-older-and-vulnerable-people>

² Family Spending 2012 Report, Table A11, ONS, 2012

³ The Smith Institute (2012) *Making the most of equity release: perspectives from key players*

Older people and the wider housing market

There is a potentially significant, untapped market for well designed, attractive new housing which would appeal to the 'younger old' interested in downsizing or relocating.

Building a variety of homes that are well designed for the wide variety of housing needs and aspirations in later life would offer greater choice to those who may wish to move home for a range of reasons. This may include trading down to release equity, living closer to friends, family and facilities, reducing home maintenance and running costs or planning ahead in case of decreased mobility or related health issues.

Between 2008 and 2033 around 60% of projected household growth will be made up of households with someone aged 65 or older.⁴ An estimated 650,000 people reach the age of 65 years annually and retirement is a key life transition point⁵ when many people take stock of their lives, including living arrangements and finance. This is a potential housing market which receives little attention. There is also an anticipated expansion of demand for specialist housing for older people including retirement housing and supported housing options such as extra care.

Growth in both better designed mainstream options and also the specialist sector has significant potential economic benefits through its stimulus effect on the whole housing market.

Housing market stimulus packages⁶ have primarily focussed on the first time buyer, often linked to the building of homes for this sector or for the 'family' market. The majority of government backed initiatives have neglected the potential economic benefits of stimulating wider, growing, "baby boomer" markets at a time of radical demographic change.

Older people and housing – building for growth

Building a wider variety of houses and flats which are better designed for older people would increase choice for those who wish to move, including those who wish to downsize, and thereby boost local housing markets with a range of resulting economic benefits.

This includes creation of jobs in the construction industry, release of housing wealth which could increase spending power and help drive economic activity through local spend on goods and services. The consequent 'house moving chain' would stimulate further spending on the improvement of homes by new occupiers. High levels of home ownership amongst older people (75% nationally, up to 84% amongst 'younger' older people, particularly in rural and semi-rural areas) has significant market potential. As well as the economic impact of increased home moves, for those who 'stay put' product innovation,

⁴ DCLG (2013). Available online at: <https://www.gov.uk/government/policies/providing-housing-support-for-older-and-vulnerable-people>

⁵ *Next Steps: Life Transitions & Retirement in the 21st Century* Calouste Gulbenkian Foundation, 2012

⁶ See Dept for Communities and Local Government website for series of initiatives and noting the last Housing Strategy for England, '*Laying the Foundations*' (2011)

good design, and targeted retailing and installation of home adaptations, equipment and stylish age friendly products all has considerable economic growth potential.

This also links to the potential market growth and increased demand for services provided by small and medium building firms who carry out home repairs, decoration and maintenance. These benefits could be amplified if older people had greater confidence in the market, for example through trusted trader⁷ schemes, and higher level of use of home improvement agencies⁸.

Age inclusive homes and neighbourhoods

The purchasing power and spending patterns of older people means that they have a significant impact on local economies. Integrated public transport, accessible local shops and services which are 'age friendly'⁹ encourage older people to remain economically active and spend locally.

Older people need to identify trusted and reliable local services and products that give them the confidence to spend in ways that support their independence and improve their quality of life. Older people's housing and the associated potential spending power could help to boost the UK economy and provide long term social benefits for society as a whole.

Economic & social benefits of accessible environments

The home environment can reduce the demand on health and social care provision and promote well-being and improvements in quality of life. Well designed new homes incorporating accessible design features reduce the risk of injury and have a positive impact on quality of life for older people with many chronic long term health conditions. They also reduce disruption and later costs of more major adaptations.

There is evidence from the Building Research Establishment (BRE) showing that accessible housing has major health benefits. In comparison with the current building regulations, building to the Lifetime Homes Standard could provide a further £1,600 in saving or £8,600 if potential adaptations were made.¹⁰ Accessible environments and good transport make it easier for older people to stay active and healthy and able to spend in shops and services. It is important that the Government's current review of building standards considers the longer term social benefits of accessible design as well as the immediate upfront costs to developers.

Older people make a significant contribution to the economy through voluntary work. Good homes and communities are the bedrock that allows older people to make these vital social and economic contributions. It is estimated that older carers (aged over 60) in the UK provide up to £4 billion in unpaid volunteering and up to £50 billion in unpaid family care.¹¹

⁷ Eg. Locally run trusted trader schemes, the national government endorsed 'Trustmark' scheme etc

⁸ See Foundations <http://www.foundations.uk.com>

⁹ *Creating Age Friendly Places*, UK Urban Ageing Consortium & Beth Johnson Foundation, 2013

¹⁰ Roys, M (July 2012) *Assessing the health benefits of Lifetime Homes*. DCLG.

¹¹ *The Economy of Older People*, Age Concern, 2004

Economic benefits of retirement and supported housing

As noted above, there is a widely predicted growing demand for specialist and supported housing across tenures. Analysis by the Housing LIN and Elderly Accommodation Counsel (EAC) suggest a shortfall of 240,000 units of purpose-built housing for older people by 2030.¹²

The recent HAPPI 2 Inquiry report on retirement housing, produced by the All Party Group on Housing and Care, sets out practical proposals to encourage and enable expansion of the sector¹³. This includes higher levels of grant funding from government to reduce the cost of borrowing for social housing and offering additional incentives under the 'New Homes Bonus' to encourage retirement housing developments.

The case is put that retirement housing stimulates local housing markets and confers wider economic benefits to local communities. The earlier HAPPI report¹⁴ highlighted the ways that in other areas of Europe retirement housing is often of a high design standard, facilitating the variety of ways older people wish to live, with flexible access to care and support, rather than imposing restrictions or institutional ways of living.

Good retirement housing allows people to live independent and self-sufficient lives for longer. It can be designed to address loneliness and isolation and enhance well-being, reducing demand on health and social care services. There are also models of good planning and design which offer resources to the wider community. Retirement housing can be a focus for a range of 'hub services' to deliver the financial gains often associated with integrated community services.

The long term benefits of low level housing support offered by retirement and sheltered housing is a key 'pull' factor for many older people. Well-located retirement housing gives older people easy access to transport, shops and services, enabling them to help boost the local economy through spending.

One study estimated that extra care housing can reduce the costs to other services by £550 per resident and that an average scheme of 40 apartments brought investment of around £5 million into older people's housing and other services, providing 50 jobs for the duration of construction and employment of 17 full and part time staff in a typical extra care scheme.¹⁵

Economic and social benefits of cooperative housing and a self-help approach

Cooperative and co-housing offers social and economic benefits by encouraging a self-help approach to retirement housing and the delivery of care and support. According to the Cooperative Development Society, cooperative housing '*engenders mutual care and support; and it is an efficient and cost effective way of providing and managing housing*'.¹⁶

¹² Housing LIN/EAC (2013) *Strategic Housing for Older People Analysis Tool*

¹³ APPG on Housing and Care (2012) *Housing our Ageing Population: Plan for Implementation*
http://www.housinglin.org.uk/Topics/browse/Design_building/HAPPI2/?parent=8649&child=8650

¹⁴ Homes and Communities Agency (2009) *HAPPI – Housing our Ageing Population: Panel for innovation*

¹⁵ Housing LIN (2013) *Housing in later life: planning ahead for specialist housing for older people*

¹⁶ CDS (2012) *The Case for Co-operative & Mutual Housing for Older People*

Encouraging cooperatives and mutual housing in both the private and affordable social sectors fits with many government policies and its vision with regard to self help and an assets based model. Many older people in retirement communities already provide mutual support for each other, although the social and financial benefits are not necessarily quantified or fully recognised.

Potential use of housing equity

One of the highest profile areas of debate about older people and housing concerns the use of housing equity. With an estimated £250 billion¹⁷ of housing equity held by older people releasing equity has been seen as a way to address a range of social and economic issues, from supplementing pension income to funding housing deposits for younger generations.

Despite the high profile debates the equity release market remains small, with just 17,535 plans sold last year¹⁸. Financial products do not appear to be attractive to significant numbers of older people and market confidence in this field remains low. Interest rates are high in comparison with mortgage rates, even if low compared with other forms of borrowing. The Consumers Association¹⁹ notes that trading down remains the more cost effective equity release option in most cases.

There are significant inequalities in the distribution of housing equity across the UK²⁰ with a high proportion of housing equity concentrated in the South East. Searle, Beverley (2013) *Who owns all the housing wealth? Patterns of inequality in England*. Centre for Housing Research. University of St Andrews. Available online: http://wealthgap.wp.st-andrews.ac.uk/files/2013/02/WealthGap_No_03_Housing_wealth_inequalities.pdf

Although over half of pensioner owner-occupiers have housing equity of more than £175,000, around a quarter have less than £125,000²¹, potentially limiting the options available to them eg. for retirement housing or trading down.

Housing equity is a key component in paying for care and support in later life under the new system of social care provision and funding (legislation laid before Parliament May 13). There will be a cap on individual contributions to meeting the cost of social care of £72,000 and extension of the availability of deferred payment schemes. Under this arrangement older people's homes do not have to be sold immediately when they require residential care but the cumulative cost of the care will be placed as a charge on the property with interest accruing and administrative charges.

The uneven distribution of housing wealth and greater use of home equity also has longer term implications with regard to inherited wealth for future generations.

¹⁷ The Smith Institute (2012) *Making the most of equity release: perspectives from key players*

¹⁸ Equity Release Council data

¹⁹ www.which.co.uk/money/retirement/guides/equity-release-explained

²⁰ DCLG *Housing Wealth Inequality*: Economics Paper 6 Vol 1 2010

²¹ Aldridge et al *Affordability of Retirement Housing in the UK* New Policy Institute 2012

Taking the long view - the economic benefits of home ownership in an ageing society

Whilst current rates of home ownership amongst older people are at an all time high, levels of ownership amongst younger groups are plummeting, with this cohort increasingly referred to as 'generation rent'.

One of the rarely considered positive economic consequences of the record levels of home ownership amongst low income older households is the massive savings in Housing Benefit.

The vast majority of people who live in rented housing in retirement receive housing benefit because their pension income is too low to meet even social rented housing costs, let alone private rent levels.

A report by the Strategic Society estimated that, based on current owner occupation rates amongst younger groups, by 2060 there will be 3.76 million pensioners claiming Housing Benefit, requiring extra expenditure of £8.13 billion²² on housing benefit for pensioners each year compared to today.

The report argues that the debate on declining rates of home-ownership must recognise the long-term economic implications for public spending if the current shift to private renting continues.

There is also a medium term potential impact on the housing market if younger people are unable to purchase homes. Whilst it would seem that buy to let, buy to invest and purchase of homes for private renting is helping to maintain the market, particularly in London, and is also being supported by Government²³ this may not continue in the longer term, particularly in lower demand areas.

The private rented sector has expanded exponentially over the past decade, but currently, offers the poorest housing conditions for older people²⁴, often without access to the support services available to social tenants. Investment in the private renting needs to be linked with housing standards that are of a decent quality, age friendly and not just designed for younger people.

It is acknowledged that home ownership is not the best housing tenure for all groups, particularly for people with care & support needs, but again, noting the housing benefit argument above, investment in lower rent social housing makes good economic sense in the longer term ie. investing in bricks and mortar for older people rather than using public resources to meet ongoing and escalating housing benefit costs.

²² Lloyd, J. (June 2012) *The Future Cost of Housing Benefit for Older People* The Strategic Society

²³ DCLG (2013) *Build to Rent Fund and other measures*

<https://www.gov.uk/government/policies/improving-the-rented-housing-sector--2/supporting-pages/private-rented-sector>

²⁴ DCLG English Housing Survey (Annual)

The economic benefits of housing related support

Housing related support offers a range of economic and social benefits and is essential for an integrated approach to the delivery of health and social care. Floating support in the community and onsite warden services in sheltered schemes play an essential role in helping older residents' to access services that enable them to remain independent. They can act as good neighbours and assist people to access community services that address isolation and loneliness and reduce demand on other services. For example, a typical befriending service would cost around £80 per older person, compared to savings of around £35 per person in the first year because of the reduced need for the treatment and support for mental health needs. Their monetary value could be around £300 for each person over a year.²⁵

Spending on preventative services to improve housing support, particularly through housing associations, can have long term economic benefits. For example, a strategic approach to prevention could reduce hospital admissions and readmissions, as well as cutting overall demand on primary health and social care services.

The current separation between health, housing and social care budgets means that the savings resulting from housing related support services may not be fully acknowledged, often because expenditure by one department or organisation results in savings to a different body. A Cap Gemini study, commissioned by DCLG, looking at the benefits of Supporting People funding (for housing related support, paid for by the local authority), estimated that an annual investment of £1.6 billion generated savings of £3.4 billion for health and social care.²⁶

An evaluation of the Department of Health funded Partnership for Older People's Projects found that every £1 spent on integrated preventative services delivered an average £1.20 additional benefit in savings on emergency bed days. The savings came from a 47% reduction in overnight hospital stays and 29% reduction in the use of accident and emergency departments.²⁷ A study by the National Housing Federation found that integrated housing support service could save between £2,946 and £17,992 a year compared with less integrated services. One example shows a saving of £241,670 to health & care budgets.²⁸

Economic benefit of the home adaptations, aids & equipment

Over 40% of men and 50% of women over 75yrs live with a longstanding illness that limits daily activities²⁹. Findings from the English House Condition Survey suggest that nearly one million households in England require some level of

²⁵ Henwood, M (2012). *Beyond eligibility : Universal and open access to support and social care* (Age UK).

²⁶ Ashton, T. and Hemenstall, C (July 2009). *Research into the financial benefits of the Supporting People programme* Capgemini - DCLG. Available online at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/16136/1274439.pdf

²⁷ Personal Social Services Research Unit (2009) *National Evaluation of Partnerships for Older People Projects* PSSRU. Available online at: <http://www.pssru.ac.uk/pdf/dp2700.pdf>

²⁸ National Housing Federation (2013) *Providing an alternative pathway*

²⁹ Melzer et al (2012) *Health Care Quality for an Active Later Life* University of Exeter

adaptation for one or more of their residents³⁰. The estimated cost of meeting all eligible needs according to this figure was estimated at £1.9 billion in 2005.

The two main government funding sources for adaptations, aids and equipment are the Disabled Facilities Grant (DFG budget from DCLG at around £270m pa plus Community Equipment Budgets (DH) with expenditure of around £236 million (according to provisional figures) in 2010/11.

There is a significant gap between potential demand and state provision which to some degree is made up by older people using their own resources, but which also is likely to be a potential and growing market. The UK could have a leading role in the manufacture and distribution of innovative technology around the world to other countries facing similar demographic challenges.

Investment in aids and adaptations has considerable economic benefits. A study by the LSE and PRSSU (funded by the British Health Care Trades Association) suggests that '*...an annual spend of around £270 million on DFG is worth up to £567 million in health & social care savings & quality of life gains*³¹.

The study quotes evidence of a range of practical low cost initiatives on adaptations and equipment that have resulted in significant savings. One local authority saw a reduction in care cost of £1.98 million over 5 years for a £110,000 investment in just 20 level access showers. Adaptations are a key component in reducing hospital admissions, allowing the delivery of care and support in the home and promoting independence.

- Falls by older people in the UK are estimated to cost £1bn a year
- A basic adaptation like a grab rail, which reduces falls risk costs £30.³²
- The combined cost of hospitalisation and social care for hip fractures (most of which are due to falls) is £2 billion a year or £6 million a day. In 2012 Age UK estimated that the cost could rise to more than £6 billion by 2035, with 140,000 related hospital admissions (almost double the current figure).

Assistive technology market

Developments in assistive technology (AT) in the home have considerable potential to improve support at home for older people and reduce care and health costs (although this will depend on the type of AT and how it is implemented). AT ranges from a grab rail and alarms to more sophisticated telecare and telemedicine systems. The Government has already invested £18 million in AT over 4 years to show how it can be delivered on a wider scale³³.

There is recognition that AT offers older people independence and can reduce costs for local authorities, when combined with face to face contact. An evaluation of the cost effectiveness of telecare found savings for a typical council serving around 250,000 people of between £3m (short term) and £7.8m

³⁰ DCLG (2011) *Disabled Facilities Grant allocation methodology and means test: Final report*

³¹ Papworth Trust (2012). *Home solutions to our care crisis*.

³² Papworth Trust (2012). *Home solutions to our care crisis*.

³³ Department of Health (2012) *Caring for the future: reforming care and support* (TSO)

(medium term).³⁴ A local review of services in Dorset suggested that every £1 invested in AT could save £14³⁵.

In order to expand the self pay market, older people need impartial information about what AT is available and how it can help them. Given the cost benefits, it makes sense for basic AT to be made freely available to low income groups, but with easier ways of choosing, buying and installing it for those who can afford to pay. Enabling UK designers and manufacturers of innovative AT to promote and export their products would also benefit the economy.³⁶

Economic benefits of housing advice and information

As noted in sections above, older people have significant spending power, housing equity and potential housing related need, particularly with regard to purchase of building services, adaptations and equipment as well as home purchasing power.

Successive policies, including the Dilnot review of social care, have clearly identified the importance of trusted, independent, impartial information and advice to enable older people to make informed decisions. This includes being able to navigate, consider and shape personal and public expenditure on care and the home environment.

In recognition of this DH has allocated £32.5 million to help local authorities develop online information and a new national website on health, care and support whilst DCLG has provided some financial support for FirstStop, the national housing and care information service for older people.

Such information & advice services can enable more older people to use even limited resources efficiently to maintain and adapt their homes and purchase items and services to support independent living , as well as maintaining the housing stock, with the clear associated economic benefits that this brings.

Independent housing options information and advice services can play a key role in enabling older people to move home, including downsizing, with the resulting economic impacts on local housing markets noted above. Independent information and advice is pivotal to enabling individuals assess equity release products and make fully informed decisions which will be economically sustainable in the long term.

³⁴ Henwood, M (2012). *Beyond eligibility – Universal and open access support and social care*.

³⁵ Dorset Telecare project (2008)

³⁶ The Technology Strategy Board is investing £23m in 'Delivering Assisted Living Lifestyles at Scale'

Positive suggestions for Action and Improvement

Recommendation

Given the potential size of the general housing market for older people at a time of major demographic change, all new homes should be designed to accommodate this new population trend and be designed to lifetime homes standards. This will require the setting down of minimum national standards.

Recommendation

The development of new homes needs to include a wider variety of housing designed for older people and across all tenures, including a range of options for those who wish to downsize to generalist housing and also purpose-built for retirement, specialist and supported housing.

Recommendation

In the context of the current focus on investment in affordable public and private housing to boost the economy, designing and building homes for older people in the right locations should be a component of this investment as it has a potentially powerful impact on the wider housing market.

Recommendation

At a national government level, the building of social housing at lower rents, particularly for low income older people with support needs, needs to be re-introduced on the basis of a longer term economic benefit resulting from lower ongoing costs arising from welfare payments for rental expenditure.

Recommendation

Local authorities should be charged with ensuring that investment and infrastructure plans include inclusive & accessible design considerations from the start. This is key to integrated cost effective planning for an ageing society and will have long term economic and social benefits.

Recommendation

Planners and Commissioners should take a strategic approach to assessment of the housing market and population trends. This would include planning for and enabling the development of retirement and specialist housing schemes that comply with higher design standards, particularly those set out in HAPPI2, and which are located in the right places to enable older people to remain economically and socially active.

Recommendation

Local authorities and commissioners need to recognise the value and potential benefit of cooperative and alternative models of housing for older people and seek to remove barriers to innovative and flexible forms of housing in later life.

Recommendation

With reforms in health and social care local authorities will be under an obligation to coordinate the delivery of integrated support services that include housing. Housing expertise needs to be incorporated at a high level, including Health and Well Being Boards, to ensure the practical delivery of objectives on integration.

Positive suggestions for Action and Improvement (continued)

Recommendation

Basic assistive technology should be freely available to low income groups with easier ways of evaluating, buying and installing AT for those who can afford to pay. Enabling manufacturers of AT to promote and export their products would also benefit the UK economy.

Recommendation

Local authorities need to work with local agencies to extend the reach and profile of independent housing and care information and advice that enables older people to make informed decisions and use their resources effectively. This should include preventative advice for older people with lower level needs as well as those assessed as higher need.

Recommendation

Retail spaces that are age friendly engage with older people and encourage local spending. Age friendly design principles should be applied to new and existing commercial centres, neighbourhoods, towns and cities and green space thereby encouraging and enabling older people to use local shops, services and amenities.



The Housing and Ageing Alliance

About the Housing and Ageing Alliance

The aim of the Housing and Ageing Alliance is to bring about improvements to the housing and living conditions of older people. The group believes that homes, communities and housing related services should be planned and designed in ways that enable choice, control, inclusion and independence in later life.

The Housing and Ageing Alliance members are drawn from a wide spectrum of national organisations committed to improving the housing and living conditions of older people including: Age UK, Care & Repair England, Chartered Institute of Housing, Elderly Accommodation Counsel, ILCUK, Foundations, Hanover, Housing Learning and Improvement Network, McCarthy & Stone Retirement Lifestyles Ltd, National Housing Federation, Older People's Action Groups (London and North East).

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