Later Living

Are we **planning** for our **future?**

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“We have to ensure the homes we are delivering are appropriate for those seeking to right size or relocate.”

Introduction

The UK's ageing population is well documented, and in recent years the challenges this presents us, in terms of the provision of suitable housing for people entering their later years, has begun to be discussed more frequently and in greater depth.

In 2015, we published a report which looked specifically at Local Authority responses to the challenge of housing our ageing population, and those areas emerging as being under specific pressure due to ageing communities. This report identified a worrying lack of understanding of need or provision in Local Authority planning at that time.

Today this part of the challenge remains largely unchanged in terms of policy. While the most recent supply/demand data for this sector[1] suggested a shortfall of some 400,000 specialist housing units (extra care supported housing) and 200,000 care home bed spaces, was likely by 2035 across England if current trends of supply were to continue.

The Older People Select Committee concluded from their thorough review that 'there is a shortage of supply in general but particularly in private ownership and rent for the middle market.' They also noted a widespread shortage of privately developed specialist housing (this encompasses right sizer 'lifestyle' accommodation) for the over 55's through to extra care, and virtually nothing in this market for rent.

As Planners and Designers operating at a strategic national and local level and delivering many different forms of housing, including later living accommodation, we believe it is critical that we address this challenge if we are to tackle the current housing crisis. To tackle it, we have to fully understand it, and ensure that the homes we are delivering are appropriate but also appeal to people who are looking to right size or relocate. It is clear from this study and the work we have recently completed alongside the Future of London (Ageing Cities Report; March 2018), that those in the 45-55 year age bracket, who may only just be starting to consider retirement options, have very different characteristics and lifestyles.

With this report, we wanted to better understand the nature of the challenge. With home ownership encouraged through successive governments, we have a well documented proportion of the population with property wealth. Equally, with the market in its current state and improving life expectancy, we feel it is important to understand more about what property and pension wealth looks like in the immediate and longer term, so we might all use this greater understanding of the market today and emerging in the future, to inform Local Authority and developer responses in the short and medium term.

When we first conceived this research, we thought we would be unearthing a cliff edge in wealth across our population. With pension investments falling and successive generations finding it harder to get on the property ladder, we thought we would uncover a long-term challenge for the sector, and although this is somewhat evident, we uncovered a far more immediate challenge facing the industry.

Utilising ONS Wealth and Assets Survey data, alongside Mosaic analyses, our Development Economics and Town Planning teams seek to explore the property and pension wealth profile UK wide and specifically within the older generations. What is the scale of our middle market challenge - those who cannot access the current later living products on offer at either end of the scale – and how does this challenge differ geographically across the UK? How much can this data inform the industries response to the later living challenge, in terms of product and approach?

[1] Presented to the Government's Housing for Older People Select Committee by the Housing LIN in late 2017.

The Profile of Property Wealth

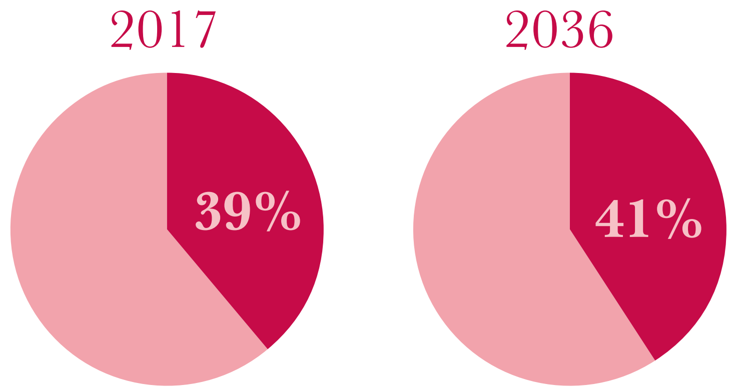
The sum of wealth amassed during a person's working life is currently pivotal in determining options for retirement. For many, a home is by far the most valuable asset they will ever own, and unlike a pension (where only 25% can be drawn down as a tax free lump sum), property wealth can be realised in retirement by downsizing. This is the cornerstone of the private retirement housing sector – particularly at the higher end of the market.

The vast majority of mortgages in this sector of the population are paid off prior to retirement, meaning that property wealth is disproportionately concentrated in older age groups.

According to analysis of the ONS Wealth and Assets Survey by the Centre for Economic and Business Research (Cebr), which was commissioned by Barton Willmore specifically for this study, 39% of total property wealth in the UK is held by over 65's.

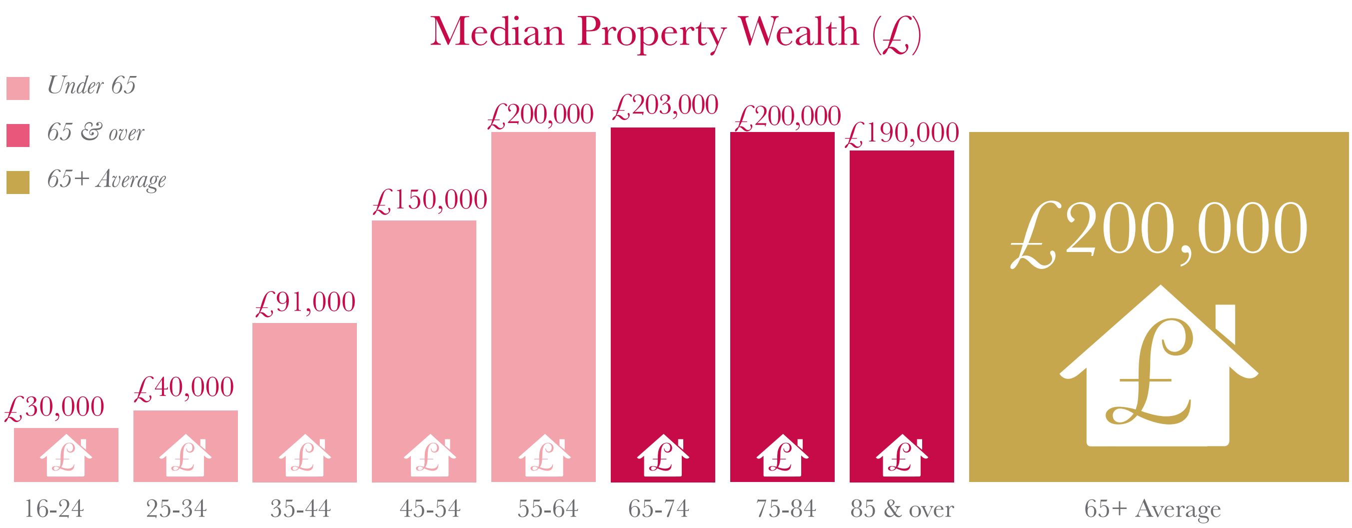
By 2036, the Cebr predict that this will grow to 41% due to the ageing of the population and falling home ownership levels among the younger generation.

The chart below summarises median property wealth (per household) in the UK by age group, according to the Cebr analysis.



39%
of total property wealth held by over 65s

41%
of total property wealth held by over 65s



The Cebr data shows how property wealth per household steadily increases until the 55-64 age group, after which it plateaus. As most mortgages are paid off by this point, subsequent equity growth is secured by house price inflation alone, which affects all age groups. The average older, home-owning household in the UK therefore has £200,000 in property wealth.

Given the current median property wealth evident amongst the 45-55 year age group, we can also see that this median value is likely to remain relatively consistent for those entering the 65+ years age bracket over the next 20 years.

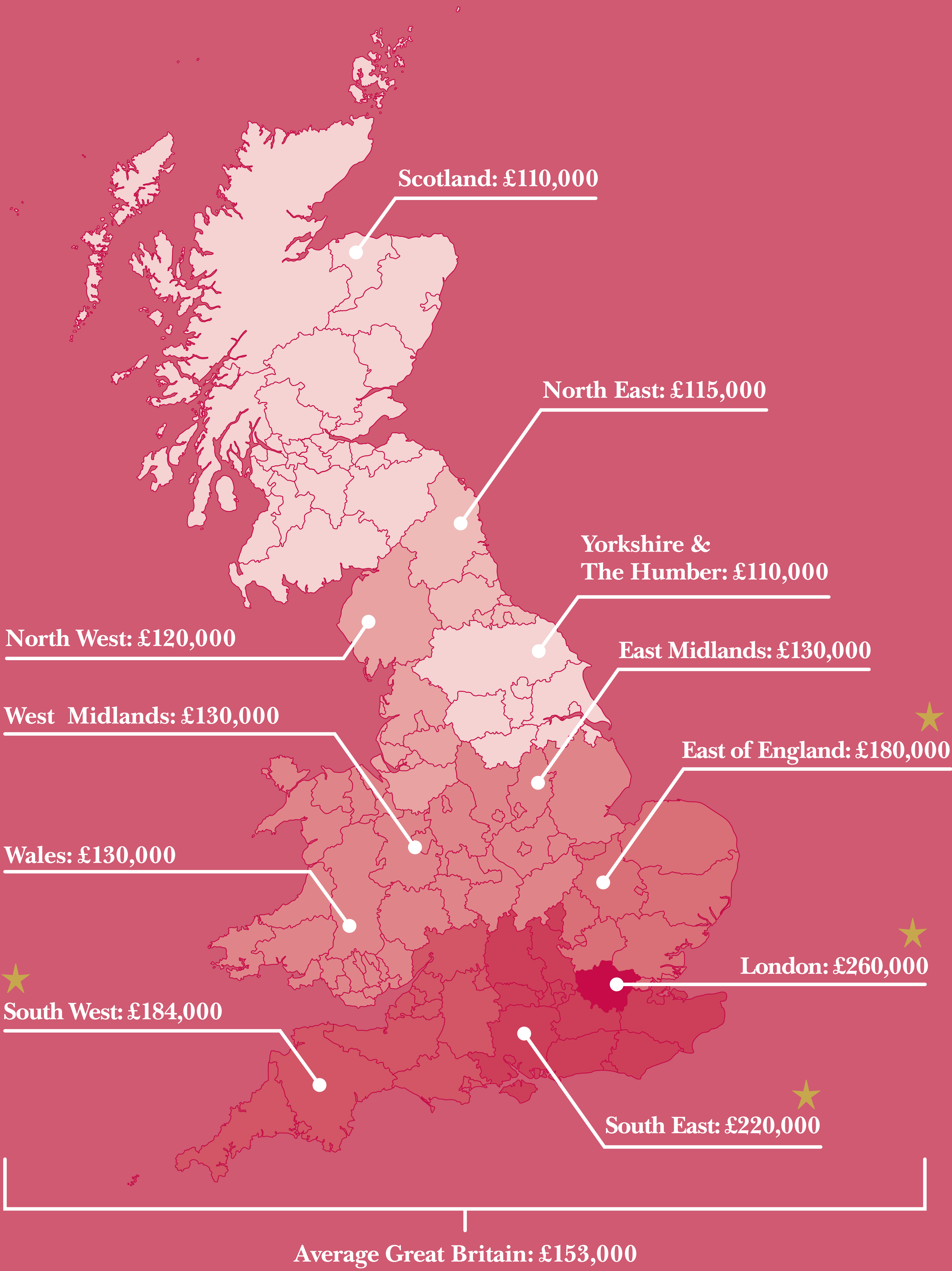
Within these median figures however, there are significant regional variations.

Looking across all age groups, the map opposite demonstrates how London's median property wealth, as the wealthiest region, is more than double that of the least, while median property wealth in England as a whole (£160,000) is 45% higher than median wealth in Scotland (and 23% higher than in Wales).

★ Property wealth in these regions is above UK average.

Median Property Wealth by Region - All Ages

Given these variations, further analysis is needed to fully understand the likely future dynamics of need, over the next 20 years, in more detail.



Segmenting the Emerging Market

Experian Mosaic is a comprehensive market segmentation dataset, categorising the entire UK population into 15 'Groups' and 66 'Types' based on over 850 million data records across 450 different variables. This includes variables relevant to this research, including age, financial situation and housing.

The matrix below shows the relative age and financial security of the 15 Groups.*

	Younger than average	Older than average	Elderly
Most Financial Stress £	L: Transient Renters M: Family Basics	O: Municipal Challenge	
Moderate Financial Stress ££	H: Aspiring Homemakers J: Rental Hubs	G: Rural Reality I: Urban Cohesion K: Modest Traditions	N: Vintage Value
Low Financial Stress £££	C: City Prosperity D: Domestic Success	E: Suburban Stability A: Country Living	
Least Financial Stress ££££		B: Prestige Positions	F: Senior Security

**For the purpose of this research, we have used the Public Sector edition of Mosaic*

Of the 15 Groups within Mosaic, seven have an average age that is older than the national average. Collectively these seven population groups account for just under 75% of the UK population aged 45-65 years of age – the age cohort that is due to enter the market for all types of retirement accommodation over the next 20 years.

In the following pages, we set out to understand more about each of these groups, how they will change over the next 20 years and the property wealth associated with each, to see how this might inform our view of the emerging market.

The analysis in this section is based on Barton Willmore's interpretation of the Mosaic dataset and supporting materials supplied under licence by Experian. Mosaic is a registered trademark in the EU and other countries and is owned by Experian Ltd.


Prestige Positions
Country Living
Suburban Stability
Rural Reality
Urban Cohesion
Modest Traditions
Municipal Challenge


ROOTS

Emerging Older Groups

Taking financial stress (or lack thereof) as a proxy for affluence, here we look at the most affluent of the emerging older Mosaic groups within the classification.

Prestige Positions

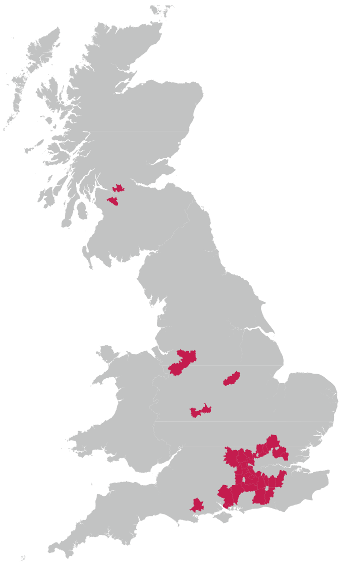
- Well-educated married couples who have reached senior/managerial positions
- Large family homes with no children living at home
- Detached often 5-bedroom properties with mature gardens
- Supporting students and older children
- Own their home outright
- High assets and investments
- Enjoy expensive holidays and premium brands

2.7m People

13% of UK 45-65 population

2.7m People aged 45-65

1.4m People aged 65+



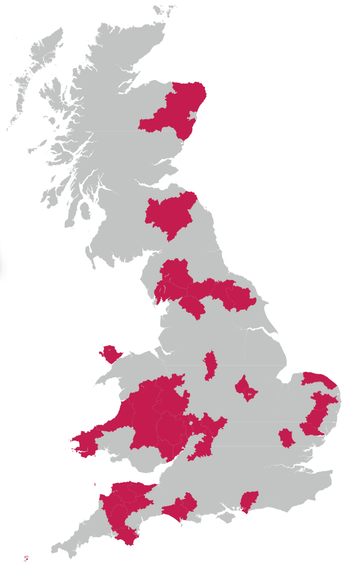
Country Living

- Live in rural locations
- Well-off homeowners
- Live in attractive detached homes
- 5+ bedroom properties
- Higher self-employment rates or retired from managerial positions

7% of UK 45-65 population

1.6m People aged 45-65

1.5m People aged 65+



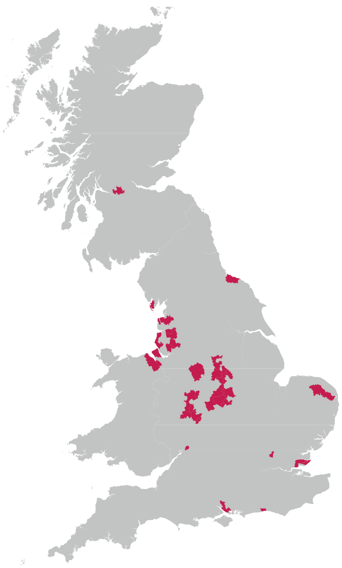
Suburban Stability

- Older families often with adult children living at home
- Live in suburban inter-war/post-war semi-detached home owned outright
- 3 bedrooms on average
- Have lived at same address for some years
- Lower managerial/technical occupations
- Comfortably off unless children living at home

21% of UK 45-65 population

4.5m People aged 45-65

0.4m People aged 65+

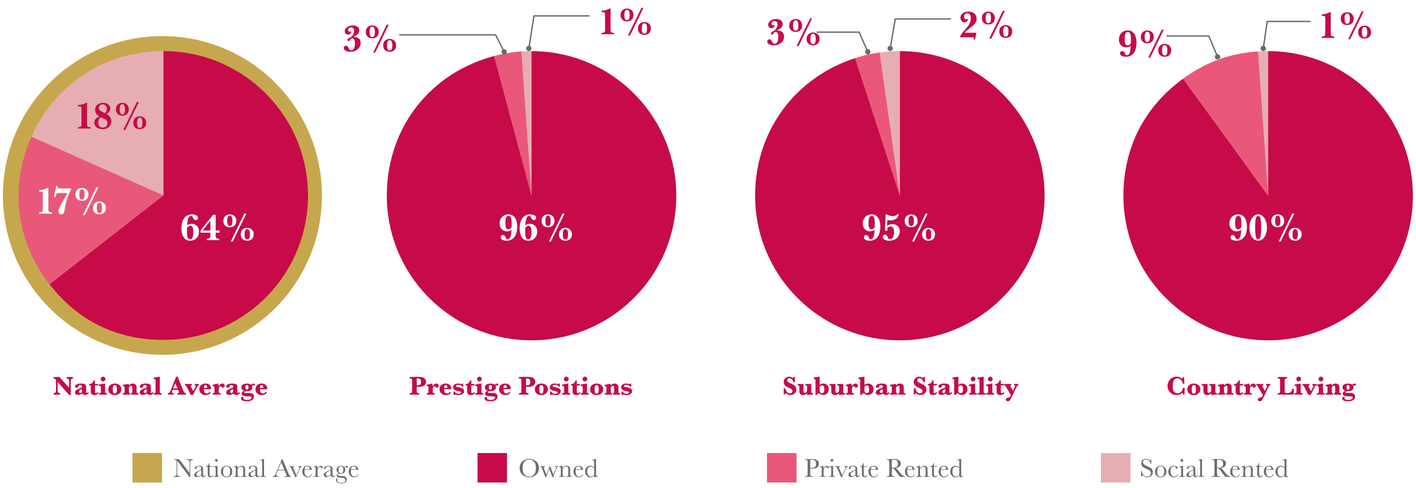


A Closer Look

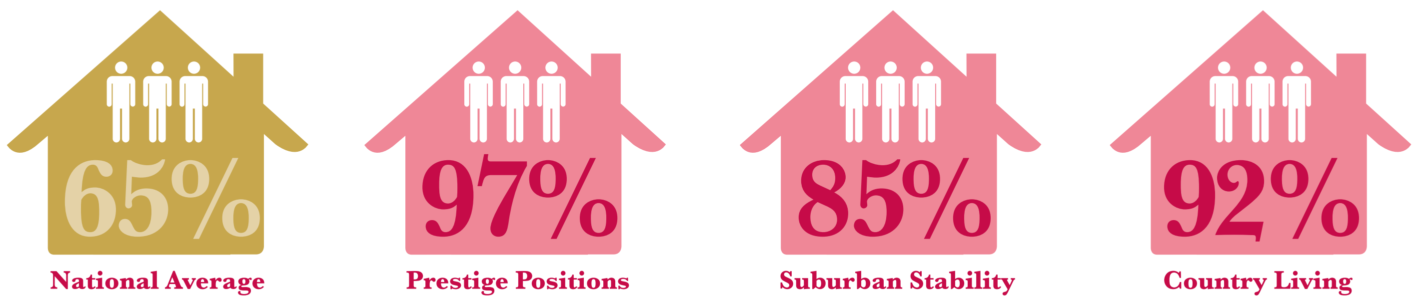
Looking at these three groups specifically, we can see there are very high proportions of home ownership - 90%+ - well above the national average (64%), while the majority of these people live in sizeable homes of 3+ bedrooms.

The wealth and assets data however, highlights the clear differentiation in property wealth held by these groups. Based on 2014 property prices, Suburban Stability, the largest proportional group (21% of the emerging later living market), has significantly lower property assets than the other two.

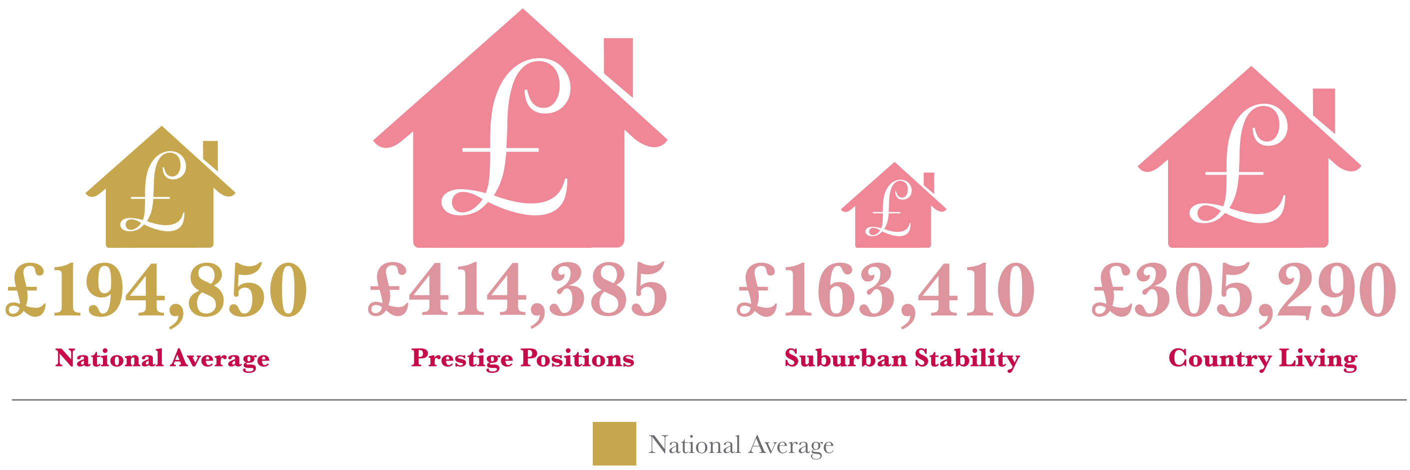
Tenure



3+ Bed Properties



Average House Value (2014 Estimates)



Rural Reality

- Householders living in inexpensive homes in village communities
- Mature couples and older singles
- Rural locations
- Lower cost housing – post-war terrace or bungalow
- 2-3 bedrooms
- A high proportion of self-employed, agriculture, manufacturing or retail
- 70% own their own homes while others rent from social landlords

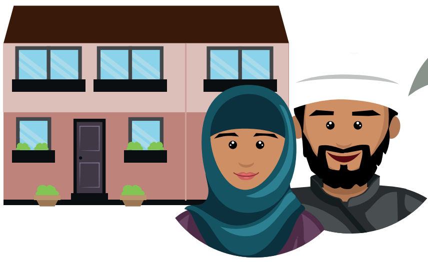
7% of UK 45-65 population

1.5m People aged 45-65

0.7m People aged 65+

Urban Cohesion

- Settled extended families
- City suburban housing - Victorian terraces or inter-war semis/ terraces or flats
- A majority of homeowners
- Moderate household incomes derived from lower managerial, intermediate and semi-routine occupations
- Multi-cultural



6% of UK 45-65 population

1.2m People aged 45-65

0.7m People aged 65+

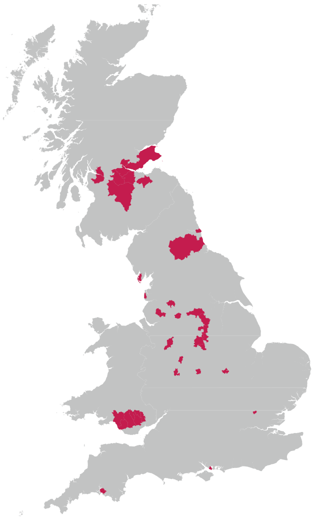
Modest Traditions

- Mature homeowners
- Affordable housing
- Children are grown up
- Suburban locations
- Modest income

11% of UK 45-65 population

2.4m People aged 45-65

0.6m People aged 65+



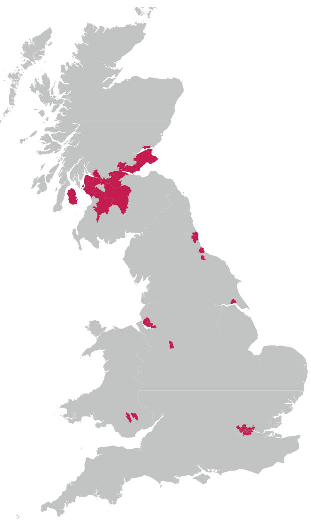
Municipal Challenge

- Urban renters of social housing
- Low-cost housing
- Challenging neighbourhoods
- Few employment options
- Low income

8% of UK 45-65 population

1.7m People aged 45-65

0.3m People aged 65+



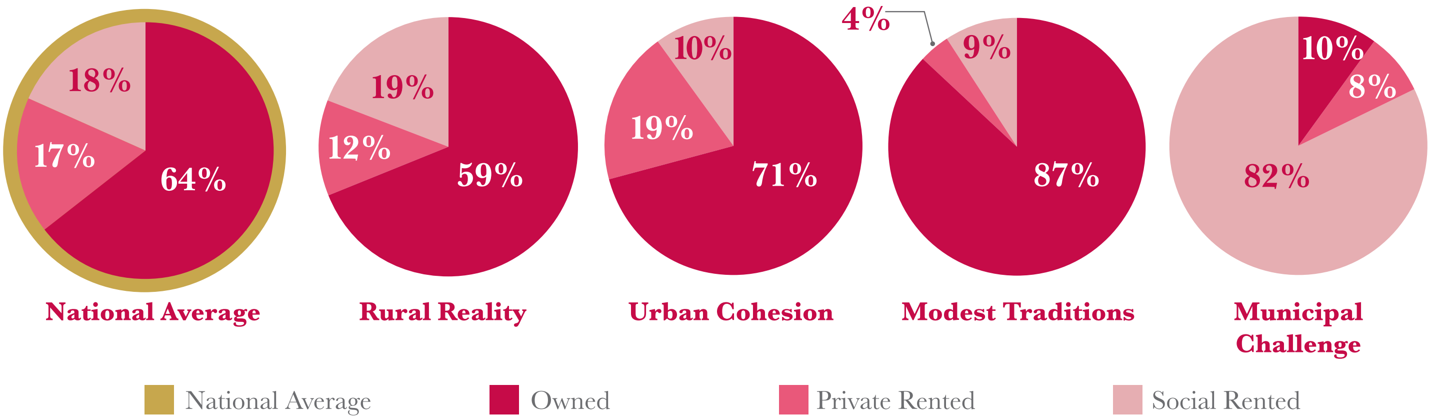
A Closer Look

Within each of the remaining Mosaic groups in which the over 45's feature heavily, the percentage of people who own their home is still largely above the national average. Many of these homes are also of a reasonable size, enabling the opportunity for these groups to potentially capitalise on released equity, through 'right-sizing'.

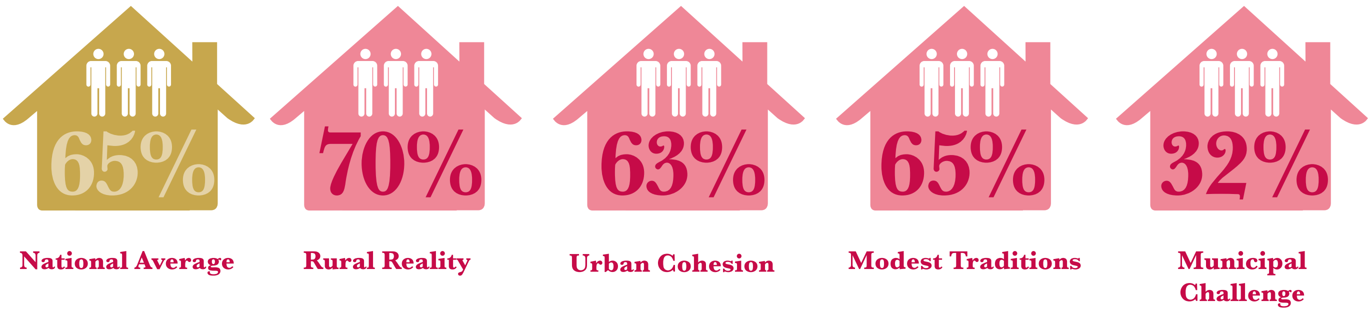
When we look more closely at the average house prices in 2014 however, we uncover greater diversity, with Modest Traditions in particular demonstrating 87% home ownership but an average house value of only £103k. This group accounts for 11% of our emerging older population, some 2.4m who will be reaching retirement age within the next 20 years.

The Municipal Challenge group represents the lowest levels of home ownership in this age group (10%), with the vast majority of this group reliant upon social housing into old age.

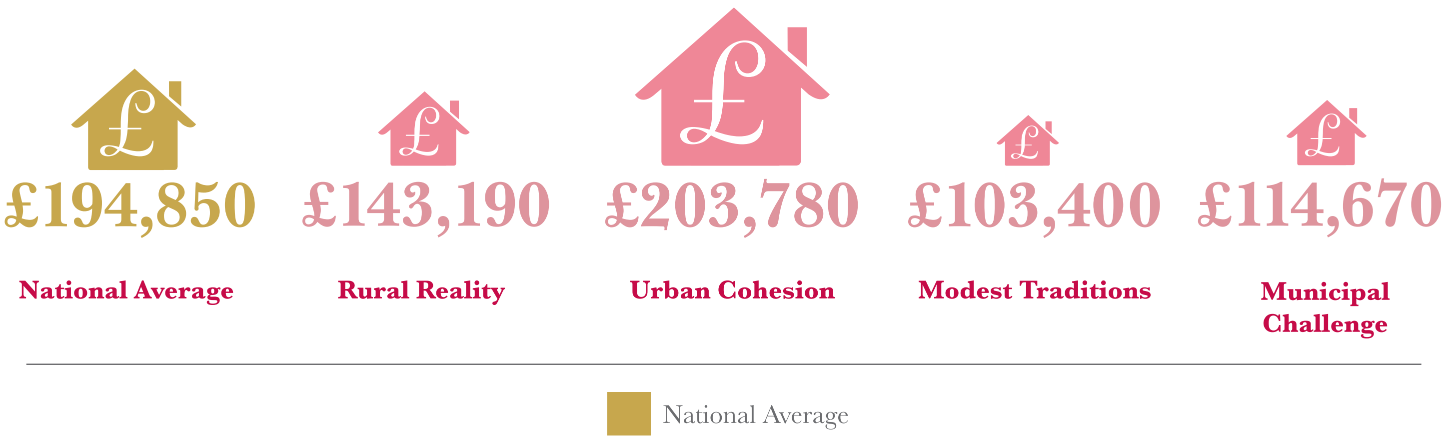
Tenure



3+ Bed Properties



Average House Value (2014 Estimates)



Drawing it All Together

By fully understanding the lifestyles and financial position of the population, can we better understand this markets aspirations and fears?

Our review demonstrates how diverse this market is. The 5.6m people currently aged over 65, occupy seven mosaic groups, and every one of these seven is set to grow significantly over the next 20 years, as our current 45-65 year age group - some 15.8m people - approach and enter retirement.

There is no question that the potential market for later living products is large and growing, but across these 15.8m people, there is a variance of over £300,000 in average property wealth. There are also clear geographic differences, with concentrations of wealth and challenging economics in some, at times, surprising locations. So not only is this a huge challenge and opportunity, it is one which requires a diverse response.

Local Planning Authorities and the market must fully understand the real dynamics of need within a specific location and the financial basis on which their target audience is basing their accommodation decisions, if we are to respond in a way which provides solutions that are accessible and appealing for those approaching retirement, as well as deliver solutions which tackle the issues of loneliness, care provision and 'right-sizing'.

Where is the market opportunity?

Today, the later living property market is frequently directed towards the 2.9m people aged 65+ within the highest affluence groups i.e. Prestige positions and Country Living, and their property wealth of £300k+.

Our analysis however, shows that although this segment of the market is due to see strong growth over the next 20 years, the four mosaic groups at the opposite end of the scale (£163k or less) are set to grow to four times their current size in the same timeframe. This area of the market, at 10.1m people, therefore represents a huge later living market challenge and opportunity. If the market does not address this segment's needs and concerns however, it is unlikely that these people would be financially able to 'right size' into more appropriate accommodation.

What models are emerging?

Currently the market and Government initiatives are focused heavily on housing our younger population – Help to Buy being a prime example alongside a push to increase the number of SMEs entering the market. Comparatively, the number of organisations looking at housing our ageing population is much smaller, and this is part of the reason why supply does not match demand. The default position currently is for almost gated communities i.e. bespoke developments which cater solely for those over 65 (or in many cases over 55). We have seen a move in recent years from more rural/suburban locations into cities and towns where access to local services and facilities is vastly improved and people are part of the community rather than isolated from it.

We stated earlier that we embarked upon this research thinking we would come across a cliff edge at some point. Whilst this has not proved to be the case, the market is clearly changing, as well as the needs of future generations. The market for the 'high-end' homes will remain and will continue to provide homes for a large section of the population. However, there is a need for a drive to encourage new entrants into the market to assist in providing new and affordable homes. There is clearly a question as to how to make any new models attractive and financially viable, however what is also clear is that there are already new models emerging which can be looked at, lessons learned and adapted if necessary.

The work undertaken as part of our involvement with the Future of London project has looked at a number of new 'models' of delivery to offer greater choice in the market. Co-housing in particular is on the rise in terms of its popularity. Currently it tends to be segregated to one sector of the population, however the popularity of the first schemes suggests this is a model which works in terms of tackling down-sizing and loneliness and allows independent living to be maintained. Is this a model which can be looked at and expanded upon in other areas of the UK?

We are currently working with affordable housing providers who provide specialist mixed tenure schemes for the over 55's – could Co-housing work in this area also? Particularly in our cites, can we look at options for intergenerational housing? Only recently in the UK, we saw a snapshot of the benefits of intergenerational interaction with the Channel 4 programme – 'Old People's Homes for 4 Year Olds,' which highlighted the benefits that were gained in a short space of time.

> “Well designed and thoughtful planned communities can facilitate strong communities for all ages.”

Finally, as a practice of Planners and Designers, we couldn't conclude without a review of the role of planning and design in tackling this matter. Well designed and thoughtful planned communities can facilitate strong communities for all ages.

There is a need for a more coordinated and thought out approach to delivery of older persons housing through the planning system as opposed to the more ad-hoc provision which currently takes place. Greater involvement and engagement at an earlier stage and greater certainty will assist in attracting more entrants into the market.

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