



Briefing Note

Retirement Living

Untapped potential in the Scottish retirement living sector

June 2016



RESEARCH

As Scotland's demographic ages, there is real potential to provide aspirational housing for the downsizer market. There has been limited supply to date in Scotland compared to elsewhere, however the opportunities are there, as explored in this paper.

Demographic Changes

The United Kingdom has begun to witness a significant shift in its demographic shape; increasing numbers of retirees are changing many of aspects of our society including the economy, our health system and ultimately, our housing.

Within Scotland, the working population is forecast to reduce by 131,000 by 2037, meanwhile the number of people aged over 65 is set to increase by 550,000 to 1.4 million, an increase of at least 100,000 every five years. This unprecedented level of growth is going to be spread geographically across all communities.

Rural and Coastal

Areas which have historically been popular lifestyle choices for retirees such as Dumfries and Galloway, Fife and Moray will continue to be popular. Fife in particular, is going to witness very strong growth with a 60% increase in the number of retirees; increasing from 67,000 to 107,000. This reflects the accessibility of the area and its established desirable, coastal communities.

Settled in Suburbia

The suburban local authorities surrounding Scotland's key cities are primarily thought of as family orientated areas, but as people age the profile is due to shift. For example Aberdeenshire is forecast to see 31,000 more retired households, South Lanarkshire 36,000 and West Lothian 20,000. Residents in these areas may seek to downsize from the family home but stay in the same area and benefit from the amenities and transport links.

Urban Utopia

Scotland's cities are going to experience significant growth in the number of retirees. This growth is going to be fuelled by those who already inhabit cities choosing to remain there and those attracted to the city for the urban lifestyle and amenities on offer.

For example the city of Edinburgh's over 65 population is set to grow by 46,000, Glasgow's by 40,000 and Aberdeen's by 18,000 by 2037. These cities are also forecast to witness growth in working age population; Edinburgh's by



70,000 and Aberdeen and Glasgow's by in excess of 30,000. Therefore housing of all types will continue to be in high demand, creating a competitive market.

Implications for Housing

Regardless of the geographic location of retirees, this shift has important implications for housing.

At the last census, 60% of households headed by someone over 65 owned their property outright. Furthermore, of those aged 65, over 50% under occupied their properties and the figure is similar for those aged 50 to 64.

This suggests that there is a substantial downsizing opportunity for many and there is considerable potential for younger lifestyle downsizers rather than the traditional needs based move which we often associate with downsizers and retirees.

Ultimately the right product in the right location could motivate many households to move.

The £250,000 Challenge

The average transaction value in Scotland in the year to March 2016 was £166,624 and there were 100,074 transactions.

Of these transactions only 17%, took place above the UK average of £250,000 and only 4% took place above £400,000.

Therefore whilst it is positive that there is a considerable number of over 65s who own their property outright, it is unlikely that many people will be able to release large amounts of equity.

The challenge for developers operating in retirement sector in Scotland will be providing desirable properties at attainable prices.

PLANNING

The Challenge and The Potential

The planning system has the potential to play a pivotal role in addressing the impact of demographic changes on housing demand.

Scottish Government policy explicitly requires local authorities to meet the housing needs of older people. Despite this, the planning system could do more to promote and develop the range of homes both necessary for and desired by the growing older population.

Current Planning Position

Scottish Planning Policy (2014) encourages new housing developments to include a variety of house types and sizes which reflect local community needs. Furthermore, it requires local authorities to consider the need for specialist housing within their Housing Need and Demand Assessment (HNDA) and where a need is identified, local planning authorities should prepare policies to deliver specialist housing.

Despite this, there is no definitive and specific planning policy to address the demand for and deliver retirement housing.

As a result we are seeing an inconsistent approach to local planning authorities interpretation and application of SPP, particularly in relation to developer contributions (including affordable housing provision), policy preparation and also the inclusion for specific retirement housing in HNDA's.

Consequently, whilst some planning consents are being delivered through the current system, there are not nearly enough to meet demand.



Planning for The Future

Savills believes there is a need to establish specific retirement living policy to address the demand for and encourage the development of retirement and downsizer accommodation.

The recent independent review of the Scottish Planning System (published May 2016) has highlighted these issues and calls for "future proofing" to ensure the needs of Scotland's ageing population are met.

The demand for housing land has never been greater and the planning system is key to unlocking the potential for delivery.

DEVELOPMENT LAND

Development land in prime areas is continuing to see strong demand from developers and house builders.

The quality lifestyle and access to amenities offered by prime areas drives developers to acquire sites in these locations. There is an opportunity for retirement living providers to add to the market and compete on prime sites where downsizers will wish to relocate.

Rural and coastal areas provide a picturesque location for development, however large developers and house builders report that the areas generally do not have the population or amenities to attract the demand required to ensure a site is economically viable.

Popular suburban areas, including many towns and villages in East Dunbartonshire, Aberdeenshire and East Lothian, are continuing to experience a strong development market. Sites which are available are likely to have significant competition, however there is an opportunity for retirement providers to compete due to their reduced requirements for parking, enabling retirement living developers to achieve a denser layout.

Urban areas provide a good market location for retirement living. Downsizers have added to the buyer profile for properties in urban areas, with equity to invest in generously proportioned properties which are well managed and have efficient layouts.

RESIDENTIAL DEVELOPMENT

Aspirations

The downsizer market is driven by aspiration. The desire to have a good quality of draws downsizers to some of Scotland's most desirable areas. The wish to have a modern, high specification property designed to their needs attracts them to new build homes. Finally, aspiration to be mortgage free, fund a comfortable lifestyle and assist family members get onto the property ladder will motivate many to make the move to a smaller home and allow equity to be released from the sale of the family home. The key will be the ability to provide homes in aspirational developments and desirable locations, acting as the catalyst for the downsizer to make this lifestyle move.

There are two key markets operating which are likely to be most influential due to the value challenge in Scotland.

The core market is likely to cover those downsizing from properties worth between £175,000 and £325,000. They are looking primarily for location and high quality, but also modest design specification to allow them equity release and investment in other aspects of their lives.

The prime market covers those downsizing from properties worth £350,000 and above and is therefore likely to be relatively small. Here, purchasers require prime locations, high quality design specification and potentially the provision of additional services such as concierges and considerable amenity space in gardens, roof terraces and guest suites.



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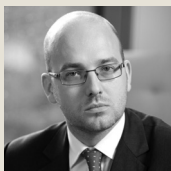
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