Is Buying a Retirement Home Worth It?

An analysis of how price performance affects demand of senior housing in England

Gus Wiseman
Downing College, University of Cambridge
Masters in Real Estate
Department for Land Economy
Supervisor: Professor Nick Mansley
July 2025

Abstract

The UK faces a critical undersupply of retirement housing amidst rapid demographic aging. Yet little research has explored how price performance and financial trade-offs may be depressing demand amongst seniors. This study addresses that gap through a mixed-methods approach combining repeat-sales analysis, financial modelling and primary survey data.

Using 1.3m matched property transactions (2000-2024) from 20 English counties, including 33,000 repeat-sales of senior housing, we construct a quarterly index of real price performance. We find that senior housing underperforms the general market, and new builds exhibit steeper price decay, with weaker mean reversion, greater volatility, and a higher risk of real capital loss. However, post-2008 schemes, larger developments, and schemes with integrated care perform markedly better.

A net present value (NPV) model demonstrates renting is financially preferable to buying for typical tenure durations – particularly when investment returns exceed rental costs. An original consumer survey finds that exposure to new information on financial performance increases stated preference for rental models by 20-30%.

These findings provide new empirical insight into why demand for senior housing is faltering and suggest that regulatory and product reform may be necessary to restore consumer confidence and attract institutional investment into a growing but fragile sector.

Keywords: Senior living, repeat sales, ageing population, housing policy, real estate investment.

Acknowledgements

I'd like to thank my supervisor Professor Nick Mansley, who in addition to his academic responsibilities is a former practitioner in senior housing. I'd also like to the National Innovation Centre for Aging for partnering on our survey, the Older People's Housing Taskforce for the deep insight of their reports, and the Elderly Accommodation Counsel for their rich data.

Last, to my wife Charlotte for pushing me to pursue my passion.

Executive Summary

Senior housing is one of the UK's largest untapped real asset opportunities. With reform, delivery could scale from 7,000 units a year today to over 30,000 by 2040 – representing a £60bn investment pipeline.

But at present, the market is structurally misfiring. Demographic demand is rising fast, yet product options are poor, and consumer confidence is low and weakening. Price-paid data from 1.3m English property transactions show an asset class that regularly disappoints. Low demand is a rational decision in the face of weak product value, high capital risk, and inflexible options to consumers. The result is chronic under-supply, with a strain on health and care sectors, and a drag on economic growth.

The sector is still dominated by legacy social housing, with the next largest segment, a for-sale model, that does not match the needs or risk tolerance of its primary consumers. Decisions to move are too often negative, triggered by widowhood or illness, rather than positive, lifestyle-driven choice. As a result, most older people chose to stay in their family home – often alone, often lonely.

This study does not assign blame to developers, who largely work hard within the constraints of a flawed leasehold regulatory and tax system. Rather this study reveals that market forces alone cannot solve this. The barriers to demand – price risk, tenure rigidity, lack of health integration – are structural and demonstrate inherent policy flaws that undermine consumer demand and institutional appeal.

This study finds:

- **Scale is a win-win** - larger schemes reduce consumer costs and deliver more predictable investor returns.
- **Healthcare integration is a missing ingredient for scale** - it protects value and cuts public costs.
- **Consumer confidence is a commercial precondition** - demand won't scale until exit risks are mitigated.
- **Regulation is the unlock –** the UK is stuck in the 80s compared to global models (NZ, Australia, Canada). We can catch up fast.
- **First mover benefit** – innovators in tenure and care integration will capture outsized market share because incumbents are either wedded to legacy models or too poorly capitalised to adapt.

For businesses and investors, the message is clear: without reform, senior housing remains a niche, illiquid segment. But with the right structures – scale, healthcare integration, and tenure reform – the sector can deliver resilient, long-duration cashflows perfectly matched to the needs of the UK's growing pool of pension capital. This represents one of the UK's most significant untapped real asset opportunities.

The conditions for success are already present. What is missing is decisive leadership from government and industry to move senior housing from marginal to mainstream.

Policy and Market Enablers

	Policy Recommendation	Implications for Investors
1	**Introduce a UK life-lease license regime.** Legislate a standardised structure modelled on New Zealand Retirement Villages Act (2003) to mitigate resale risk and better match older consumers' risk appetite.	Creates a globally trusted, liquid tenure model, with more predictable infrastructure-like cash flows, and unlocks latent product demand.
2	**Promote standardised tenure-cost calculators.** Require neutral NPV calculator at the point of sale to show capital-loss risk and improve comparability of new options.	Increases transparency and fairness, reduces mis-selling risk – and restores buyer confidence – a critical ingredient of scaling demand.
3	**Treat senior villages as growth assets, encouraging scale.** Land allocations, CIL exemptions, S106 / affordable exemptions, and planning should be wired to drive 100+ unit schemes. This can create hospitality-like community assets with high employment. Yet too often local planners see senior as a marginal product burdening local-gov funded social care, to be minimised.	Partnering with far-sighted places is necessary. It unlocks economies of scale and enables platform-style replicable investment strategies.
4	**Integrate healthcare into villages.** GP / neighbourhood care is an unlock of scale yet impeded by current NHS Estates rules. It could be funded with developer capex, sharing NHS savings. This will transform schemes into health hubs, improve resident outcomes, and correct currently disincentivised demand.	Health integration drives product value, reduces customer turnover, diversifies revenue streams, enables better tech adoptions. Solving for health integration requires upfront site-by-site deals, implying a complex mobilisation strategy.
5	**Create an investment coalition.** Convene domestic / global capital and operators around infrastructure-like model, tapping into low-cost of capital (forever owners and pension funds). Government convening and direction setting is vital.	Design structure and revenue-streams for patient capital, de-risk early movers, and establish senior as a mainstream living asset class with diversifying attributes – at nexus of real estate and social infrastructure.

Empirical Findings

#	Finding	Result	Implication for Investors
1	Underperformance versus House Price Index	Annualised return 120bps lower than HPI	Weak wealth preservation -> poor consumer confidence, low liquidity
2	Accelerated price decay	50% real loss v 25% general market	New builds erode trust; resale risk deters buyers and depresses brand value.
3	Weak mean-reversion	Senior 2nd->3rd sale ~0% return vs 5-10% general	Losses rarely recover, trapping consumers. Market incentives broken. No 'bounce' for opportunistic capital.
4	Unpredictable returns (standard deviation)	σ is 12% higher for senior than general (0.325 to 0.289) new builds	Heightened volatility -> unattractive to risk-averse consumers & institutions
5	Extreme loss probability (>40% real loss)	At Y5 20%, Y10 50%, Y15 70% of new homes lose 40%+ real value	High downside tail risk -> deters mainstream buyers and risks inheritance. Limits exit liquidity.
6	Pro-cyclical market	Co-movement is strong 87%, yet dissipating through time	Correlation to general market is high. For-sale development market gives no diversification benefit. Behaves like high-beta higher-risk resi.
7	Lag-time on general market	Granger Test F = 3.1909 and p= 0.0173 show senior lags general market by up to 1yr	Senior is not as elastic as mainstream. Slower to respond to cycles. Developers exposed to mistimed delivery.
8	Susceptibility to policy / funding shocks	Each of GFC, pension reform, and covid has pronounced impact	Niche scale means sector is thin and easily destabilised by policy -> regulation can stabilise.
9	Poor risk-adjusted return for consumers	Sharpe = 0.16 vs general 0.41 new builds	Capital preservation far below inflation. Even aggregating stock, it is unattractive to institutional hurdle rates
10	Newer cohorts perform best	2000-08 vintages 40-50% loss; 2009+ vintages 5-20% loss	Improving trend shows reform / innovation can restore value.
11	Large schemes outperform	Schemes > 100 units outperform by 10%	Scale drives resilience -> invest in large sites or via platforms.
12	Developer variance	Developer choice drives ±10%–20% performance swings	Execution risk is high -> brand/ reputation matters for returns.
13	Integrated retirement communities outperform	IRCs outperform by 2x, albeit still sub HPI	Amenity + care integration enhances value retention + key differentiator
14	Rent v buy breaks-even at c.8-10yrs	Renting superior for average hold (7yrs), ownership better generally beyond 10yrs	Rental model is viable targeting short tenure.
15	Wealth tilts NPV to favour rent	Adding private income or net-worth shifts NPV-rent curve right	Affluent customers benefit from rental -> premium rental opportunity.
16	Higher deferred fees are justified	IRCs with strong resale performance offset the drag of deferred fees on NPV	Alignment of operator incentives with consumer outcomes is economically defendable, but reputational issues persist.
17	Consumers are persuadable	20% shift to rental when shown financial performance	Transparency drives demand -> clear case for differentiating on consumer transparency and disclosure
18	Latent demand	30% express latent demand for hybrid / rental models	Strong case for introducing new tenure models to unlock demand

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1 Introduction

In the context of rapid demographic ageing, the adequacy and structure of the senior housing market have become a major concern, triggering the UK Government to commission a review of the sector by the Older People's Housing Task Force (2024). Prior literature has explored supply-side constraints and non-financial motivations, yet none have analysed how financial performance expectations influence demand.

We contribute to this field by conducting the first ever large-scale, real repeat-sales performance analysis of English senior homes, using transaction data from 2000-2025. We further develop an original financial decision-making model to explore the rent versus buy choice and complement this with behavioural insights from an original survey examining how financial realities shape demand.

We find compelling evidence that poor performance directly suppresses consumer demand for senior housing. Capital is both lost, and locked in, deterring rational consumers. Senior homes underperform UK house-price trends over 1% per year from 2000. New senior homes lose value faster than the general market, bottoming out at 50% real falls. Mean reversion is weak – losers keep losing, trapping them in underperforming properties. These dynamics erode wealth and reinforce negative media narratives, further weakening demand.

However, there are pockets of stronger performance; newer, larger and better amenitised schemes hold their value best. From a consumer's perspective, optimising for net present value, we show it is better to rent than buy a new senior-home, but both tenures have structural flaws and risks which appeal to different types of consumers. Faced with unattractive options, our analysis demonstrates why so many UK seniors choose inaction instead, staying put in inadequate housing.

Table 1: Summary of Findings

#	Finding	Result	Academic Implications
1	Underperformance versus House Price Index	Annualised return 120bps lower than HPI	Poor capital preservation
2	Accelerated price decay	50% real loss v 25% general market	New homes lose value 2x general market
3	Weak mean-reversion	Senior 2->3 sales ~0% return vs 5-10% general	Loss-making senior homes rarely recover, trapping consumers. Market incentives broken
4	Unpredictable returns (standard deviation)	σ is 12% higher for senior than general (0.325 to 0.289) new builds	Resale volatility loads risk onto net-worth at age when rational seniors should reduce it
5	Probability of extreme loss (>40% real loss)	At Y5 20%, Y10 50%, Y15 70% of new-home buyers lose 40%+ real value	Buying a senior home will likely erode family wealth
6	Pro-cyclical market	Co-movement is strong 87%, yet dissipating through time	Correlation to general market is high
7	Lag-time on general market	Granger Test F = 3.1909 and p= 0.0173 show senior lags general market by up to 1yr	New senior supply is not as elastic or responsive as general market
8	Susceptibility to policy / funding shocks	Each of GFC, pension freedoms, and covid has pronounced impact	Niche scale means non-market forces make big impact
9	Poor risk-adjusted return	Sharpe = 0.16 vs general 0.41 new builds	Capital preservation far below inflation and most asset classes

10	Newer cohorts perform best	2000-08 vintages 40-50% loss; 2009+ vintages 5-20% loss	Post GFC cohorts more resilient
11	Large schemes outperform	Schemes > 100 units outperform by 10%	Policies that support scale will enhance consumer value
12	Developer variance	Developer choice drives ±10%–20% performance swings	Developer transparency and consumer education is critical. Incentives need deeper review
13	Integrated retirement communities outperform	IRCs outperform by 2x, albeit still sub HPI	Amenity-rich schemes with integrated care, hold value better
14	Rent v buy breaks-even at c.8-10yrs	Renting superior for average hold (7yrs), ownership better generally beyond 10yrs	Shorter hold periods favour rental
15	Wealth tilts NPV to favour rent	Adding private income or net-worth shifts NPV-rent curve right	Rental is better for affluent customers
16	Higher deferred fees can be justified	IRCs with strong resale performance offset the drag of deferred fees on NPV	Developer incentives can justifiably align to consumer outcomes
17	Consumers are persuadable	20% shift to rental when shown financial performance	Financial transparency drives tenure choice
18	Latent demand	30% express latent demand for hybrid / rental models	Strong case for tenure innovation

Table 1 summarises 18 empirical and original contributions to the literature. This study is deliberately mixed in approach – combining price-paid analysis, net present value optimisation, and a behavioural survey to clearly answer research questions on faltering consumer-demand. Limitations of this study include its focus on financial performance rather than broader measures of value – social, care and wellbeing. Whilst the dataset is large, it will not represent the fully diversity of the sector.

1.1 The Research Problem

The UK's housing system is ill-prepared for the coming longevity revolution: 10 million people alive in Britain now will live to 100, compared to 16,000 today (ONS, 2021). Yet only 7.6%[1] of older adults live in specialist accommodation compared to 15-18% internationally (US, Australia, New Zealand). OPHT (2024, p.7) concludes "the status quo is not sustainable" and advocates an urgent scaling of age-appropriate housing. Yet despite clear demographic demand, only 6,500 new homes are built yearly (**Figure 1),** implying deeper market failures.

[1] Author calculation: 766k units, 70-80% single occupant (EAC, 2019) =1.02m residents. Vs 13.41m >65s

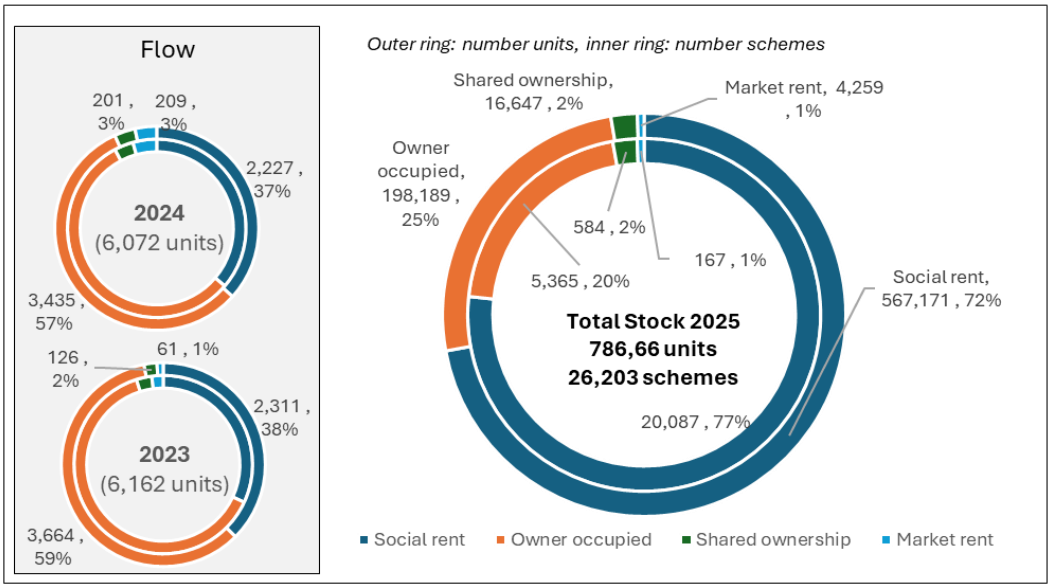

Figure 1: Senior Housing Stock and Flow Diagram (Author, EAC, 2025)

If building more senior homes is so obvious, why hasn't it happened already? This gets to the *heart of the research problem* – we aim to understand why supply is not rising in line with implied demographic demand. We research whether this shortfall can be explained by demand-side issues - poor resale performance, rational expectations of loss, and unflexible tenure types (buy and rent) which do not provide sufficient value to consumers.

This study does not seek to demonstrate one form of senior tenure is universally superior. On the contrary, the evidence overwhelmingly suggests that the UK faces a structural under-supply across a full spectrum of senior options. Rather, the analysis proceeds from the recognition that older adults are *rational economic actors*. Demand is faltering, because when faced with limited, complex, or high-risk tenure options – particularly involving purchases with uncertain resale value – many opt not to move at all. This inaction is not irrational, but a response to poor incentives, and a lack of viable, secure alternatives.

1.2 Research Gap

Despite a growing policy and investor focus on senior housing, evident through the Older People's Housing Taskforce (2024) and many parts of the grey literature we expand on, the academic literature has largely overlooked the explicit connection between housing resale performance and demand for senior housing later in life. Existing research tends to focus on either non-financial motivation for moving - such as health status, family proximity, and community ties – (Gilleard and Hyde, 2007) - or on macros-scale projections of future demand based on demographics (Ball & Nanda, 2014). Banks et al. (2012) do explore how expectations of price volatility affect older adults' mobility, but *no studies* examine how senior housing exit prices influence decisions to buy, rent or avoid the sector.

This presents a gap in the tenure choice literature, which traditionally models' ownership as a rational hedge against inflation and a mechanism of wealth accumulation (Brueckner, 1997). However, these models rarely account for the tenure-specific risks facing older consumers –

including resale illiquidity and higher risks of capital loss, as well as the additional expectations on seniors for precautionary savings for care.

Empirically, several previous studies have pioneered pair-matching methodology to isolate resale value and price decay (EAC, 2019, and JLL, 2022). Houseful (2022) introduces a real price decay curve, controlling for wider housing market with HPI. However, none systematically applies these methods to senior housing, nor do they link them to tenure outcomes. This study addresses that gap by combining resale analysis, net present value modelling, and survey data to quantify how price performance shapes demand.

A final and increasingly important dimension of the research gap lies in the public perception of senior housing. Consumer confidence is heavily shaped by financial narratives. Negative media coverage – such as "*Rip-Off Britain: Retirement Homes"* (BBC, April 2025), "*Families Lose Life Savings on Retirement Flats"* (The Times, April 2025)) – highlight genuine consumer concerns, but also risk distorting the picture through anecdote and emotion alone. Without robust, transparent data on resale performance and tenure trade-offs, the public debate remains ill-informed and polarised.

1.3 Research Questions

In examining the demand-side of the senior housing market, we need to isolate issues relating to demand for rental and demand for ownership. We address three interlinked research questions:

i. How has senior house price behaviour compared to general housing?
ii. Under what financial conditions does rental outperform buying?
iii. How do these financial realities impact stated preferences for tenure later in life?

We address these research questions through empirical analysis and a behavioural survey. The survey is important because demand for housing – particularly in later life – is not solely a financial optimisation problem. It is shaped by deeply held belief structures, cultural narratives, and emotional responses that benefit from behavioural analysis.

1.4 Out of Scope

This study focusses explicitly on financial performance as a factor of demand and avoids supply-side analysis. However, there are several supply-side factors which influence demand and therefore are relevant to the Research Questions.

i. The small scale of most developments (35-unit average size) making it hard to achieve economies of scale and lower prices. Thereby impairing demand and optionality.
ii. Poor integration and almost no co-location with health and social care infrastructure (doctors, dentists) reduces attractiveness.
iii. Institutional investor perceptions of the sector as too niche, risky, and illiquid, limiting the bankability new and innovative models that might further stimulate demand.

1.5 Structure

This study is structured as follows. Chapter 2 provides a literature review, situating the study within relevant academic contexts and framing the market. Chapter 3 sets out our empirical data and methodology for testing resale performance. Chapter 4 presents the empirical results.

Chapter 5 presents a net present value (NPV) model comparing the buy vs rent choice for seniors. Chapter 6 presents original survey results. Chapter 7 draws conclusions and recommendations for policymakers, investors, and academics.

2 Literature Review

This chapter critically reviews the academic and industry literature relevant to senior housing consumer demand – repeat-sales, tenure literature, and the historical and policy landscape.

2.1 Empirical Literature

This study builds upon established econometrics methods typically used in housing index construction (Bailey, Muth & Nourse, 1963; Case & Schiller, 1989). While previous studies offer partial insights and benchmarks, none has delivered a complete quarterly index of nominal and real senior housing performance. These studies inform Research Question 1, by enabling comparison of senior and general housing returns through repeat-sales analysis.

A related strand of literature has focused on the variability of house price returns across geographies and holding periods. While repeat-sales indices generally assume market homogeneity, empirical evidence shows significant heterogeneity in capital performance (Cheshire & Sheppard, 2005). In particular, the "new build premium" – the tendance for new homes to transact at above average prices due to incentives or perceived quality – is often followed by real price decay on resale.

EAC (2019) provides the most comprehensive studies of UK senior sector house price performance. For 6,000 homes they track new-build sales from 1996-2014 and first resale 5-9 years later. The EAC study uses a 15% adjustment for buyer incentives and new-build premium. It demonstrates the contrast between pre-GFC vintages and post-GFC, which performed better. JLL (2022) creates a bespoke index from 24,000 IRC transactions, showing growth outperforming the wider market. Houseful (2024) is not specific to senior, but it introduces an important innovation, deflating repeat-sales against HPI to isolate new-home price-decay from broader market inflation – a technique we replicate.

Table 2: Empirical literature comparisons

Study	Focus	Data	Methodology	Gap
EAC (2019)	Senior Leasehold	EAC database + Land Registry	Compares resale price, adjusts new build premium	Excludes second sales, incentive modelling kept confidential
JLL IRC (2022)	Integrated Ret. Communities	Land Registry & EAC listed IRCs	Tracks initial and resale prices over 25yrs	Limited granularity, e.g. no comment on price decay
Houseful (2024)	General new-build housing	Hometrack + mortgage vals	Price chains de-indexed to calculate real price decay	Not specific to retirement housing

These studies at **Table 2** present a clear gap for further research. There is a need to: (i) identify a more precise price decay benchmark for senior housing, and (ii) replicate Houseful's real price methodology on senior housing to give an accurate real loss / gain.

2.2 Demographics Literature

The demographic case for expanding senior housing in the UK is clear, urgent and widely recognised. The population aged over 65 is growing rapidly, in absolute terms and as a percentage of total households. It is anticipated to grow 17 million in 2045. **Figure 2** shows the subset aged 85+ is expected to double in the same period. Advances in healthcare mean a person

aged 65 in 2022 can expect to live 21 years, 11.5 of which are in good health (Mayhew, 2022, p.54). Individuals need to plan for a potentially long and uncertain tail of financial, housing and care needs, ratcheting up the need for precautionary savings and suppressing the demand for senior housing.

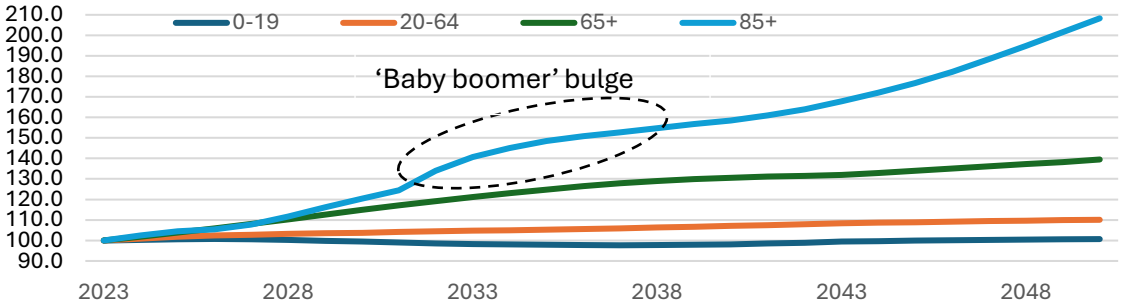

Figure 2: UK Population Growth (index 2023, ONS 2021)

This cohort is economically distinctive. 75% of older adults are homeowners. Older people tend to be asset rich but income poor. **Figure 3** shows over-65s households have an average non-pension net worth exceeding £450,000, and yet many subsist on modest pensions or state income. While this positions them well to downsize or release equity, the vast majority do not.

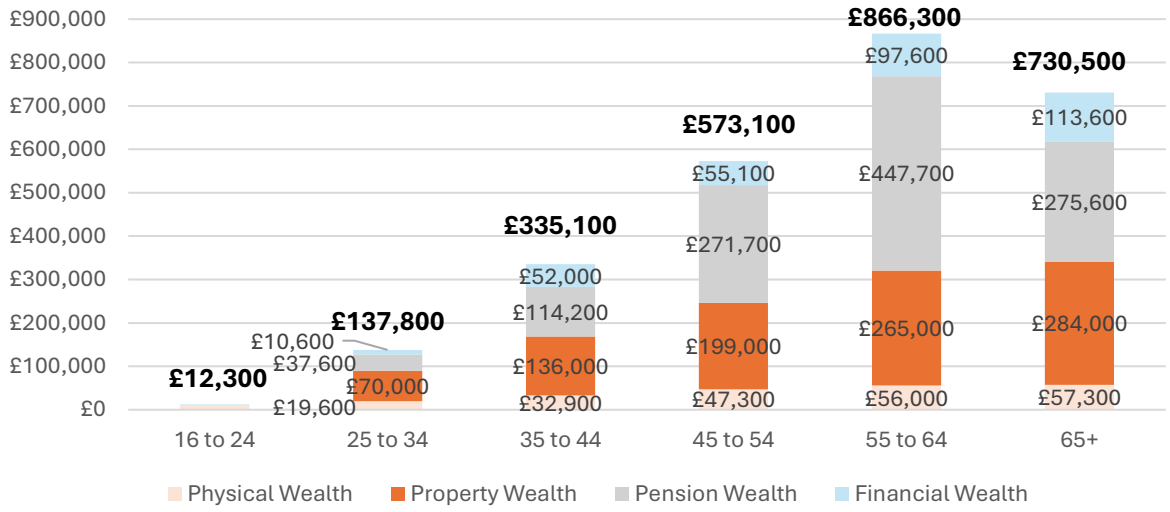

Figure 3: Average Household Wealth by Age, (ONS, 2022) [2]

2.3 Mobility Literature

Senior mobility remains low due to emotional attachments. Gilleard and Hyde (2007) argue that ageing "binds individuals to communities" and reduces the likelihood of relocation. Downsizing is often triggered by life events – such as widowhood or care needs – rather than proactive lifestyle change. Even where downsizing is desirable, costs often outweigh the benefits. Disney et al. (1999) highlight that transaction costs – including stamp duty – can disincentivise mobility. This reluctance to transact plays out in the data. Of 930,000 property purchases per year in England, just 10% involve +65s despite them being 28% of households (Mayhew, 2022).

[2]Wealth peaks for households with age 60-64. Property and financial wealth are net.

These patterns present a clear policy paradox: while older adults possess the housing wealth and motivation to move, they do not move as conditions would predict. This reinforces our hypotheses of a deeper market failure. Demand is being artificially suppressed by fear of market-performance, and a system that fails to offer more viable options. This concept of an underserved demographic gets to the heart of the research problem, and it reflects not just a housing issue, but a broader context of barriers such as tax incentives, care integration and consumer confidence.

2.4 Tenure Choice Literature

The financial trade-offs between owning and renting in alter life are rooted in a wider body of tenure choice literature. Traditional models assume that homeownership provides a hedge against rental inflation and enhances wealth accumulation (Brueckner, 1997), while renting provides liquidity and flexibility,(Haurin et al., 1996). In a UK context, Banks et al. (2012) finds that that perceptions of house price volatility reduce the likelihood of ownership.

Although older adults act as rational economic agents, they do so within a context of powerful prior perceptions. The belief that property ownership is the safest route to wealth accumulation is intuitive, evidence based and deeply ingrained. Housing in this context is not only shelter or investment – it is a symbol of security, status, and autonomy. Renting later life challenges this identity, particularly in the absence of tenure models that replicate ownerships' security and status. There is growing evidence the longstanding cultural attachment towards home ownership is ebbing. There is rising prevalence of rental amongst future seniors[3], showing that rental is no longer just a 'stepping stone' to owning or social housing (e.g. Murie et al, 1976, Kemp & Keoghan, 2001.

2.5 Behavioural Literature

The literature has consistently found that older adults are reluctant to move, even when their housing is sub-optimal. Park and Ziegler (2016) note that most prefer to remain in place as long as possible. The National Housing Federation (2011) found that while 80% of respondents were open to downsizing in principle, actual moves were rare. However, practical, emotional and financial barriers continue to suppress mobility (Burgess & Quinio, 2020). OPHT (2024) highlights this mismatch finding that choice, tenure flexibility and simplicity are key to increasing uptake. This is echoed by Mayhew (2022, p.50) "people can become confused which option is best".

2.6 History and Policy Literature

Today's senior housing market is shaped by centuries of charitable provision, mid-20th century welfare housing, and more recent private-sector development. Early provision was dominated by charity and church. Almshouses, established from the 1430s provided permanent residences for the elderly poor. Often small terraces in courtyard styles, they reflect the local vernacular styles. Today, around 30,000 dwellings remain in use, operated by over 1,600 charities.

[3] Amongst 55-65s, private rental has risen from 4% in 03/04 to 11% in 22/23 (English Housing Survey)

The post-war period saw local authorities develop purpose-built units (often bungalows). This was followed by large-scale roll-out of sheltered housing in the 1960s and 1970s. Typically small, self-contained developments, with a warden, and shared facilities. The 1980s brought a major shift: central government reduced local authority funding, leading to the transfer of council-owned stock to housing associations, while private providers entered the market with 'for-sale' schemes at different price points and care levels.

Academic literature through this period stresses the balance between resident autonomy and group benefits, safety and cost; the loss of identity, stigma and cultural barriers to downsizing (Peace and Holland, 2001); the importance of community to senior housing; and at the intersection of health academia, the preference for relationship care over institutionalised care (Meyer et al., 2010). The consensus position in academia supports substantially extending senior housing provision that respects independence, community, and choice, and is integrated into healthcare ecosystems.

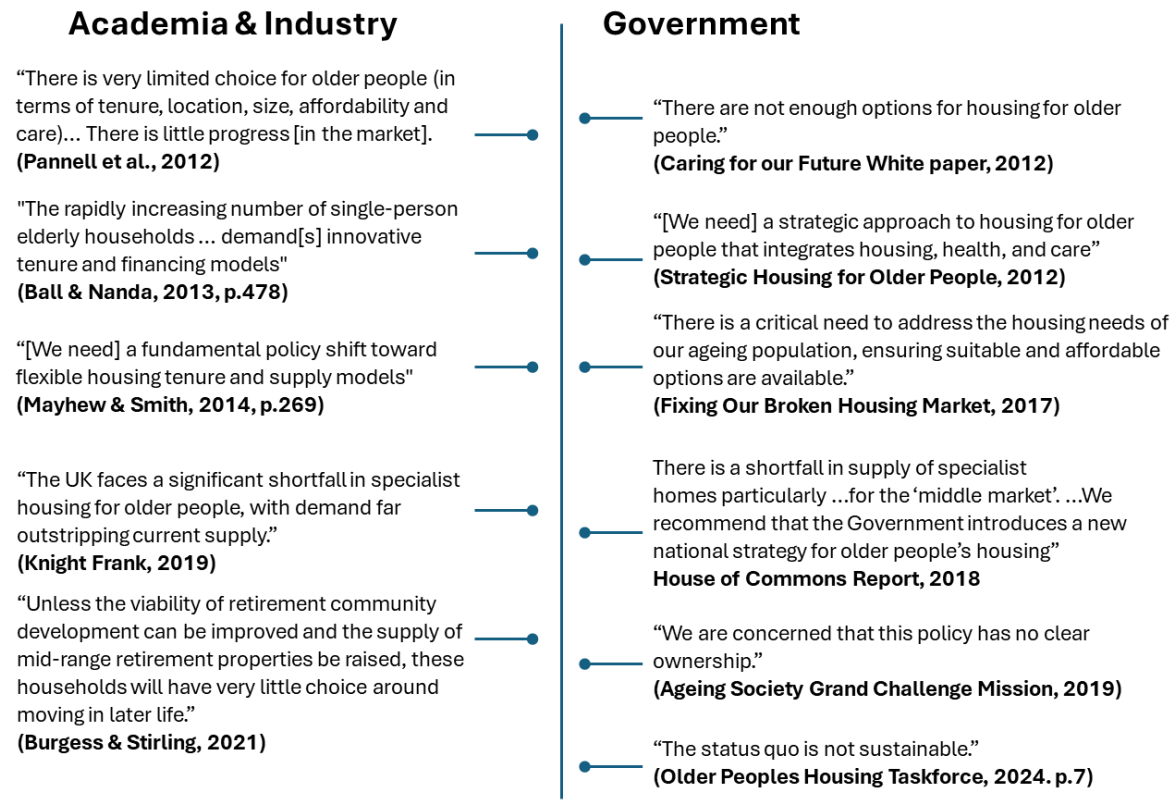

Figure 4: Timeline of Key Arguments

Successive government reviews have neglected to tackle 'demand' for senior housing, focussing instead on growing provision. The Letwin Review (2018) recommended mandatory allocations of older people's housing in larger developments. **Figure 4** shows a recurring theme of government policy direction lacking - summarised by the Ageing Society Grand Mission (2019) "we are concerned this policy has no clear ownership." This has important implications for our research, as we know consumer demand is confused. Confused and often contradictory messaging from government on 'aging in place' conflicts with 'downsizing' agendas (Burgess and Stirling, 2021).

Further complicating financial- factors of demand, are the unresolved challenges of funding later-life care. The cost of residential care has far outpaced inflation, exposing individuals to extreme financial risk (full payment of care costs) until their net worth falls below £25,000[4]. The Dilnot Commission (2012) recommended capping exposure, which successive governments adopted then abandoned. Risk of high and unpredictable care costs creates perverse incentives: older people delay downsizing, preserving assets as precautionary savings, or gifting wealth to artificially erode net worth. Alongside inheritance tax (IHT) this causes a distortion to their financial optimisation decisions, explored in Chapter 4.

Taken together, this legacy of underinvestment, policy ambiguity, and cost shifting to from central government to local government and individuals has produced a system with low coverage, weak innovation, and poor consumer confidence. It also frames the central concern of our Research Questions: the hypotheses that the narrow and unattractive set of choices are impairing demand.

2.7 Market Structure

We adopt the following taxonomy of retirement homes, in line with Mueller and Laposa (1998)[5].

IN SCOPE	1. **Active Adult** – Age restricted housing with lifestyle amenities, no care provided. 2. **Independent Living** –Age restricted with hospitality, e.g., meals, transport. 3. **Assisted Living** – Support with daily living, but not medically intensive. 4. **Integrated Retirement Communities (IRCs)** – Continuum of care on single site.
OUT OF SCOPE	5. **Skilled Nursing / Care Homes** – Daily medical supervision. Regulated.

In the UK, there are 6 retirement homes per 100 older persons (65+). To maintain the current penetration, a further 830,000 units must be built (JLL, 2024). Yet the development pipeline includes only 36,700, a shortfall of 46,000 units yearly. OPHT (2024) warns that the pipeline of new housing falls far short of demographic need. To meet anticipated demand, they recommend 50,000 units yearly, an 8-fold increase on current levels shown at **Figure 5**.

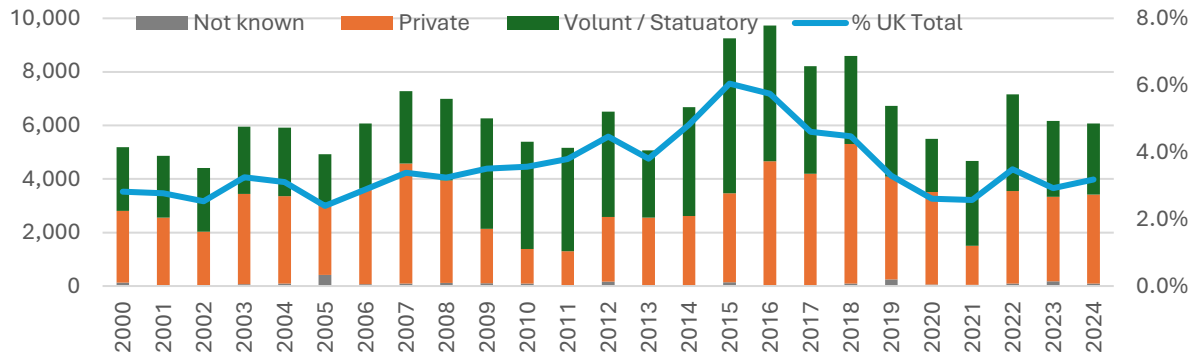

Figure 5: UK Senior Unit Completions, (EAC, 2025, ONS, 2025))

[4] £25,000 in England. Different caps in Scotland, Wales, and Northern Ireland

[5] We omit care homes, as they cannot be compared like-for-like with general housing, making testing against the Research Questions impossible.

Figure 6 shows provision varies across parts of England. Some regions are reliant on voluntary sectors. Many deliver far below their implied population demand.[6]

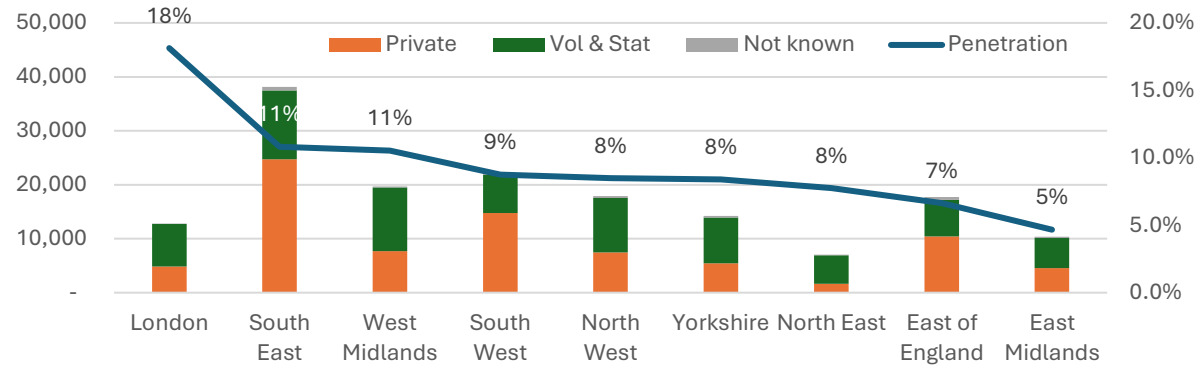

Figure 6: English new senior homes (2000-2025) v penetration rate (vs growth >65+ population) (EAC, 2025; ONS, 2025)

The average UK retirement housing scheme is 35 units. This compares to 200+ unit schemes with now the norm in the US and Australia. Hanson (2001) reflects of the US example, that the physical size of retirement communities has been driven by the need to reduce capital and continuing costs. In the UK, there has been a "trend towards larger developments" (Mayhew, 2002 p.6). Mayhew considers whether 'bigger is better' and concludes that innovation is highest when care is integrated.

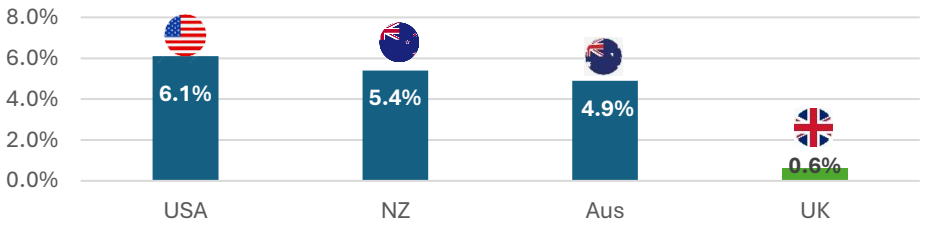

Figure 7: Percentage of 65+s in integrated retirement communities (ARCO, 2024)

Figure 7 shows that just 0.6% of UK seniors are in IRCs, far lower than peers. This difference suggests not only latent demand, but also cultural and policy divergence which may persist indefinitely – for example the deeply rooted social provision within the UK.

This brings us to the present day, where most senior housing stock is welfare-funded, often built before 1990 and typically at small scale. For those whose housing decisions are influenced by perceptions of status, autonomy, and lifestyle, this legacy stock may undermine the aspirational demand required to drive mobility.

2.8 Externalities

Senior housing generates substantial positive externalities – reduced healthcare demand, improved wellbeing, and the release of underoccupied homes – these benefits are not priced into the private market. Consumers do not directly experience the social value their decision unlocks,

[6] For example, East Midlands is building just 5 new units per 100 additional 65+s since 2000 (Figure 6).

nor is it reflected in lower purchase prices, better terms or enhanced liquidity. As a result, these externalities have no bearing on demand.

In economic terms, the positive externalities, remain uninternalised. The benefits accrue to society but not to the mover, creating a classic public goods problem. Without policy mechanisms to capture and redistribute these gains, they will not influence consumer behaviour. This creates an opportunity for government to use subsidies, tax reliefs – to reprice risk, induce demand, and therefore crowd in supply – relevant to Research Question 3.

Housing. Older homeowners often remain in under-occupied homes (Pennell et al., 2012). Mayhew (2022) estimates they collectively own 12.5 million surplus bedrooms and estimates that every new bedroom in retirement housing releases 2-3 in mainstream housing. Mayhew further notes almost as many bedrooms are being decommissioned through under occupation as are being replenished through construction.

Growth. As older people's spending power gets locked into their homes, it does not circulate the economy. Older households tend to overconsume housing while underinvesting [in other products]". (Redburn Atlantic, 2025, p.30), meaning leisure, health, and financial services miss out on consumption that might have sparked growth.

Health. There is also strong evidence that senior housing leads to better health outcomes: fewer falls, shorter stays in hospital, fewer GP call outs, fewer A&E visits. (Better Lives, Health, Culture Report 2015, Best & Martin, 2019). The savings are estimated at £1,337 per year (2019 prices) by the Almshouse Association (2021, p.40), and £928-£1,543 per year, by Savills (2018). ARCO (2020) forecasts that housing 250,000 people in IRCs by 2030 could yield £5.6bn in cumulative NHS and social care savings.

Wellbeing. There is a moral factor at play, hard to price and often invisible. 40% of 75+ year olds live alone, 20% go a month without a meaningful conversation (NHS, 2025). There is a profound mental health crisis, and tragedy of wasted human capital, isolated in unsuitable accommodation unable to contribute economically, philanthropically, or socially to their community. The benefit of escaping this is why many people who move into IRCs say, "they wish they'd moved sooner" (ARCO, 2023, pp. 5)

While the public benefits of downsizing are clear, it is important to acknowledge valid arguments for ageing in place. Older people rightly value autonomy and will be sensitive to messages that frame them as a burden or imply they should vacate their homes for younger generations.

2.9 Investment Market

The structure of the senior housing investment market shapes the availability, tenure design and pricing of products available to consumers. An undercapitalised, fragmented sector leads to limited innovation, low transparency and restricted choice – all of which feed directly into consumer perceptions of risk and value – and are crucial to the Research Questions.

Table 3 shows one dominant supplier (McCarthy Stone holds 26% of post-2000 stock and 8% overall), with an extensive tail of smaller suppliers. This mirrors the US market in the 1980s – regional with smaller players. The US provides an example of scale induces demand. First, REITs, and tax-efficient fund structures drew in new pools of capital. Investors earned predictable and

attractive risk-adjusted returns, encouraging further entrants. Universities and churches now provide senior housing, enabling a world-leading penetration rate exceeding 17%. With scale comes maximum consumer choice inducing demand.

Table 3: Senior Developers by Size (2000 onwards), (EAC, 2025)

	Developer	Units 2000-:	% total	Schemes	Av Size
1	McCarthy Stone	39,405	26.1%	909	43
2	Churchill Living	9,055	6.0%	217	42
3	The ExtraCare Charitable Trust	3,591	2.4%	16	224
4	Housing 21	3,587	2.4%	65	55
5	Audley Villages	2,359	1.6%	20	118
6	Pegasus Homes	1,465	1.0%	30	49
7	Anchor	1,450	1.0%	18	81
8	Beechcroft Developments Ltd	1,434	0.9%	54	27
9	Retirement Villages Group Ltd	1,307	0.9%	13	101
10	Pegasus Retirement Homes plc	1,304	0.9%	40	33

In the UK, the capital story is slower, and we have struggled to replicate the US' enabling conditions - leaving most large institutions on the sidelines. Operators remain fragmented which in turn impairs building consumer brand recognition and trust, impairing demand. For rental, there is a catch-22 impairing its' growth. Without visible pathways to volume, demand remains low, and institutional owners stay away, raising financing costs, challenging the viability of new rental stock.

The low maturity of the senior private rental market means yield calculation is challenging. Burgess & Stirling (2021) estimate 4.5–5.5% or 300 basis points above risk-free rate. They find this does not offset the sector's operating complexity and makes the economics in many regions non-viable. Exit risk also remains a concern. The secondary market for stabilised portfolios is extremely thin and the REIT exit is unproven[7]. A further red flag is so many units trading at below replacement value. Overall, "there is a looming risk of eroding investor confidence unless operators can successfully scale up." (OPHT, 2024, p.47).

Yet, there are signs of progress. Momentum and appetite amongst major institutions has been evident since 2020, with several deploying capital via acquisition, and vertically integrated build-to-core platforms[8]. These new entrants are already demonstrating new fee structures, rental offerings, and price-points, capable of inducing demand.

[7] There are no UK REITs or core income funds on senior housing. The closest (e.g. Civitas) are social/care.
[8] Legal & General (Inspired Villages), Axa (Retirement Villages Group), and Oaktree (Pegasus).

3 Data and Methodology

This study uses repeat-sales analysis to construct a capital value index for senior housing from 2000-2025, applying methodologies first developed by Bailey, Muth and Nourse (1963) and refined by Case & Schiller (1987, 1989). Like EAC (2019) and JLL (2022), we match property resale pairs from HM Land Registry's Price Paid Data (PPD) of all UK property transactions to the Elderly Accommodation Counsel dataset of every UK retirement scheme, using postcode linkage. Our analysis includes 20 English counties, chosen for consistent transaction volumes and geographic diversity.

Properties were filtered in five stages (**Table 4):** (i) only repeat-sales (2+ transactions); (ii) excluded rapid flips (held <3 quarters); (iii) removed anomalies such as parking spaces, nominal transfers (<£10,000), and commercial uses; (iv) filtered extreme returns (e.g., >1000% real gains); and (v) excluded bedsits and other non-standard residential units to maintain a like-for-like comparison.

4.1 Index Construction

We replicate a simple Case-Schiller repeat sales index, and for each repeat-sale pair (**Table 5)**, we calculate nominal per-quarter return:

$$R_{i,q} = \left(\frac{Price_{i,q}}{PrevPrice_{i,q}}\right)^{\frac{1}{\Delta q}} - 1$$

where Δq is the number of quarters held. Quarterly returns were then averaged to create an index series, based to 100 in 2000 Q1 for comparison with HPI.

$$Index_q = 100 \times \prod_{t=1}^{q}(1 + R_t)$$

To isolate the real price performance of senior homes, we deflate nominal resale prices using the UK all-property House Price Index (HPI), based to 100 in 2000 Q1. This enables a like-for-like comparison between senior and general stock, net of broader housing market inflation. We use the quarterly HPI rather than CPI, because HPI is the most directly used benchmark for residential sector performance.

4.2 Frequency and Volatility

We construct the index on a quarterly basis, rather than annually, to capture detailed changes in price trajectory and to better match the granularity of the House Price Index (HPI) used for deflation. Quarterly frequency allows us to identify cyclical dynamics—such as lagged market responses and price shocks—that would be smoothed out in lower-frequency data.

We do not smooth our index. This is a deliberate choice to preserve the volatility and link to real-world events such as the GFC – which are important to our analysis of price dispersion and pro-cyclicality. Smoothing would also obscure volatility which we need to measure for Sharpe ratio. It would also understate the tail risk and return dispersion which is crucial to Research Question 1 – understanding how all elements of price performance influence demand.

4.3 Sample Size and Representativeness

Our filtering results in a robust dataset (**Tables 4 and 5).** After cleaning and linking the repeat sales, the final panel includes: 33,313 senior home repeat sales, of which 9,418 are classified as new builds.

Table 4: Filtering Process

Stage	Rows	Properties
Raw HM Land Registry Price Paid Data from 20 English Counties 2000-2025	1,297,691	718,595
Repeat-sales only (sale ≥ 2)	925,895	346,799
After rapid-flip filter (≤3 qtrs)	862,787	325,322
After filtering anomalies (see Annex)	742,723	**286,584**
Merged EAC Data (Senior Cohort)	87,938	**33,313**

Table 5: Repeat-sales data

Cohort	Properties	2 Sales	3 Sales	4 Sales	5+ Sales
Senior	33,313	18,710	9,632	3,593	1,378
Non-Senior	286,548	171,124	76,018	28,071	11,335
Of which new builds					
Senior	9,418	5,460	2,689	926	343
Non-Senior	88,108	55,556	22,835	7,372	2,345

We cross-validate our data with the EAC scheme-level data, which indicates that ~ 45,000 ownership units were built across our selected counties from 2000-2025. Our 9,500 new-build senior transactions represent resale events only, excludes flips and non-arms lengths transactions, and excludes non-direct comparables. Therefore, this is a powerful and representative sample – substantial enough for repeat-sales analysis and capturing the breadth and diversity of the market.

Due to the selection of English counties, which generally perform above the UK HPI index, we predict our non-senior index to outperform HPI. This methodology offers a defensible, transparent, and replicable approach to isolating relative price performance, making it uniquely suited to address Research Question 1.

We do not control for time-varying neighbourhood factors such as new transport links or local amenities. Given the 25-year time horizon, this is a limitation and may contribute to unobserved differences in price paths

4. Empirical results

This chapter addresses directly **Research Question 1**: *How do senior house prices behave compared to general housing?* and informs **Research Question 2**: *Under what financial conditions does rental outperform buying?* by quantifying senior housing's capital performance, volatility, and risk-return profile through repeat-sale analysis.

4.1 Price Index

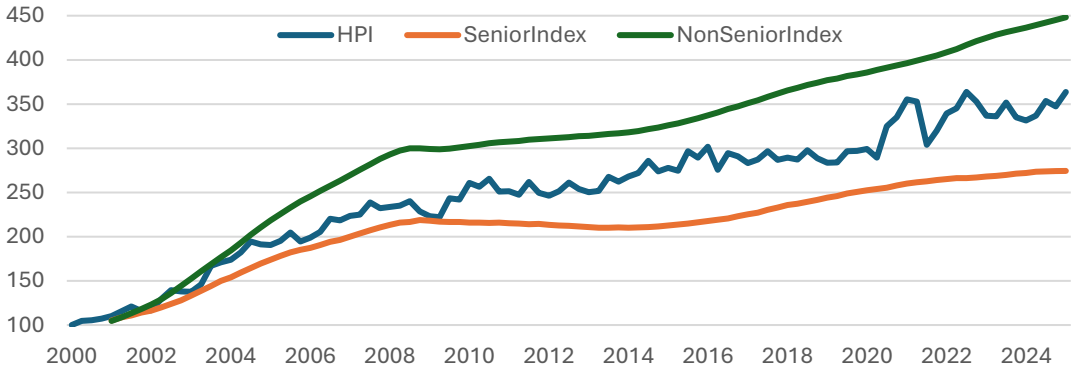

Figure 8: Index Seniors vs non-seniors vs HPI (ONS, 2025)

To respond to Research Question 1, we establish relative underperformance of senior homes compared the general housing market. **Figure 8** shows that from 2000-2024, our non-senior index outperforms HPI as predicted, due to stronger county performance in our sample, and the removal of the lower performing senior cohort.

In contrast, the senior repeat-sales index shows substantially weaker nominal gains with a more pronounced dip during 09-16. Annualised, senior underperforms HPI by 122bps (**Figure 9)**.

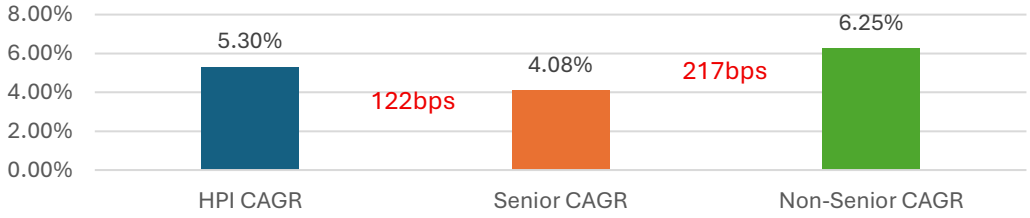

Figure 9: Index CAGR (2000-2025)

4.2 Price Decay

Mirroring the Houseful study, we now review real price-decay for new-builds to their first sale. **Figure 10** is emphatic[9] – senior homes experience twice the real value erosion of general stock after 5+ years. After 15 years, a senior home loses 50% real value, versus 25% for general stock.

Senior shows an 'early bump' with positive mean returns in Q4-Q7, likely driven by developer incentives or speculative flips on nearly new stock. General new builds show a much smaller

[9] Note: The data becomes more volatile reflecting increased noise as the sample pool shrinks. Holding period cut-off at Q87 when n senior <10

bump, indicating less aggressive incentive packages amongst the volume builders. After Q7, the decay path with senior homes erodes in value faster. For consumers, this is worrying – it indicates that short-term developer strategies may mask longer-term value. Meaning quick resales may make buying the home look more profitable than 'hold and sell' really is.

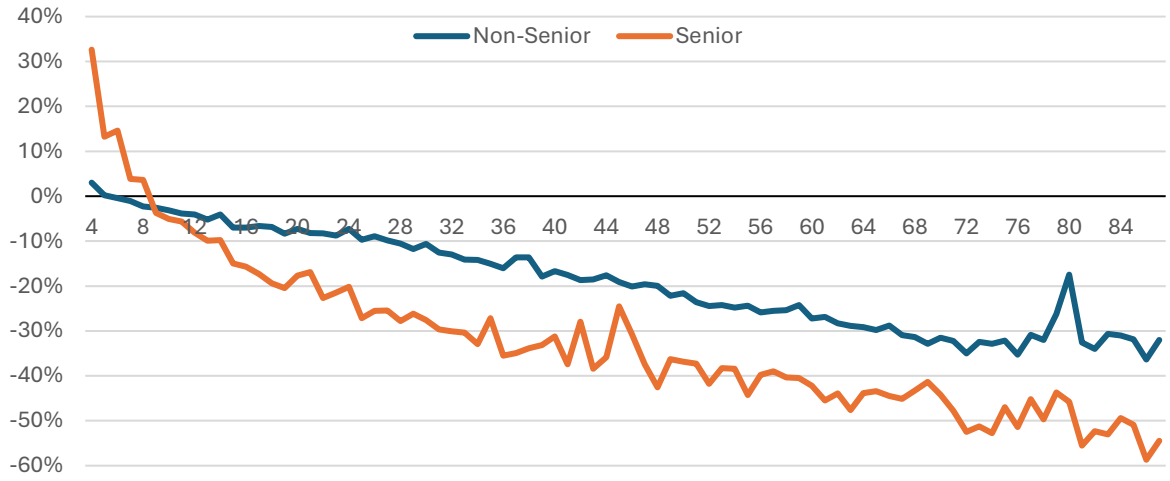

Figure 10: Real price decay by holding quarters

For consumers who hope it 'won't happen to them', **Figure 11's** distributional analysis demonstrates that probability of extreme loss (>40% real loss) hits near 100% as holding length increases. Fears of loss reported in the media are not unfounded – they are rational, with substantial tail-risk of buying a senior home eroding family / intergenerational wealth.

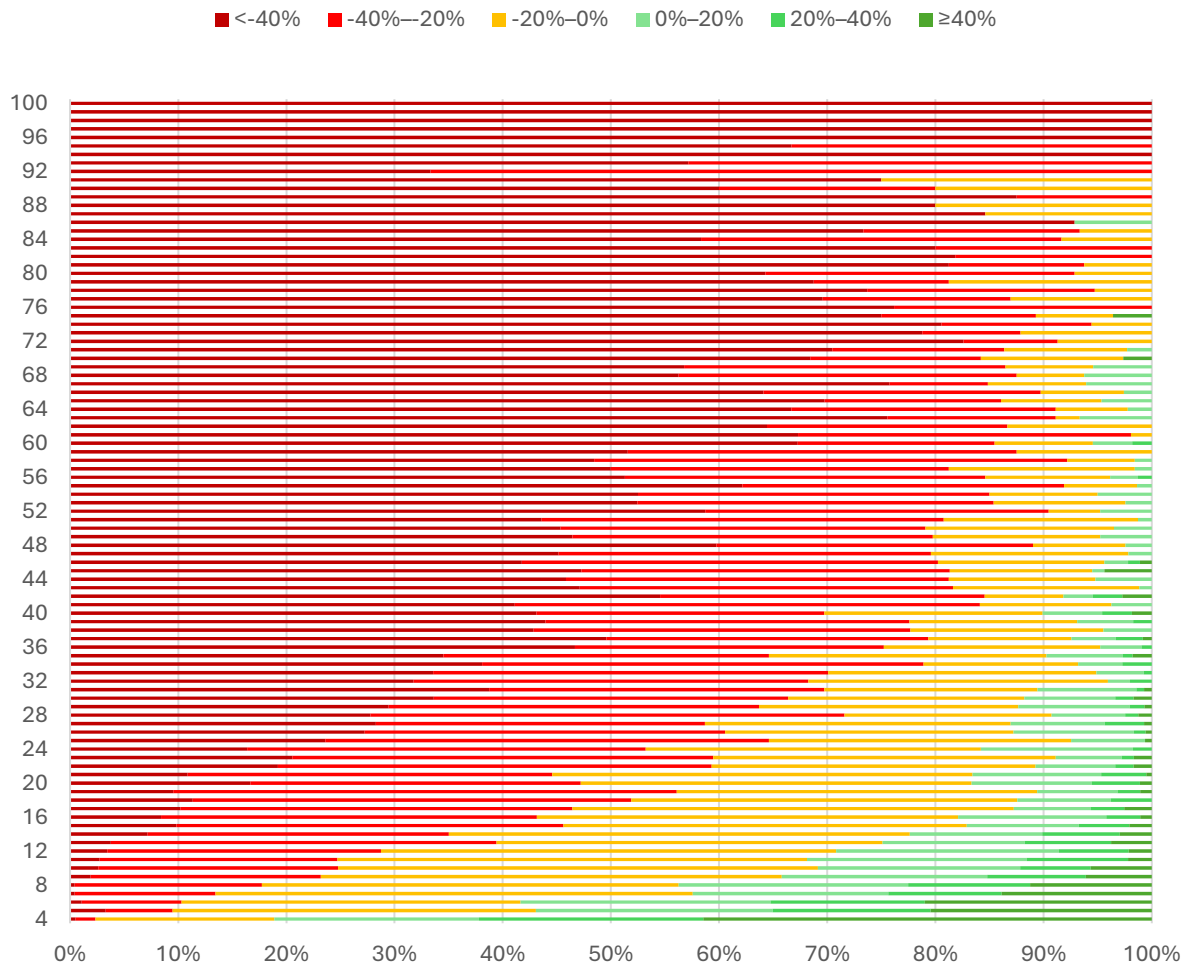

Figure 11: Probability of real loss vs holding quarters

These findings support both Research Question 1 and 2: price decay on new-build senior housing erodes capital at a rate that fundamentally alters the financial logic of buying.

4.3 Vintage Cohorts

Figure 12 shows how three cohorts of senior buyers perform over time:

- Pre GFC buyers (00-06): real return plummets from -10% -> -40% through GFC, mild mid-decade recovery, then gradual erosion to -60%.
- Mid GFC buyers (07-10): sharp drop for early buyers who get the brunt of the crash, before stabilising mid-decade. Gradual erosion, although always stronger than pre-GFC vintage.
- Post GFC buyers (11-18): several years of positive real-returns, with 2015 uptick coinciding with pension-withdrawal reforms enabling buyers to unlock new equity.

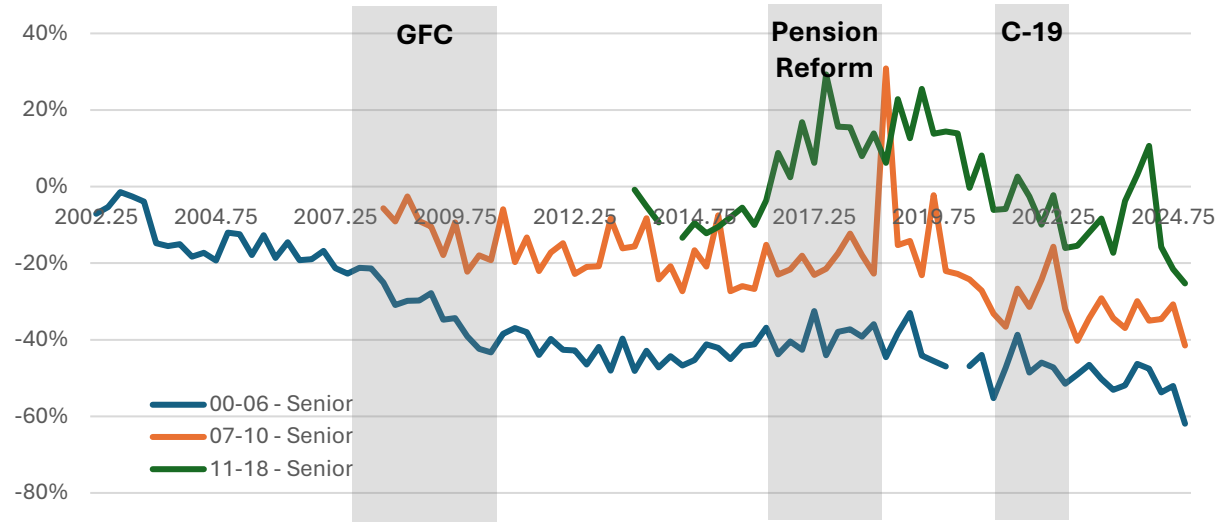

Figure 12: Cohorts real-return through time

All three cohorts experience a minor bump post covid, from buyers delaying moves during lockdowns then later transacting at higher prices. The last three years demonstrate increasingly severe drop-off in a tight market – perhaps mirroring the media narrative of catastrophic loss, although not decisively so .

Overall, we can make several conclusions. Like EAC (2019), we find performance improves markedly in recent vintages, shown at **Figure 13**. This may be from non-market factors, such as higher incentives in early 00s. Crashes seem to exacerbate loss most for older vintages, likely as fewer buyers focus on quality. Upward shocks, such as the pension reforms produce a short increase but do not alter the structural depreciation. Whilst there were some isolated 'sweet spots' for buyers, for all vintages this is clearly a value-eroding asset class.

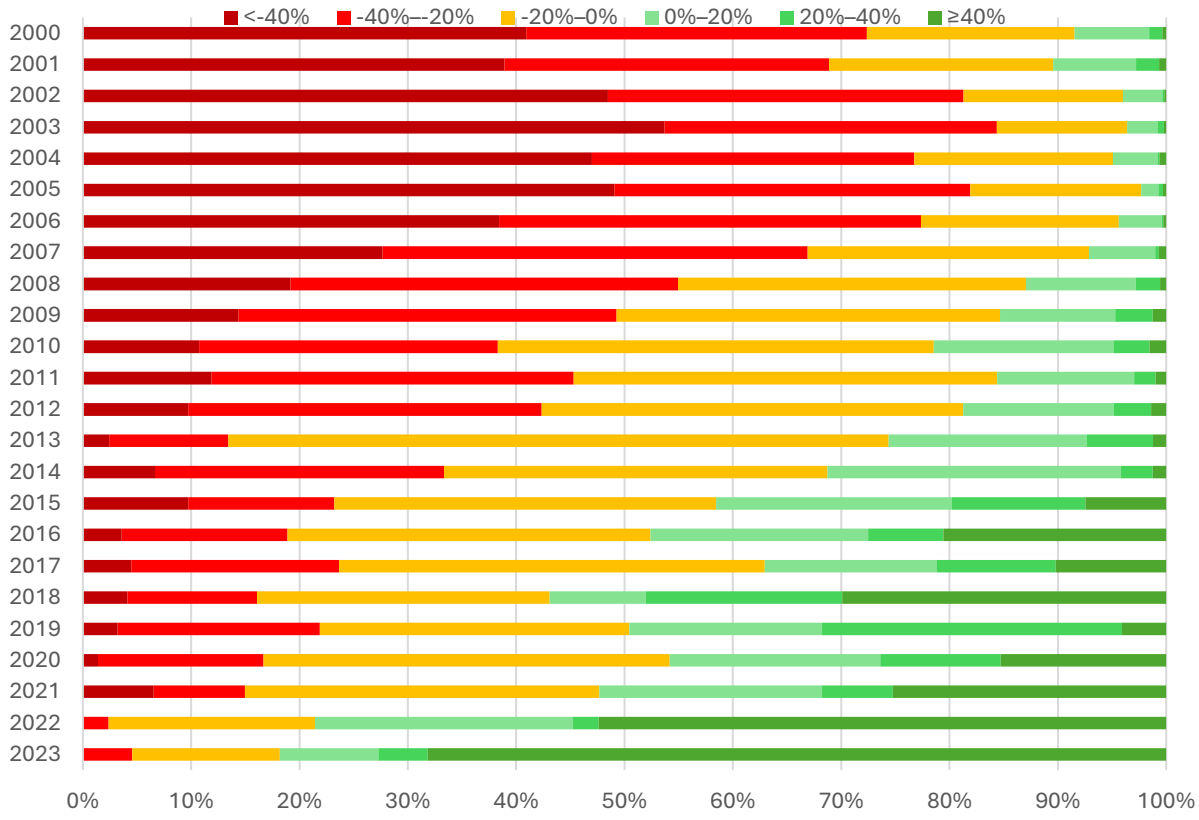

Figure 13: Probability of loss by vintage year

4.4 Mean Reversion

In healthy asset markets, mean reversion is expected. Underperformers bounce back, and over-performers give back gains, this is important as it stabilises the market through cycles and encourages value-add investors to enter. In our general stock sample, the classic hypothesis holds: the deepest losers from 1->2 sale recovering most, and vice versa.

Figure 14 shows senior housing has a weaker, one-sided mean reversion. Over-performers lose most, but underperformers will also continue losing. This is not a functional market senior owners will not be rewarded for their patience after a downturn – their losses will consistently mount. Reasons for this are that senior housing lacks the stabilising contribution of profit-seeking investors, improving and flipping under-valued assets, and owner-occupiers underinvest in home-improvements compared to family homes.

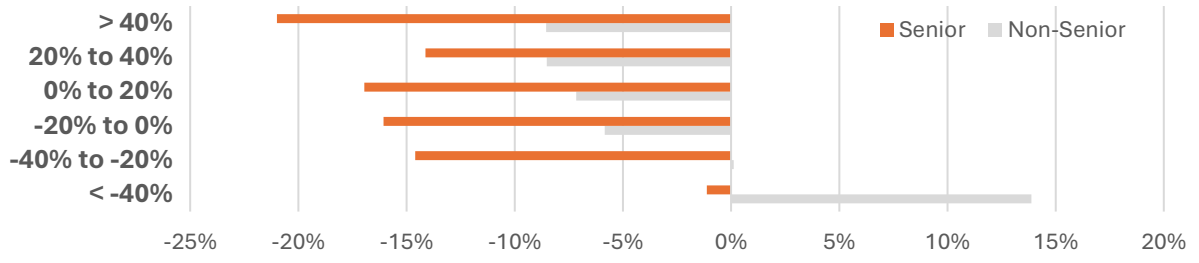

Figure 14: 2nd sale real-return vs 3rd sale real-return (new-builds)

Figure 15's scatter shows a modest mean-reversion slope, driven by overperformers giving back their gains at third sale. The slope shows that for every 10% over-performance, follow-on sale underperforms by 2%, i.e. a 50% gain at second sale will see a 40% loss at third sale. Most units are in the bottom-left box, serially under-performing. This further informs Research Question 2 by weakening the financial case for ownership.

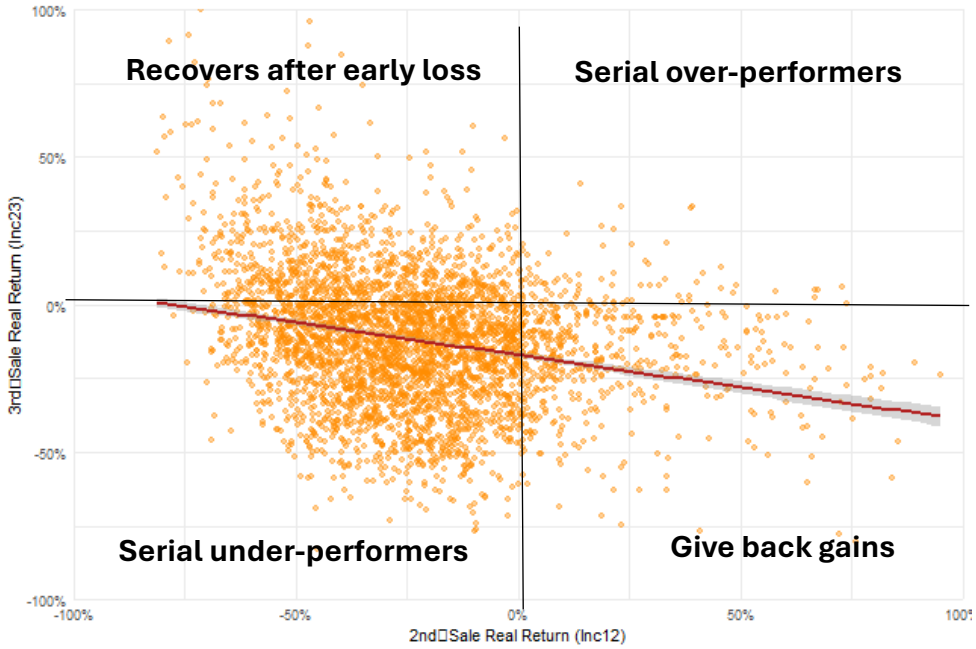

Figure 15: Scatter mean reversion (real 2nd sale vs 3rd sale)

4.5 Return Dispersion

New-build senior homes display more variation on exit than general, with a dispersion (standard deviation of mean real return) around 12% higher at resale. **Figure 16** shows that repeating for all homes across all sale events, we see general stock has higher dispersion – likely reflecting that it contains more extreme events – flips, planning permissions and value enhancements.

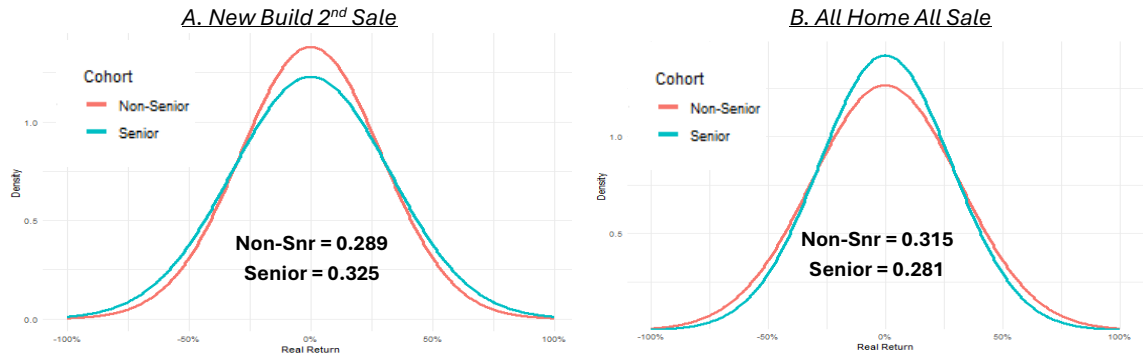

Figure 16: Standard Deviation of Real Returns

4.6 Sharpe Ratio

Applying modern portfolio theory (Markowitz, 1952) which evaluates assets by return per unit of risk, rather than raw returns, we calculate the Sharpe ratios of our cohorts. We use nominal

returns (rather than HPI adjusted) to ensure comparability with other asset classes. The standard deviation for nominal returns is naturally higher as deflating for HPI removes market volatility.

Table 6: Sharpe Ratio by Cohort

NOMINAL	**Mean Increase**	**Standard Dev.**	**Sharpe Ratio**
New Build 2nd Sale			
Non-Senior	0.17	0.41	0.41
Senior	0.06	0.37	0.16
All Home All Sale			
Non-Senior	0.33	0.53	0.62
Senior	0.16	0.39	0.42

Tables 6 and 7, shows senior new builds exhibit extraordinarily low Sharpe of 0.16, reflecting low nominal gains coupled with high volatility[10]. Whilst senior housing is not treated as an 'investment' by consumers, like any housing, it does have investment as well as consumption attributes which consumers must consider. We conclude that it is a remarkably poor store of value, with low nominal Sharpe and substantial expected real losses.

This result is a key contribution to Research Question 2. It shows that senior homes underperform not just in raw returns, but in risk-adjusted terms, making them a poor financial fit for risk-averse, late-life consumers.

Table 7: Sharpe comparison to other asset classes

Sharpe of non-income (capital appreciation only) assets	
All Homes	0.62
All Senior Homes	0.42
Gold	0.40 (State Street, 2025)
Art / Collectibles	0.30-1 (MOMOAA, 2025)
Senior New Buids	0.16

4.7 Co-movement

We now test the lag and elasticity of the senior housing market. This helps test the efficiency of the market, related to Research Question 1 and 2. **Figure 17** charts the correlation of senior v non-senior new-build premiums. We see high correlation of 0.87, and when plotting a rolling correlation (8 quarters) we see co-movement strengthen at points of market-wide crisis (GFC, C-19), and as expected diverge during of price shock specific to seniors (the 2015 period of pension-withdrawal freedom).

Overall, this test shows senior housing as pro-cyclical, with tight co-movement diverging gradually over time. Conducting a Granger-causality test, we see F = 3.1909 and p= 0.0173, showing that senior-house price premiums lag the broader market by up to a year. This is consistent with our expectations of a smaller, niche, less liquid market. Senior housing is more inelastic, with developers slower to respond to demand-shocks, reflecting unique developer

[10] This is a simplified Sharpe. It could be iterated with service charges and deferred fees for more accurate net return

attributes: bespoke design, longer construction periods, less phasing than volume-builders which are more responsive.

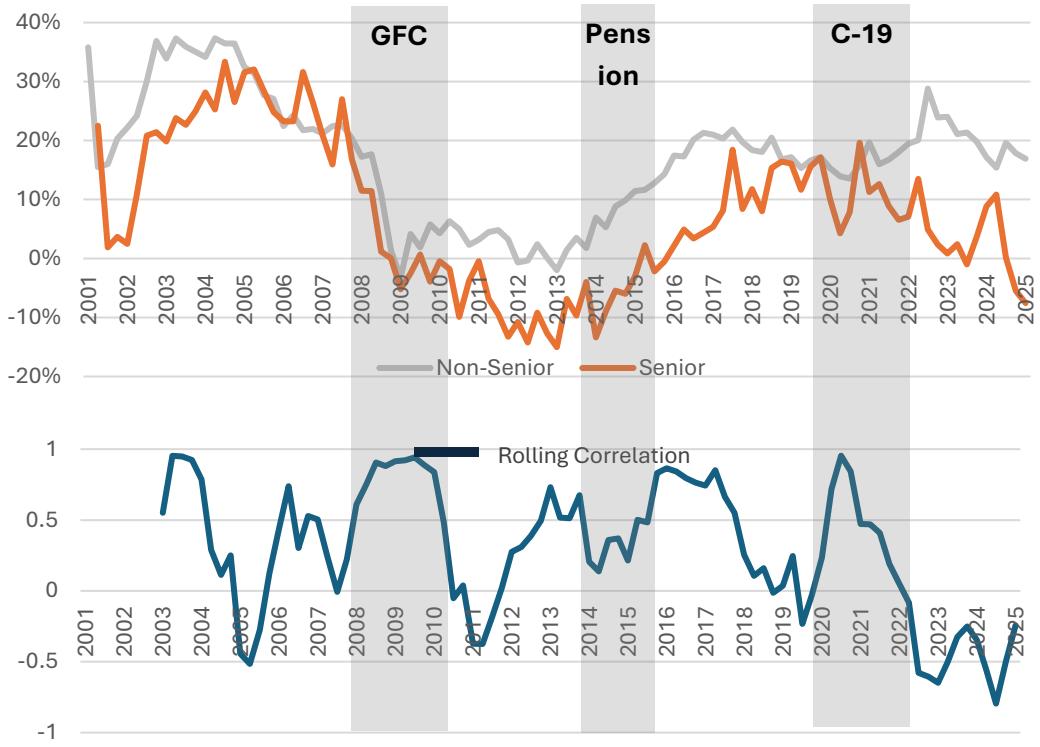

Figure 17: Co-movement and correlation over time

4.8 Developer Effects

Across managers, average prices decline -20% at first resale and a further -12% at second. **Figure 18** shows outliers, with the 3rd and 5th largest markedly worse, and 10th largest much better, performing almost at HPI. This suggests that developer / manager selection materially impacts outcomes, albeit we have not controlled for vintage year which will also impact. These results are anonymised, but further analysis could compare managers to their incentive structures to isolate causal links to price performance.

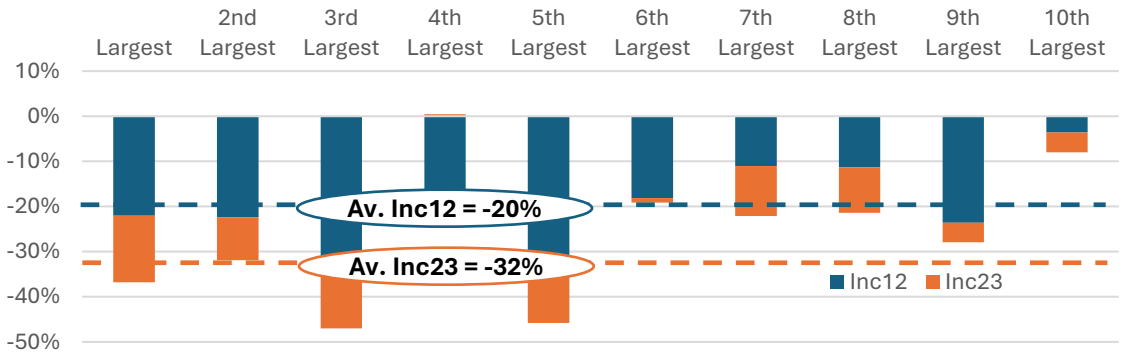

Figure 18: Top 10 Developers (real change 2nd & 3rd sale)

Figure 19 shows Integrated Retirement Communities outperform non-IRCs by 2x, reflecting newer vintage, but also that schemes with co-located healthcare are holding value better.

Figure 19: Integrated Retirement Communities v non-IRCs (2nd & 3rd sale)

Figure 20 demonstrates a positive relationship between scale of scheme and resale values. Schemes above 100 units perform 10pp better than smaller schemes, narrowing their losses as size rises. Implying an effect of better amenities, or better scheme liquidity / marketing.

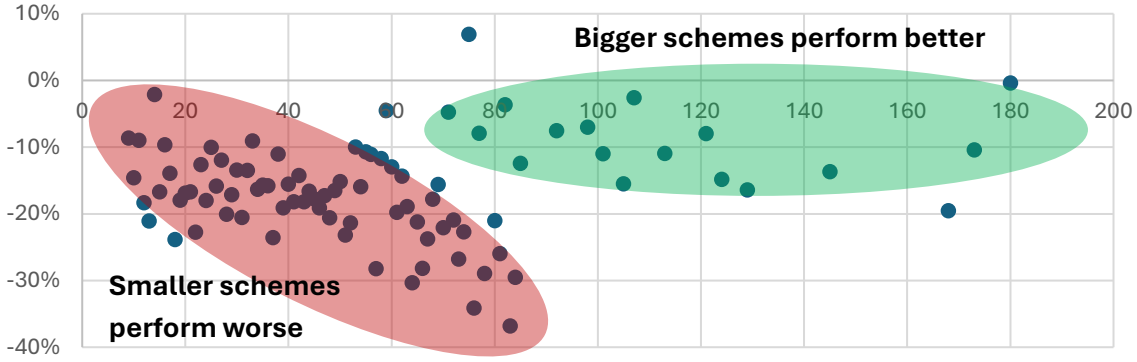

Figure 20: Scheme size v relative real performance (any sale)

These differences underscore that developer and scheme choice significantly affect resale value – a key concern for rational consumers navigating tenure choice – Research Question 2.

4.9 Limitations and Future Work

Across each test we find evidence of an ineffective resale market for senior housing. Capital is lost faster and further than in the general market, discouraging rational buyers and undermining demand. This explains the prevailing media narrative against the sector. This finding is nuanced, and future work could address limitations and move beyond simple observations to a predictive model of the most successful attributes.

- Expand the dataset – using EAC and PPD across the UK
- Introduce data on manager / fee structures, with their consent (like EAC (2019))
- Run a multi-variate regression across fee structures and scheme amenities

5 Modelling Rent versus Buy

This chapter directly addresses **Research Question 2***: Under what financial conditions does rental outperform buying?* Using a net present value (NPV) framework, we put ourselves in the shoes of a senior and model the trade-offs between owning and renting a senior home. We integrate findings from the previous chapter on resale performance into out model. While behavioural and emotional factors (desire to bequeath, maintain autonomy) are important, this chapter isolates the financial dimension of tenure choice to assess when and why rental may be rationally preferred.

Our approach draws on traditional tenure choice theory. We extend this to later life, by incorporating real-world frictions into our analysis, such as declining asset values and deferred fees.

Although private rental is just 1% of stock and 3% of 2024 new units (EAC, 2025), it is essential to model for two reasons. First, it is a growing tenure in the UK and dominant in international comparators. Second, it provides a clean, benchmarkable financial alternative to ownership. It is simpler than hybrid tenures, like licensing or life-leases, and is increasingly relevant to institutional operators as more rental product and rental operators enter the market.

5.1 Model

The buy v rent decision is impacted by several relevant costs and benefits:

- **Stamp duty** (SDLT), a UK-wide transaction tax, which is often cited as a substantial deterrent to elderly mobility (Mayhew, 2024).[11]
- **Investment returns** generated from liquidated housing equity. This represents the opportunity cost of ownership. Generating returns require investment skill or acceptance of risk. Given 75% of UK 55-65s are homeowners, the behavioural shift may be profound. Tax treatment of returns varies by income and whether tax-free wrappers are used.
- **Rental inflation**, which if fixed and predictable enhances the rental case, otherwise ownership provides a natural hedge against rental inflation.

Not modelled

- **Inheritance tax** (IHT) is not modelled. Under IHT, home ownership long had beneficial status, with additional gifting allowances of a primary family home[12]. To remove the penalty for selling the family home before death, Government introduced a 'downsizing addition' in 2017, which gives equivalence to owners and new renters[13].

A limitation of the model is the omission of bequest motives. Many older households may prefer to retain liquid wealth for heirs, favouring rental to preserve investable assets rather than tying them up in specialised property. This aligns with studies highlighting the centrality of

[11] A House of Commons Housing Report (2018) also recognised disproportionate impact on the elderly but cautioned against exemptions due to challenges in implementation.
[12] UK inheritance tax is up to 40%, but family homes have exemption (up to a value cap).
[13] Arguably, renting offers enhanced financial flexibility for planned gifting via annual exemptions and therefore a more sophisticated plan for IHT mitigation.

intergenerational transfers in later-life financial decisions (Banks et al., 2012). Accounting for this would likely strengthen the rental case further

Table 8: Model Assumptions

Switches

Initial Price (£)	£350,000	
New-build or not	No	
Deffered Fee Structure	Floor	
Investment Return	3.50%	Infl link equity/bonds

Dynamic Assumptions

Price performance	13.91%	Lookup decay curves
Deferred Fee Pct	1.00%	Lookup deffered array
Stamp Duty	£5,000	Calc on main home

Fixed Assumptions

Sale costs (% of price)	2.00%	Author: agent & legal
Rental yield (initial)	5.00%	Knight Frank (2024)
Rental inflation p.a.	3.20%	LGIM research (2024)
General inflation p.a..	2.50%	BoE target midpoint
Tax investment return	20.00%	Lower rate income tax
Quarterly inflation	0.62%	
Time horizon (qtrs)	40	

Deferred Management Fees

Deferred fees assist consumer affordability by pushing high operating costs until exit. Fees rise with value of shared amenity.

Deferred Fee Scenarios

Shallow	Ladder: 2% p.a. to max 28%
Steep	Ladder: Y1 8%, Y2-4 +4% to Y5 max 24%
Floor	Fixed: 1% (sinking / conting. fee)

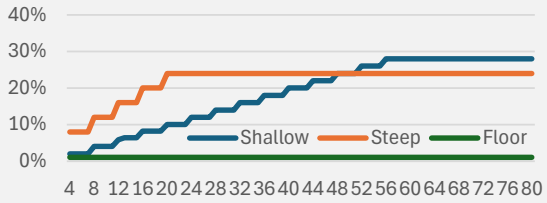

Figure 21: Deferred Management Fee

To make our model reflect real-world conditions, we apply anonymised examples of deferred management fees at **Figure 21** to the NPV calculations. We then construct an index to show value retention over time. **Figure 22** uses observed nominal price performance across holding quarters (**Figure 21**) to create an index that is agnostic to market-cycle (e.g. covid, GFC). This creates a net present value model to compare rental and ownership outcomes by tenure length.

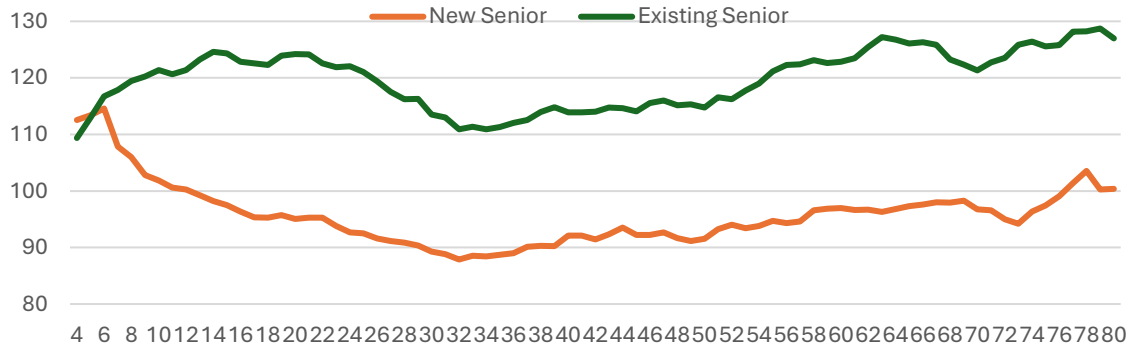

Figure 22: Repeat sales index by holding quarter (value retention over time)

5.2 Findings

Figure 23 illustrates how financial results diverge across rental and ownership at different holding periods. Ownership tends to outperform rental when consumers purchase existing stock, avoiding steep new-build price decay, and hold the period for an extended period. By contrast, rental is advantageous for new homes and shorter tenures. The break-even point is generally between Y10-Y15.

Importantly, the model demonstrates that individuals with higher net worth, surplus income, or access to superior investment advice, can shift the NPV-rent curve to the right. They benefit more from rental, as their opportunity cost of capital is higher.

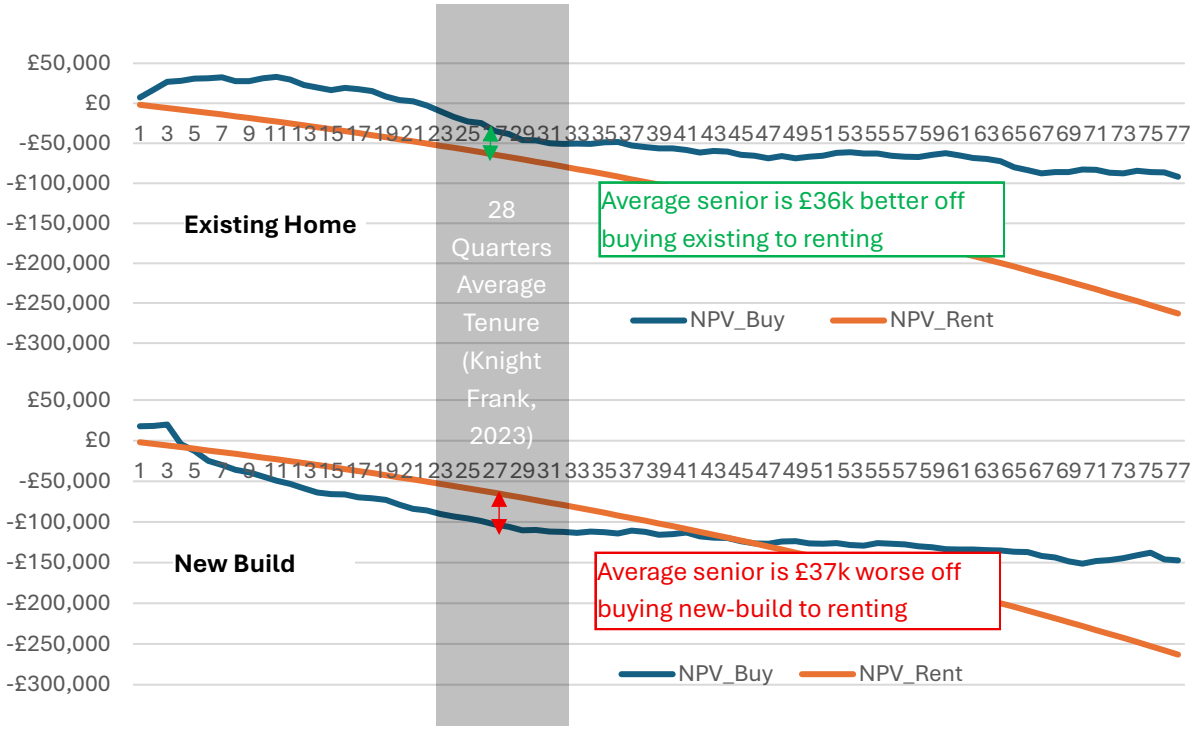

Figure 23: NPV £350k senior home, fixed 1% exit fee

A simple rule of thumb emerges from our model: rental becomes financially preferable when the real investment return (r) exceeds the combined cost of renting, defined as rental yield (y) plus rental inflation (i):

$$r > y + i$$

This framing quantifies how our financial variables interact. When transaction costs (stamp duty, deferred fees), capital depreciation, or resale risk are high, the breakeven point moves further in rental favour – especially for short tenure durations or new-build purchases.

At the average tenure length of 7 years, rental is superior to buying a new home (**Figure 23 bottom**). However, ownership may still be preferable for reasons unrelated to the NPV. Ownership is a hedge against future rental inflation and a perceived safeguard against running out of money. For risk-averse consumers, this may override the NPV, explaining why many older people persist with ownership models, which are on paper, economically suboptimal. In practice therefore, both ownership and rental exhibit downside risks, particularly under scenarios of declining house prices or extended longevity. Faced with these poor options, many suppress their demand – choosing inaction and staying in their existing home.

5.3 Implications

This chapter demonstrates in response to Research Question 2, that rental is often financially superior for short-term, new-build tenure – especially for wealthier individuals with access to investment returns.

Additionally, our model demonstrates through experimenting with different deferred fee structures, that higher deferred fees may be justified, where they are matched by commensurate capital protection. This is especially evident in IRCs or well performing developers. This is important as it shows that deferred fees can align interests of consumers and developers, tying their long-term return to resale values incentivising developers to protect values over time.

Nonetheless, rental carries one fundamental risk: the possibility of outliving one's savings. In the United States, this risk can be mitigated through care insurance, or lifetime rent-cost caps – tools to shield consumers from extended longevity. No such protections exist in the UK. The Rent Reform Act (2025), whilst well intentioned, by enforcing periodic tenancies with unrestricted break clauses, paradoxically may harm tenants. The legislation effectively prevents providers from offering long-term rental guarantees or insurance-blended contracts, that might otherwise protect from running out of savings.

The rental regulatory environment is relevant to Research Question 2, as it demonstrates live changes which may inhibit demand and skew tenure choice.

6 Behavioural Response to Financial Information: Survey Evidence

The preceding chapters presented quantitative evidence that ownership of senior housing often delivers poor capital outcomes, exposing seniors to capital risk and volatility unsuited to their stage in life. Despite this, ownership remains the dominant tenure, while private rental accounts for 1-2% of supply. This chapter explores the behavioural dimension of this disconnect. We test whether older people respond to new financial information by reconsidering their tenure preferences. Drawing on an original survey, we test whether information prompts cause a shift in attitudes towards renting, helping explain why demand appears lower that the quantitative data would suggest.

This analysis directly addresses **Research Question 3**: *How do these financial realities impact stated preferences for tenure later in life?* It shows suppressed demand for rental – particularly among older adults who are uncertain or disengaged from the market.

6.1 The Survey

This survey was conducted online between 20 May and 20 June 2025, with 91 respondents, recruited through the National Innovation Centre for Aging. The aim, in line with Research Question 3, was to test whether financial information affects stated preferences for tenure later in life. Specifically, by giving new information 'nudges' on security, cost, resale risk and availability.

Table 9: Survey Respondents (91 people)

91 Respondents		**Sample %**	**National Comparison**
Tenure	Own home (outright or mortgage)	82%	75% (EHS, 2023)
	Private rented	8%	11% (EHS, 2023)
	Housing assoc. / council	7%	13% (EHS, 2023)
	Retirement development	2%	2% (author)
Gender	Female	78%	55% (ONS, 2024)
	Male	21%	45% (ONS, 2024)
Health	No major health issues	37%	Comparable
	Minor issues not affecting life	37%	Comparable
	Minor issues affecting daily life	24%	Comparable
	Significant issues	1%	Comparable

The survey is slightly skew towards homeowners, and the financially comfortable, with women substantially overrepresented. As a web-accessed survey it is bias to the digitally literate.

6.2 Baseline Preferences

The first survey questions tested appetite for mobility. 64% of respondents planned to change their housing situation later in life. **Figure 24** shows the most cited motivations.

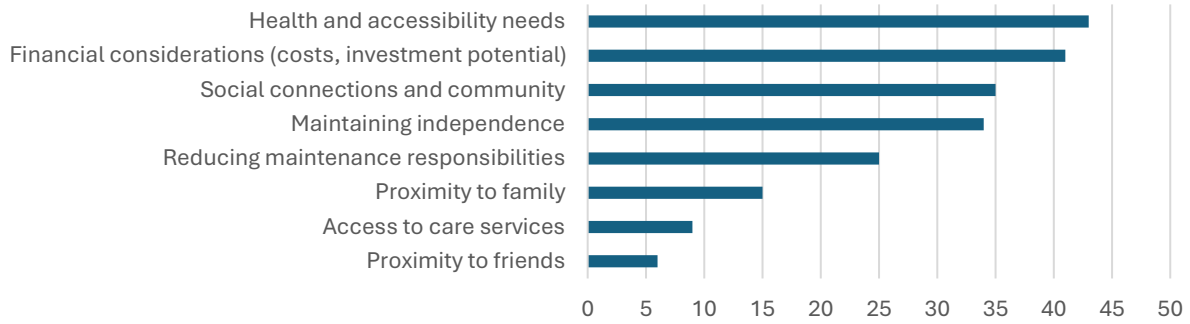

Figure 24: Behavioural drivers (select three)

These motivations closely mirror Pennell et al.'s (2012) typology of "planner" and "lifestyle mover" who act pre-emptively rather than "crisis" movers who relocate only when forced to. This also evidences why integrated retirement communities hold their value better – integration with health is the most desirable attribute of future housing.

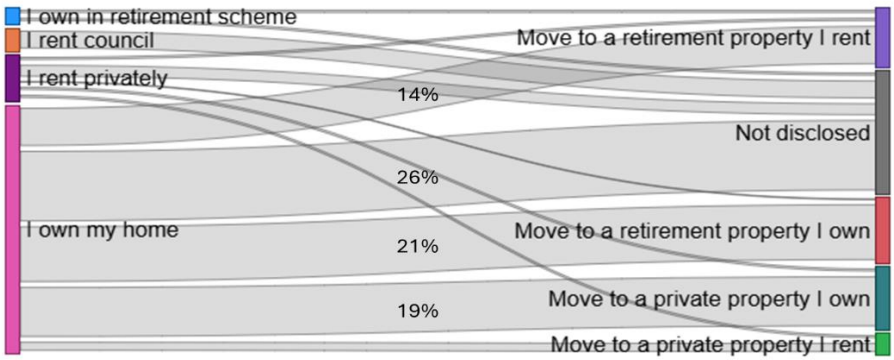

Figure 25: Sankey diagram of starting preferences (% of 91 respondents)

Figure 25 confirms the literature. Most older adults have a strong default preference for ownership, but also there is a substantial group with no clear preference (36%) - likely due to the complexity of the decision, suggesting the scope for influence with better consumer guidance.

Rental emerges as the preferred option for 21%, far beyond the 1-2% of existing stock. Private (non-retirement scheme) rental was the least selected option, reinforcing our theory that for rental to be considered it must offer distinct advantages over general housing, such as security of tenure and amenities.

6.3 Impact of New Information

This part of the survey introduced short prompts about resale performance, tenure security, and liquidity. These "nudges" were designed to stimulate better market transparency – a known barrier to retirement housing update (OPHT, 2024; House of Commons, 2018).

While many remained committed to ownership, others showed significant shifts in willingness to rent. **Figure 26** shows a substantial portion of respondents altered their tenure preferences. This suggests that older consumers are persuadable when presented with performance data. This validates our assumption that, even in a financially literate and predominately ownership-

orientated cohort, tenure preferences are not fixed – a crucial insight responding to Research Question 3.

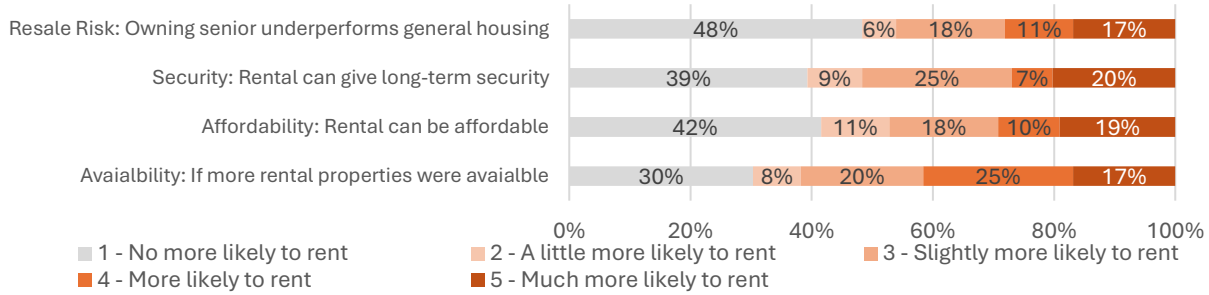

Figure 26: Preference shift with new information

6.4 Implications

These findings provide clear behavioural evidence that demand is being distorted by information failure. While 21% of respondents preferred rental at baseline (far above the market penetration), a further 25% indicated willingness to consider rental when given new data on financial performance. This supports the hypotheses that limited tenure choice are deterring demand.

This directly reinforces our findings in the previous chapter and addresses Research Question 3 by showing that tenure preferences are sensitive to financial trade-off information, especially around exit value. In a policy context, this implies latent demand, accessible through reform and better consumer information. Across each new information prompt, around 20-30% of respondents appear persuadable

Overall, the survey suggests a senior housing market that is not suffering from lack of interest, but instead lack of trusted, transparent and viable options. Where many peoples stated tenure preferences cannot be met by the market. Consumers are not rejecting retirement housing; they are rejecting poor deals. Providing better value protection and communicating it clearly, could move thousands of hesitant households off the sidelines and into the sector.

7 Conclusions

The English senior housing sector exhibits the characteristics of a dysfunctional market. Despite rising demographic need, demand remains suppressed. This study shows that it is not due to consumer irrationality, but to rational decisions in the face of weak product value, capital risk, and inflexible tenure options. The result is chronic under-supply reported well in the literature, and the second order impacts of public costs to family housing supply, strain on health and care sectors, and a drag on growth.

Overall, the sector is fragmented and characterised by a sales model that does not match the needs or risk tolerance of its primary consumers. Decisions to move are too often negative, triggered by widowhood or illness, rather than positive, lifestyle-driven choice. This reflects the reality of a sector with severe demand-side limitations emanating from constrained tenure options, poor financial performance and high unpredictability. As a result, many older people chose to remain in unsuitable housing – often alone, often lonely.

This study does not assign blame to developers, many of whom work hard within the constraints of a flawed leasehold regulatory and tax system. Rather this study reveals that market forces alone cannot solve this. The barriers to demand – price risk, tenure rigidity, lack of health integration – are structural. This is an inherent policy flaw. Decisive government action can make a difference.

Ultimately, older people are not resistant to senior housing – they are resistant to poor outcomes. They are rational actors who are suppressing inherent demand because they need more security, clarity and flexibility, not simply more units. The conditions for reform are present, but the path ahead requires absent political leadership to reassert, coherently, to address these severe demand-side-constraints – and steer the sector from marginal to mainstream. This will deliver generational benefits to older adults, the housing system and society at large.

7.1 Contributions to Research Literature

This research set out to address three core questions:

1. How has senior housing price performance compared to the general market?
2. Under what financial conditions does rental outperform ownership?
3. How do these financial realities impact tenure preferences amongst older adults?

Research Question 1: Price Performance

Our repeat-sales provides the first large-scale, inflation-adjusted performance index for English senior homes. It shows consistent underperformance versus the general market, high volatility and substantial downside risk, especially through price decay of new builds.

Research Question 2: Rent vs Buy

Our net present value model demonstrates that ownership is surpassed by rental in almost all cases, driven by capital loss, and stamp duty.

Research Question 3: Behavioural

Survey evidence confirms that tenure preferences are fluid. One third of respondents were persuadable when shown new information. This implies both trapped demand and the importance of clear communication and new tenure models.

7.2 Implications for Policy Design

While the academic focus of this study is on explaining the demand-side constraints through empirical and behavioural evidence, this section outlines potential interventions that could address those constraints and unlock rational demand from UK seniors. These recommendations are built on strong existing literature, and we therefore avoid restating recommendations already well made elsewhere (such as EAC, 2019 on financial transparency; and OPHT, 2024 on renewed prioritisation of the sector). These are simplified; detailed implementation and risks are reserved for future work.

1	**Introduce a UK life-lease license regime.** To mitigate capital risk and align products with older consumers' preferences for liquidity and capital value protection, government should legislate for a standardised life-lease structure. Modelled on New Zealand's Retirement Villages Act (2003). This would shield consumers from resale risk and better suit older homeowners. It would create infrastructure-like predictable revenue streams to suit UK and global capital.
2	**Promote standardised tenure-cost calculators.** A neutral NPV calculator at the point of marketing senior housing would enable buyers to see upfront capital-loss risk. This transparency will help individuals scan alternative tenures and restore consumer trust.
3	**Treat senior villages as growth assets, encouraging scale.** Our empirical findings show scale is value-protecting and survey shows scale (and diversity of amenities) can unlock new demand. Yet too often local planners see senior as marginal developments to be minimised. Local leaders should adopt a pro-senior policy suite including land allocation, and CIL exemptions to encourage scale. This would induce demand.
4	**Integrate neighbourhood care into villages.** Our empirical findings show schemes with care on site protect value better, and survey shows healthcare is a top driver of relocation demand. Yet NHS funding models discourage co-location (GPs, dentists etc.) near high-intensity users. NHS integrated care boards should co-locate neighbourhood care with seniors – financed by developer capex – and share the acute care savings (e.g. 10% reduction in A&E visits). This will transform schemes into health hubs, improve resident outcomes, and correct currently disincentivised demand.
5	**Create an investment coalition.** Building on the OPHT, and Mansion House Accords, Government should convene domestic and global capital allocators, and operators to input into a new model that can overcome these demand constraints and tap into an unserved market. Delivering 30-50k units p.a. requires crowding in £60bn private capital over 15 years[14], this must be predicated on reaching consumers with new, value-protecting models.

[14] 10yrs x 30,000 additional units p.a. x £200,000 capex

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