



Valuing Retirement Housing

Exploring the economic effects of specialist housing for older people



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ANALYSIS • EVIDENCE • POLICY

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All responsibility for the contents of this report rest with the author alone, and the opinions expressed should not be attributed to other individuals or organisations.

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Foreword

Jane Ashcroft, Chief Executive, Anchor

A safe, warm home that is designed to meet our needs should be attainable for us all. The consequence of poor housing can be catastrophic. Older people in particular can see their quality of life diminish through frustration and misery at a lack of independence; and a hastened path to illness, hospitalisation and ultimately an earlier death.

Lamentably it is still something we haven't been able to address effectively as a country. However, this report reveals that the impacts of inappropriate housing for older people actually go much wider.

For the first time, the full effects of this issue have been analysed. The findings offer robust evidence for a bigger picture that many of us in this sector have understood for some time. If we only consider the numbers for a moment, for each additional older person moving into a new unit of specialist retirement housing, the potential saving is estimated to be £115,600 over the long term. If one couple among every 50 older homeowners downsized into specialist retirement housing in England, in total we could save an estimated £14.5 billion over the long-term by getting this right.

Not everyone wants or needs to move – and nor should they. But, whilst almost two-thirds of older people say they want to downsize, the reality is that many are trapped due to a lack of good quality options for retirement living.¹

Health and social care services are stretched as older people struggle in the wrong housing. At the same time, this stops younger people from getting onto the property ladder and means they have to rent for longer. In a vicious cycle, this depletes their ability to save for their own retirement and causes further burden to the State.

This is not another plea for financial support from the State. In fact, this is an opportunity to make savings for the public purse.

Only 2% of the country's housing stock is retirement housing – a major issue for many older people today. With the number of people aged 65 and over in England expected to increase by half by 2030, it is set to become an even bigger issue in the future.

There is a distinct irony that, as this report argues the case for increasing the supply of retirement housing to buy, changes to Housing Benefit for the poorest older people who depend on rented retirement housing could impact on its already limited supply. This would lead to more older people in inappropriate housing and further costs for the NHS.

¹ Two thirds (63%) of those aged over 55 and living in houses with more than two bedrooms aged over 55 say they are looking to downsize according to research undertaken by the Centre for Economics and Business Research.

This report represents the strongest case yet for the need to prioritise homes for older people. We are calling on national government as well as local authority decision-makers to clear the path to enable retirement housing to be built, convene a national taskforce on retirement housing and reform local planning to encourage more developments.

Developers are ready to design and build; and many older people are ready to move. This report unavoidably demonstrates the need for action. For older people; for us all.

Executive Summary

What are the economic effects of new specialist retirement housing for older people, the NHS and the Exchequer?

There are more older homeowners in England than ever before. Among older people and policymakers, there is growing interest in the potential for new housing targeted at older homeowners such as age-restricted retirement housing, retirement villages and specialist 'extra care' accommodation. This report:

- ▶ Explores the potential economic effects of specialist retirement housing;
- ▶ Estimates the financial value of these economic effects drawing on relevant social survey, administrative and population data;
- ▶ Aggregates the total estimated financial value of a single unit of new specialist retirement housing across the lifetime of its first resident.

This report looks at how specialist retirement housing can influence:

- ▶ Health and care costs
- ▶ Local authority adult social care expenditure
- ▶ First-time buyers ability to get on to the property ladder, and their subsequent retirement wealth and housing costs.

The report estimates that the development of a single new specialist retirement housing unit may result in savings to the state as follows:

Type of Saving	Estimated value per person	Estimated value per unit with 2 people
Health and care needs	£9,700	£19,400
Local authority social care entitlement	£18,600	£37,200
First-time buyers and future retirement wealth	£54,800	£54,800
Total	£83,100	£111,400

For one new retirement housing unit occupied by one person for at least 10 years, potential total savings are around £83,100 over the long-term.² If two people occupy this unit for at least 10 years, potential total savings are around £111,400 over the long-term.

Such potential economic effects can also be expressed at a population level. For example, using these figures we can estimate that if one couple for every 50 older homeowners moved into a new unit of specialist retirement housing for at least 10 years, this would yield savings

² In this context, the long-term relates to the adult life cycle of first-time buyers, which is around 50-70 years.

in the long-term of between £675 million and £2.6 billion depending on the region, or £14.5 billion across the country.

1. Introduction

1.1. Background

Across housing and ageing policy, there is significant interest in the development of new housing targeted at older homeowners, including age-restricted retirement housing, retirement villages and specialist 'extra care' accommodation.

The impact of retirement housing is typically presented in terms of individual older people living in accommodation more suited to their characteristics and needs, i.e. a private, 'individual' benefit relating to improved quality of life among those older people who choose to move into retirement housing.

However, the development of new retirement housing may result in much broader economic consequences - and benefits - relating to housing supply, health and care. These economic effects may be relevant to individual older people, the NHS, local authorities and the Exchequer. Despite these broader potential effects, there is limited awareness among local and national policymakers, the media and other stakeholders of these effects and how they are distributed.

1.2. Valuing Retirement Housing

To address this gap, this report:

- ▶ **Explores** the potential economic effects of specialist retirement housing, i.e. the processes by which new specialist retirement housing may have economic effects for different organisations;
- ▶ **Estimates** the financial value of these economic effects by drawing on relevant social survey, administrative and population data;
- ▶ **Aggregates** the total estimated financial value of a single unit of new specialist retirement housing across the lifetime of its first resident.

The report considers the economic effects of retirement housing across several different domains:

- ▶ Health and care costs
- ▶ Local authority adult social care
- ▶ First-time buyers and retirement wealth

These economic effects are considered for how they affect:

- ▶ Private individuals
- ▶ Local government
- ▶ The NHS
- ▶ Central government

The estimates provided in the report have been developed on the basis of a literature review and desktop analysis of available data, evidence and projections. The purpose of the estimates is to illuminate the potential economic effects of retirement housing, and illustrate the orders of magnitude of these effects. As such, the figures should not be treated as forecasts, and have not been adjusted for inflation or discount rates. Estimates are rounded to the nearest £100.

In the next chapter, the report sets out basic data describing the numbers of older homeowners across the UK, and their living situation.

In Chapter 3, the report considers the potential economic effects of new retirement housing for older people's health and care need, and associated costs for the state.

In the fourth chapter, the report explores how new specialist retirement housing may influence entitlement to local authority adult social care among older people. In Chapter 5, the report explores how new retirement housing may enable young people to move from private renting to owner-occupation, therefore increasing their retirement wealth and reducing expenditure by the state on Housing Benefit and residential care.

Chapter 6 concludes the report by aggregating the estimates at a population level by region, exploring what the potential savings would be from new specialist retirement housing if one couple per 50 older homeowners were to move into new specialist retirement housing.

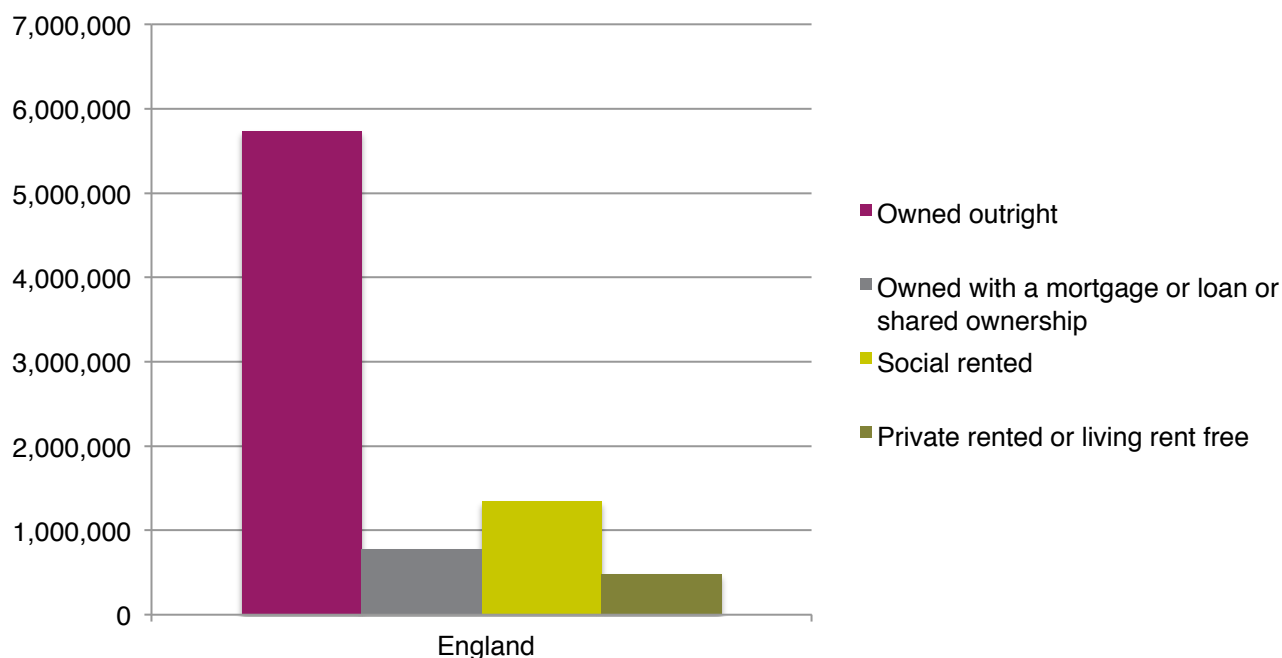
2.Older Homeowners: The facts

To put estimates of the economic effects of new retirement housing in context, it is useful to set out some basic facts and figures about older homeowners.

2.1. Older homeowners

Census data reveals that in 2011, there were around 6.5 million older people living in owner-occupied homes in England, of whom 5.7 million owned their home outright, with the remainder owning with a mortgage or some form of shared ownership.

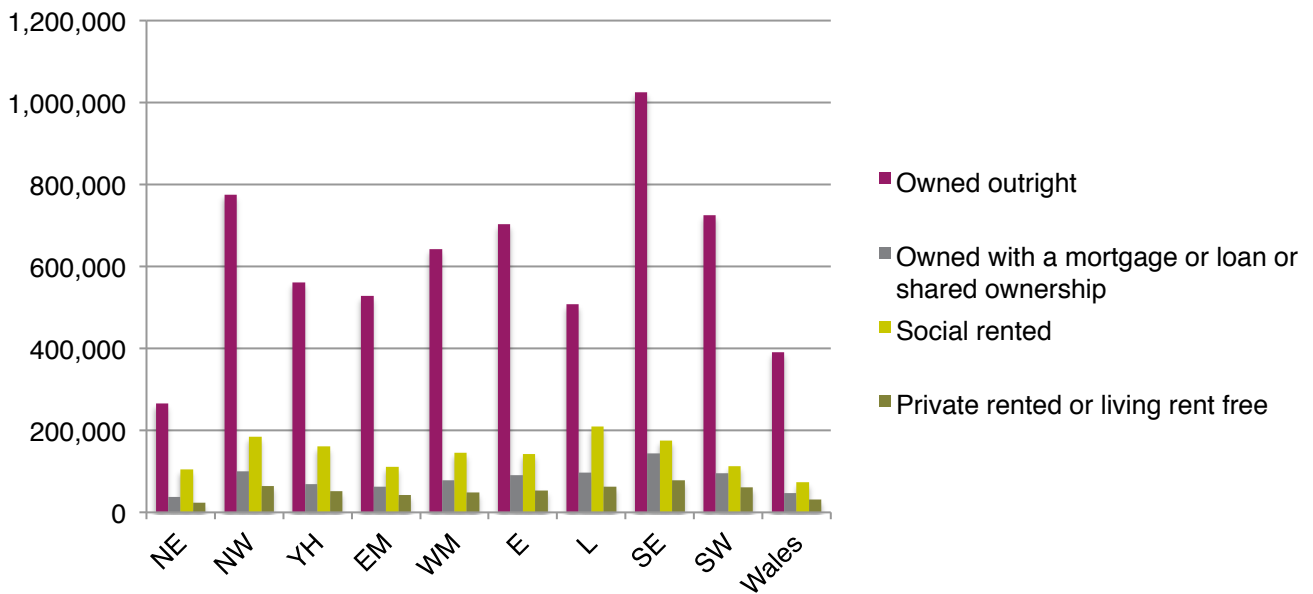
Tenure, 65+, England, 2011 (Census)



Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

The number of older people living in different Government Office Regions (GORs) in England and in Wales varies by region, reflecting differences in population size, as the following chart shows.

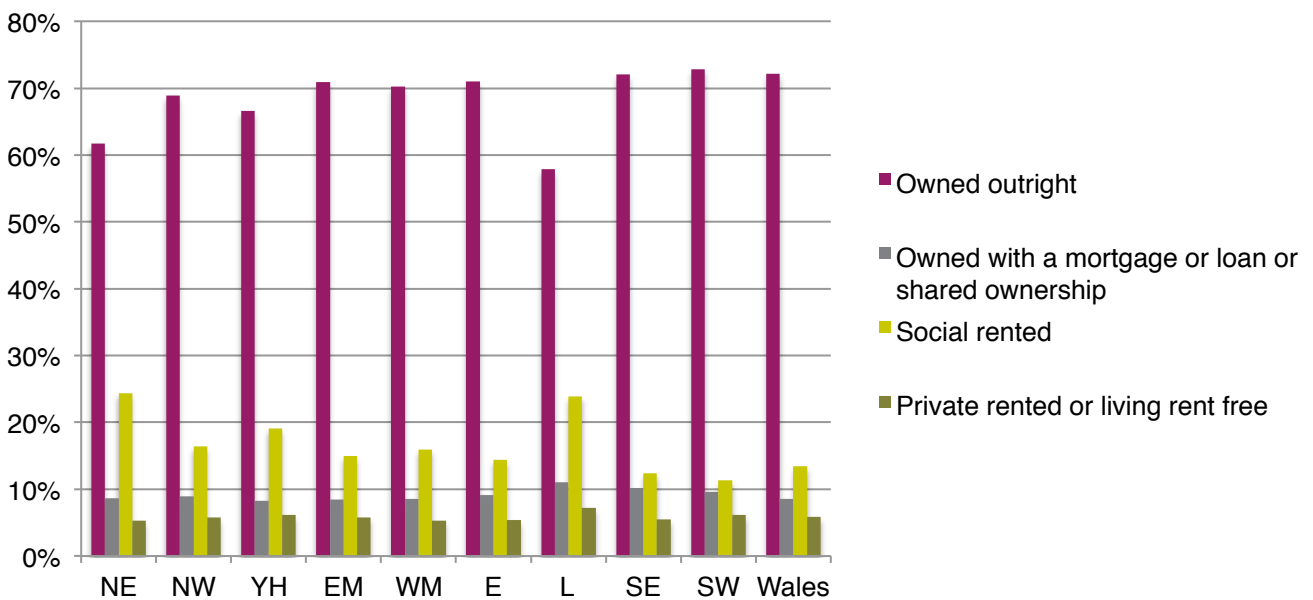
Tenure, 65+, GOR + Wales, 2011 (Census)



Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

However, patterns of tenure in the 65+ population are broadly consistent, with 70-80% of older people living in owner-occupied homes in different geographic areas.

Tenure, 65+, GOR + Wales, 2011 (Census)

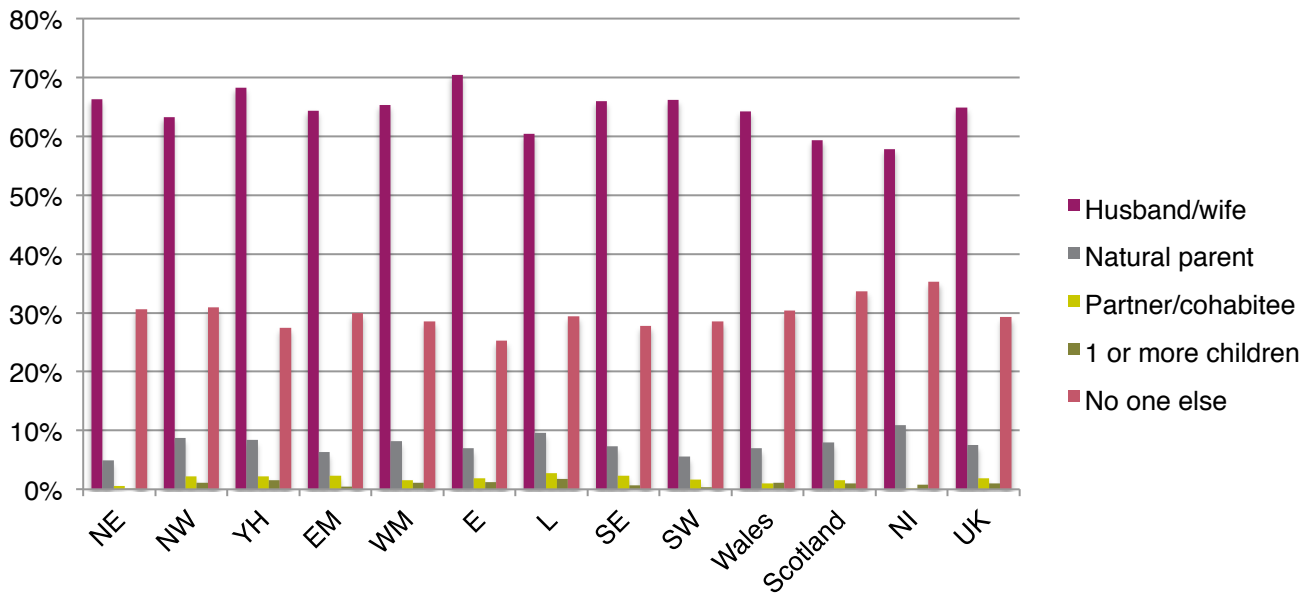


Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

2.2. Living situation

Around two-thirds of older people living in owner-occupied housing in the UK reside with a partner, while just under one-third live alone.

Who live with, 65+ owners, UK, 2011-12 (USoc)

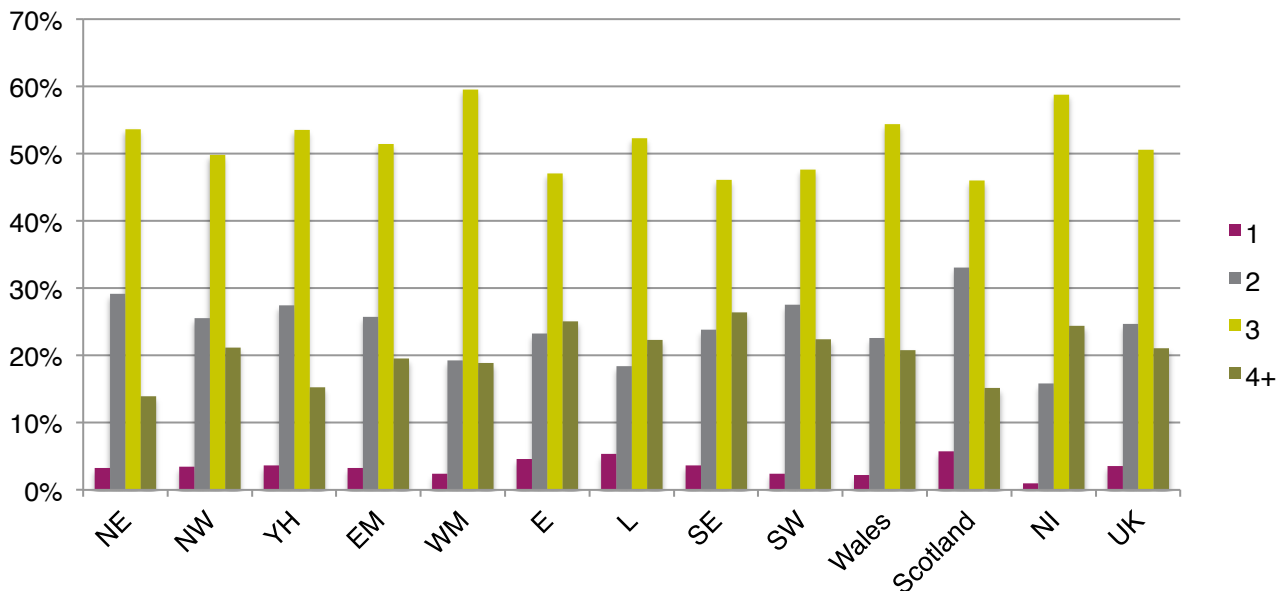


Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

This suggests the vast majority of older homeowners live in households of one or two people.

In all areas of the UK, over half of the 65+ owner-occupier group (72%) have three or more bedrooms in their home.

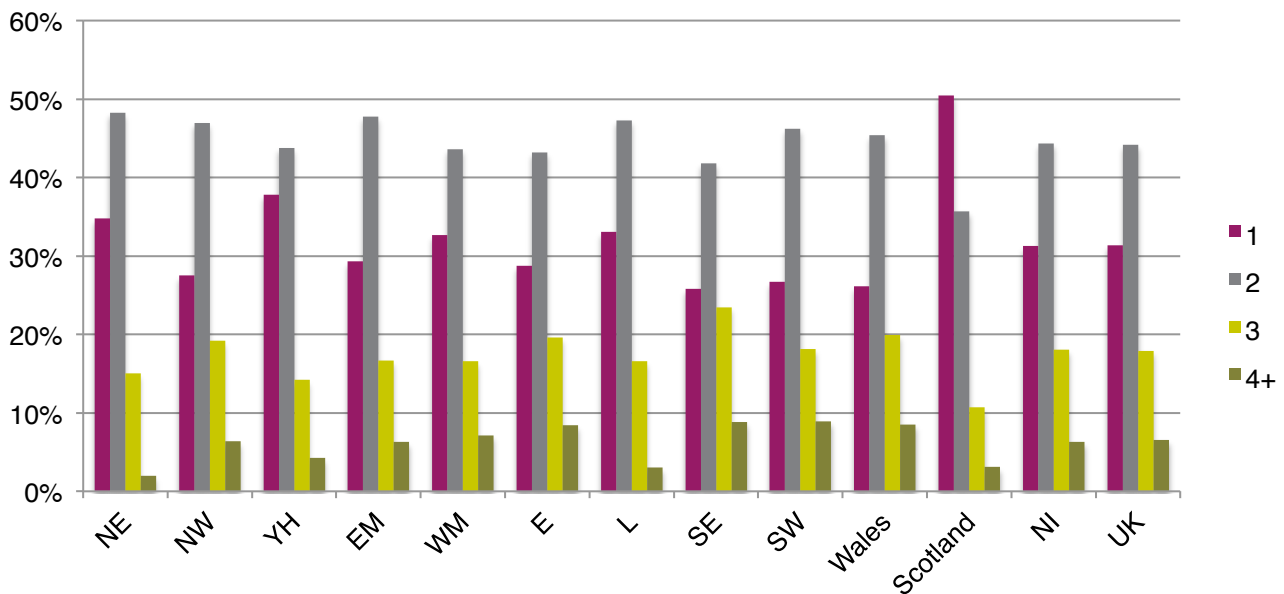
Number of bedrooms, 65+ owners, UK, 2011-12 (USoc)



Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

Across all geographic regions – except Scotland - over half of owner-occupiers aged 65+ have two or more ‘other rooms’, as the following chart shows:

Number of other rooms, 65+ owners, UK, 2011-12 (USoc)



Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

Taking into account who older homeowners live with and the number of people in their home, these findings suggest that older homeowners may exhibit relatively high levels of so-called ‘under-occupancy’.

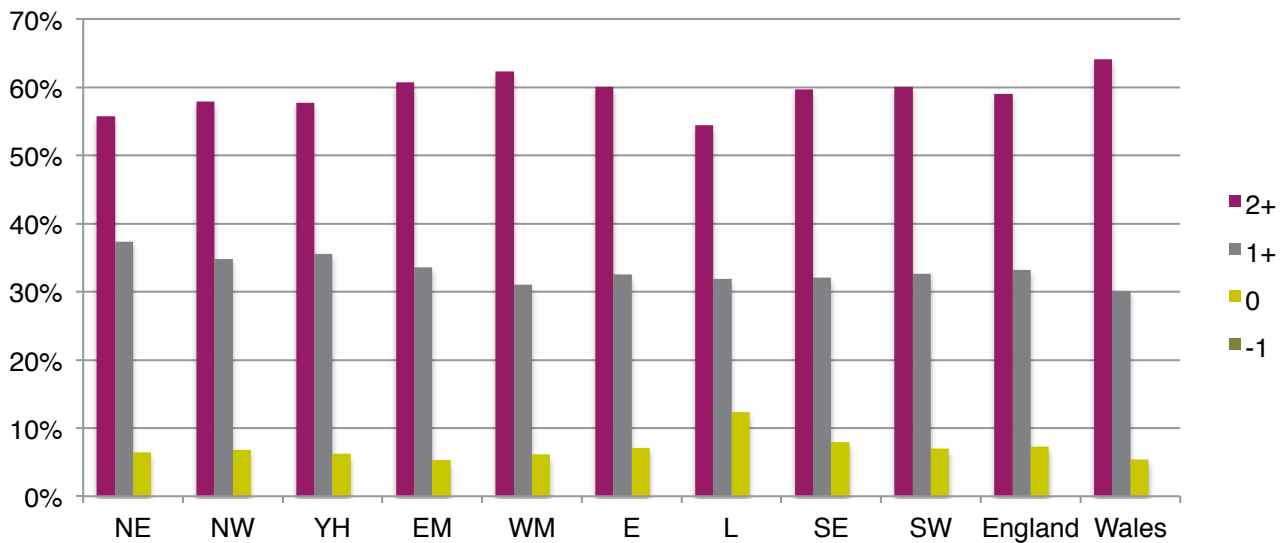
The official measure of ‘under-occupancy’ compares the number of people in a household to the number of rooms in the accommodation, in particular, bedrooms.

Census 2011 was the first census that collected ‘occupancy ratings’ for bedrooms, based on the number of bedrooms available minus the recommended ‘bedroom standard’.³

The following chart shows that across different English regions and Wales, the percentage of ‘household reference persons’ aged 65+ in owner-occupied housing that is under-occupied - on the basis of the ‘bedroom standard’ - is more than 50% in all regions of the country. Indeed, the same pattern of under-occupancy can be observed across the country, despite regional variations in wealth and house prices.

³ The ‘bedroom standard is designed as follows: “For the purposes of the bedroom standard a separate bedroom shall be allocated to the following persons - (a) a person living together with another as husband and wife (whether that other person is of the same sex or the opposite sex); (b) a person aged 21 years or more; (c) two persons of the same sex aged 10 years to 20 years; (d) two persons (whether of the same sex or not) aged less than 10 years; (e) two persons of the same sex where one person is aged between; 10 years and 20 years and the other is aged less than 10 years; (f) any person aged under 21 years in any case where he or she cannot be paired with another occupier of the dwelling so as to fall within (c), (d) or (e) above.” For more information, see the Housing (Overcrowding) Bill (2004).

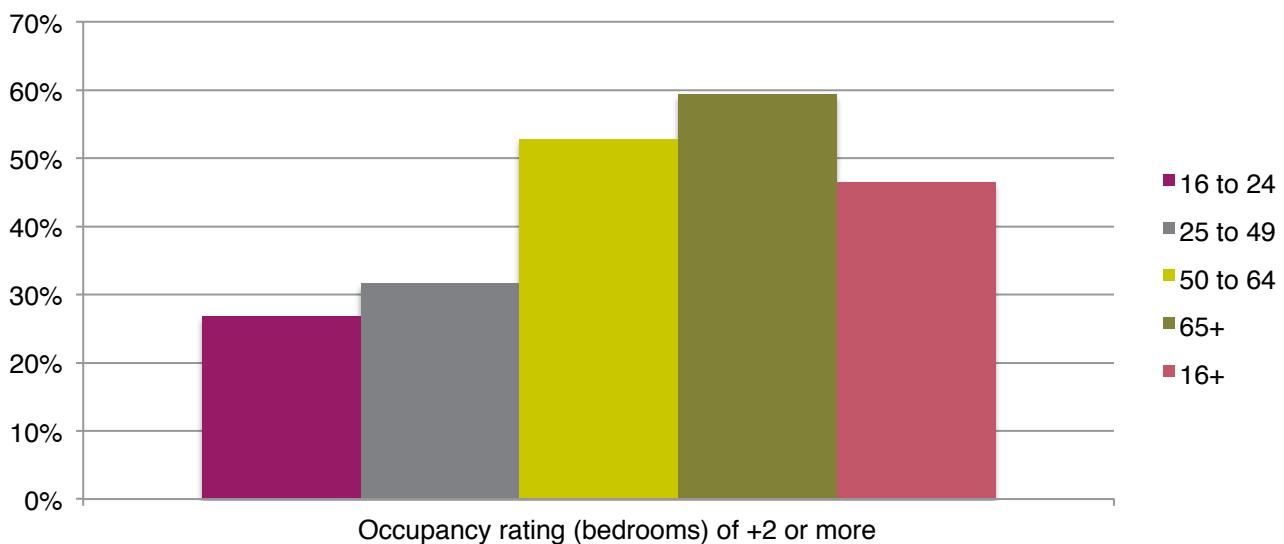
Occupancy rating (bedrooms), HRP home owner aged 65+, English Regions + Wales (Census)



Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

Nevertheless, it is important to note that under-occupancy is not limited to older homeowners. For example, the following chart shows the occupancy rates of owner-occupied housing by age of household reference person, in England and Wales:

Occupancy rating (bedrooms) 2+, owner HRP by age-range, England Wales (Census)



Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

The chart shows that over half (53%) of owner-occupiers in England and Wales aged 50 to 64 have two spare bedrooms according to the bedroom standard, compared to 59% of the 65+. Over 30% of those aged 25 to 49 have two spare bedrooms. The relevant figure for the whole adult population aged 16 and over (16+) is 47%.

3. Health and social care needs

How does specialist retirement housing influence health and care costs, and what are the economic effects?

3.1. Introduction

With the UK population ageing, demand for health and social care by older people is projected to rise in coming decades.⁴

For this reason, policymakers have been interested in the potential of specialist retirement housing in reducing older people's need for health and social care. Any such reduction in need may have economic consequences for individuals, local authority social care budgets and the NHS.

What are the different ways that housing design, and the usage of specialist retirement housing, can influence need for health and social care? Academic research has sought to catalogue benefits across a range of domains, including improved mental health from accessibility to a community, and the health benefits of a well-insulated home.⁵

However, in relation to estimated economic effects relating to health and social care, previous studies have principally focused on:

- ▶ Prevention of need, particularly from reduced falls
- ▶ Reducing need for health and care services

3.2. Prevention

The design characteristics of specialist retirement housing may be effective as a form of prevention among older people. In particular, housing design may reduce the incidence of falls. This may reflect the presence of grab rails, fewer physical hazards that may cause falls among the visually impaired, and fewer 'trip-points' such as uneven floorboards.

Age UK (2013) note that falls and fractures in people aged 65 and over account for more than 4 million hospital bed days each year in England alone, and the healthcare cost associated with fragility fractures is estimated at £2 billion a year.⁶

⁴ Wittenburg R et al. (2011) of Demand for and Costs of Social Care for Older People in England, 2010 to 2030, under Current and Alternative Funding Systems - Discussion paper 2811/2, Personal Social Services Research Unit PSSRU

⁵ Institute of Public Care (2012) *Identifying the health gain from retirement housing*, Oxford Brookes University

⁶ Charters A (2013) Falls Prevention Exercise – following the evidence, Age UK, quoting Royal College of Physicians. 2011. *Falling Standards, broken promises: report of the national audit of falls and bone health in older people 2010*

A Cambridge University study estimated the cost of an older person's fall as £2,108, using NHS data from 2008-2009.⁷ A 2012 report by Snell et al. noted:⁸

... around one third of older people aged 65 and above will suffer a fall each year, with 2% of falls resulting in a hip fracture. Around half of those aged 80 and above will fall in a given year.

The effectiveness of adaptations in averting falls varies between studies, although most of those identified suggested that adults lacking necessary adaptations were between 1.5 and 2.8 times more likely to suffer a fall than those where interventions were in place.

Snell T et al. (2012) *Building a business case for investing in adaptive technologies in England*, PSSRU Discussion Paper 2831

The authors go on to note that where incurred, a hip fracture is estimated to cost £10,170 on average, with additional costs of £1,600 per community hospital admission (for around 20% of cases; each requiring an estimated stay of eight days at £200 per day) and £400 per intermediate care referral (around 20% of cases, each requiring 20 hours of care at £20 per hour).

This evidence suggests that the development of new specialist retirement housing may reduce NHS expenditure, when such accommodation reduces the incidence of falls among residents.

Estimate

Research shows that:

Older people aged 65+ have a 33% probability (0.33) of experiencing a fall each year

It can be estimated that:

Average cost of a fall to the NHS is £2,108

It can be assumed that:

A person living in a specialist retirement housing unit will live there for 10 years

It can be assumed that:

Older people in a specialist retirement housing unit are between 1.5 and 2.8 (2.15) times less likely to fall in a given year

By multiplying the probability of a fall (0.33) each by the average cost of a fall to the NHS (£2,108) by 10 years, we can estimate:

Average expected lifetime cost of falls in mainstream housing over 10 years is around £7,000

By dividing this figure by 2.15, as the reduced probability of falling in retirement housing, we can estimate:

Average expected lifetime cost of falls in specialist retirement housing over 10 years is £3,200

This represents a potential saving of around £3,800 over 10 years.

⁷ Burgess, G. (2013) *Analysis of the potential value for money to the public purse of the Lincolnshire Home Improvement Agency Housing Options Advice service*, Cambridge Centre for Housing and Planning Research

⁸ Snell T et al. (2012) *Building a business case for investing in adaptive technologies in England*, PSSRU Discussion Paper 2831

On the basis of this evidence and analysis, we can estimate that one retirement housing unit will result in savings to the NHS of around **£3,800** per person over 10 years, owing to reduced incidence of falls.

3.3. Reducing need for health and care services

There has long been interest in how housing design and adaption can reduce need for care and support among people with a disability or a long-term health condition. For example, a 2007 review by the Office for Disability Issues gathered a range of evidence around the effectiveness of local authority spending in this area.⁹

Overall, two potential routes to savings are possible. First, specialist retirement housing may **reduce people's need for personal care and support while living at home**. For example, bathroom, bedroom and kitchen design may reduce people's need for help with bathing, dressing and cooking. Retirement housing that better enables the usage of telecare and remote monitoring devices than mainstream housing may reduce the number of carer visits a person requires.

A systematic review and modelling exercise by Snell et al (2012) suggested that equipment and adaptations lead to reductions in the demand for other health and social care services among those needing care worth on average £579 per recipient per annum (including both state and private costs).¹⁰

As such, it is possible to estimate potential savings from specialist retirement housing in relation to demand for health and care services.

Estimate

Previous research from the Strategic Society Centre found that out of around 8.6 million older people in England living at home, around 10% (850,000) received paid home care, whether funded by a local authority or privately. As such, there is a one-in-ten chance of an older people living at home being in receipt of paid home care.

Given older people living in specialist housing typically move into such accommodation at a later age, we can reasonably assume a higher probability of receiving home care of 15%.

We can assume that:

A person living in a specialist retirement housing has a 0.15 probability of receiving home care in a given year

This person lives in this unit for 10 years

The cost saving of equipment and adaptations available through the retirement housing unit are worth £579 per year

Multiplying the probability of receiving home care (0.15) by the annual cost saving of equipment and adaptations per year (£579) by ten years, this suggests a potential saving of around £900.

⁹ For example, see Heywood F and Turner L (2007) Better outcomes, lower costs, Office for Disability Issues

¹⁰ Snell T et al. (2012) *Building a business case for investing in adaptive technologies in England*, PSSRU Discussion Paper 2831

On the basis of this evidence and analysis, we can estimate total average savings from lower home care needs over 10 years resulting from installed equipment and adaptations of around **£900**.

In addition to care in their own home, specialist retirement housing may enable older people with a disability to **carry on living at home for longer**, reducing the amount of time they spend living in a care home.

For example, a study by Kneale and Smith (2013) found that extra care housing residents aged 80 years and older are approximately half as likely to enter residential care compared with older people in the community in receipt of domiciliary care, albeit with some caveats.¹¹ As an intermediate form of accommodation between mainstream housing and extra care, specialist retirement housing could therefore be expected to reduce the probability of someone entering residential care during their lifetime by between 0% and 50%.

Estimate

Some older people use residential care during their lifetime and some do not. A 2010 study estimated the average lifetime duration of residential care all individuals aged 65 can expect to receive, covering local authority, private and NHS funded institutional care. This figure does not relate to average 'lengths of stay' in residential care, but rather, the average amount of residential care that older people can expect to use in their lifetime, regardless of whether they ultimately go on to use residential care.

Estimates of life expectancy and duration of service receipt at age 65 years

	Men	Women
Expected duration of residential care	0.43 (5–6 months)	1.04 (12–13 months)
Total life expectancy at 65	16.7	19.3

Source: Comas-Herrera A and Wittenberg R (2010) Expected lifetime costs of social care for people aged 65 and over in England, PSSRU

The research found that average expected lifetime duration of residential care was around 5-6 months for men and 12-13 months for women. Separate research of residential care fees found that in 2014-15, the average cost per adult aged 65+ supported in long-term residential care and nursing care with a 'primary support' reason of physical support was £535 per week for local authorities.

On this basis we can assume:

By combining the data on men and women above, an average person aged 65+ will use an average of 9 months of residential care in their lifetime
This care will cost £535 per week or £2,300 per month

Multiplying 9 months by £2,300 per month, we can estimate:

Average expected lifetime cost of residential care for a person in mainstream housing is £20,700

If we then assume that an older person living in a specialist retirement housing unit is 0.75% as likely to move into residential care as someone in mainstream housing – i.e. half of the reduced probability achieved through extra care accommodation - we can estimate that:

Average expected lifetime cost of residential care for a person in specialist retirement housing is £15,500 (after rounding)

This represents a saving of around £5,000 per person.

¹¹ Kneale D and Smith L (2013) "Extra Care Housing in the UK: Can it be a Home for Life?" in *Journal of Housing for the Elderly*, Vol. 27, Issue 3

On the basis of this evidence and analysis, we can estimate total average savings from the development of one new unit of retirement housing will yield an average saving in residential care expenditure per person of around **£5,000**.

3.4 Conclusion: Aggregating estimated economic effects for health and social care

This chapter has explored the different ways in which use of specialist retirement housing may reduce health and care needs, and the associated potential economic effects.

By adding together the potential savings from reduced falls over ten years (£3,800), reduced usage of home care (£900) and reduced usage of residential care (£5,000), we can estimate that the construction of one new unit of specialist retirement housing results in a reduction in health and social care costs over ten years of around **£9,700** (after rounding) for each person that occupies this unit.

4. Local authority adult social care

By moving into specialist retirement housing, older people may exhibit lower demand for local authority social care funding, with financial implications for local authority budgets.

4.1. Background

The previous chapter explored how new specialist retirement housing may reduce need for health and care services among residents.

However, the construction of new specialist retirement housing may also reduce entitlement to local authority funded social care.

This outcome may result from two potential effects. First, by moving into specialist retirement housing, older people may release equity, improving their financial position and reducing their entitlement to means-tested support for care costs.

Second, demand for local authorities to install adaptations and equipment may be reduced where such features are already present in a specialist retirement housing unit.

Both of these effects may reduce expenditure for local authority adult social care departments, and are explored in turn.

4.2. Reduced entitled for means-tested support

Local authority support for care costs in England is means tested. For care in someone's home (domiciliary care), councils take account of a person's income and liquid savings, investments, etc. Individuals with more than £23,250 of assessable wealth are expected to fund the entirety of their care themselves.

Chapter 2 showed that a majority of older homeowners occupy housing with 2+ spare bedrooms. It is therefore reasonable to expect some older homeowners to downsize when opting to move into specialist retirement housing, and therefore to release some housing equity, despite variation in the cost of specialist retirement housing. Indeed, many potential purchasers of specialist retirement housing may regard the release of equity as a motivation for moving.

Older homeowners who downsize into specialist retirement housing and release equity in doing so may increase their levels of cash savings and wealth. At the point of requiring domiciliary care, such savings increase their ability to pay for their own care, and by extension, may reduce their entitlement to means-tested local authority support.

Ball (2011) notes that sales data provided by a retirement housing developer for the period mid-2007 to mid-2010 enabled investigation, using Land Registry data, of the scale of

previous housing equity for many dwelling purchasers.¹² Ball notes that the average price of new owner-occupied retirement housing was usually around 10% below the median, suggesting that most older homeowners purchasing specialist retirement housing release 10% of their equity.

There is significant variation in housing wealth among older homeowners, and the price of specialist retirement housing varies according to demand and affordability. However, the price of new specialist retirement housing would be expected to gravitate toward a level that older people can afford, i.e. their existing home.

As such, using data on median house values among older homeowners, we can estimate the potential equity that may be released through purchasing retirement housing, assuming 10% of the value of their previous home is released.

Across the UK in 2011-12, the median value of the homes of older homeowners was around £150-200,000. The following chart shows the distribution of house values for the 25th, 50th (median), 75th and 95th percentiles among older homeowners in different regions¹³:

House value (£), 65+ homeowners, UK, 2011-2012, (USoc)



Source: Lloyd J and Parry W (2015) *Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK*, Strategic Society Centre, London

Given UK house prices have increased since this period by around 15%,¹⁴ we can reasonably assume using this evidence and previous analysis of purchases of specialist retirement housing that older people downsizing into specialist retirement housing will typically release around £20,000 of equity in doing so.

¹² Ball M (2011) *Housing markets and independence in old age: expanding the opportunities*, Henley Business School

¹³ A percentile (or a centile) is a measure used in statistics indicating the value below which a given percentage of observations in a group of observations fall. For example, the 20th percentile is the value (or score) below which 20 percent of the observations may be found.

¹⁴ Source: ONS House Price Index

Using such an estimate of equity released, it is possible to estimate savings to local authority social care on the basis of reduced entitlement to means tested support for home care.

Estimate

Some older people use local authority home care during their lifetime and some do not. A 2010 study estimated the average lifetime duration of local authority home care all individuals aged 65 can expect to receive. This figure does not comprise average ‘durations of care’ of local authority home care, but rather, the average amount of local authority home care that older people can expect to use in their lifetime, regardless of whether they ultimately go on to use such care.

Estimates of life expectancy and duration of service receipt at age 65, years

Average lifetime expected duration of receipt of local authority home care is around 5-6 months for men aged 65, and 10 months for women.

	Men	Women
Expected duration of local authority home care	0.47 (5–6 months)	0.84 (10 months)
Total life expectancy at 65	16.7	19.3

Source: Comas-Herrera A and Wittenberg R (2010) Expected lifetime costs of social care for people aged 65 and over in England, PSSRU

We can assume:

Individuals aged 65 and over receive on average 8 months (96 weeks) of local authority-funded home care during their lifetime (an average of men and women)

Using data from HSCIC, we know that:

Average cost of local authority funded home care packages was £193 per week in 2013-14¹⁷

By multiplying 96 weeks by £193 per week, it is therefore possible to estimate that:

Average expected lifetime cost of local authority home care for individuals aged 65+ is around £18,500.

If we assume that individuals moving into specialist retirement housing retain as savings £20,000 of housing equity, which lifts their wealth above the threshold of local authority means tested support – the current threshold is £23,250 - ensuring they do not qualify for local authority funded home care, we can assume this reduces average entitlement to local authority support by around £18,500 per person.

This analysis suggests that the development of one new unit of retirement housing will reduce entitlement to local authority funded home care by around **£18,500** per person.

4.3. Equipment and adaptations

As an alternative or complement to home care, local authorities may provide older people with equipment and adaptations, up to £1,000 of which are non-means tested.¹⁵

In England in 2013, 273,000 older people received equipment and adaptations funded by their local authority,¹⁶ which is about 3.3% of the older population. Net expenditure on equipment and adaptations for older people across England in 2012-13 was £140 million.¹⁷ Together these figures suggest average per person expenditure on equipment and adaptations by local authorities of around £500.

¹⁵ For more information, see: <http://www.firststopcareadvice.org.uk/downloads/kbase/3095.pdf>

¹⁶ Buttery C (2014) *Community Care Statistics: Social Services Activity*, England, 2013-14, Final release, HSCIC

¹⁷ Robbins K (2013) *Personal Social Services: Expenditure and Unit Costs*, England – 2012-13, Final release, HSCIC

However, specialist retirement housing for older people often includes equipment and adaptations 'built-in', either as features of the housing or optional additional services. As such, someone living in specialist retirement housing may have effectively 'pre-purchased' equipment and adaptations they may need in future, reducing demand for local authority support.

On this basis, it is possible to estimate a saving to local authorities.

Estimate

We can assume that:

- 3.3% of older population are in receipt of local authority equipment and adaptations in any year, i.e. older people have a 0.033 probability of being in receipt of local authority equipment adaptations
- The average cost of these equipment adaptations to the local authority is £500 per person per year

By multiplying the 0.033 probability of being in receipt of local authority equipment and adaptations by the average cost of these equipment and adaptation (£500), we can estimate:

- The average annual cost across all older people of local authority equipment and adaptations is £16.50 per person per year.

If we assume that a person moving into a new specialist retirement housing unit lives there for 10 years, but will only use half the average resource of local authority expenditure on equipment and adaptations, this would save the local authority around £100 in total.

This suggests that a new specialist retirement housing unit will reduce demand for local authority funded equipment and adaptations by around **£100** per person over 10 years.

4.4. Conclusion

This chapter has explored how new specialist retirement housing can reduce entitlement to local authority funded home care and usage of non-means tested equipment and adaptations.

By adding potential savings from reduced entitlement to means tested support to reduced spending on equipment and adaptations, we can estimate that the development of one new specialist retirement housing unit results in savings to local authorities of around **£18,600** per person over 10 years.

5. First-time Buyers and Retirement Wealth

The development of new retirement housing may enable younger people to get on the housing ladder, increasing their ability to fund their housing and care costs during retirement.

5.1. Background

The development of new specialist retirement housing has an effect on wider housing supply for all age groups.

This is because if an older homeowner downsizes into a new unit of retirement housing, this makes available a new home for sale, which – as Chapter 2 showed – in over half of cases is likely to have three or more bedrooms.

As such larger housing becomes available in the housing market, this may enable other households to ‘trade-up’ the housing ladder, potentially releasing ‘first-homes’ at the bottom of a chain, such as one-bedroom flats. More widely, the construction of new retirement housing adds to the housing stock and, by extension, may help to relieve upward pressure on house prices.

In this way, as part of chain in the housing market, older homeowners moving into new specialist retirement accommodation may result in a younger household moving tenure from private rented accommodation into owner-occupation.

Importantly, older homeowners who downsize into specialist retirement housing, as opposed to mainstream housing, will not be competing with other homebuyers on ‘lower rungs’ of the mainstream housing ladder. Rather than moving ‘down’ the housing ladder, such older homeowners are, in effect, moving sideways into smaller, specialist accommodation, thereby reducing competition for mainstream properties in the ‘middle’ of the housing ladder.

How likely is it that a new retirement housing unit may enable a first-time buyer to move into owner-occupation? Put another way: for each new unit of retirement housing that is sold, what is the probability that this will result in a ‘chain effect’ ultimately enabling a first-time buyer to move on to the property ladder?

HMRC data suggests there were 1.219 million residential property transactions in the UK in 2014,¹⁸ while estimates from a leading mortgage lender suggest there were 326,500 first-timer buyer households in that year, representing 27%.¹⁹ In short, around one in four property transactions involved a first-time buyer.

¹⁸ HMRC (2015) *Annual UK Property Transaction Statistics*, HMRC, London

¹⁹ Source: Barret C (2015) Number of first-time UK homebuyers hits 7-year high, says Halifax, Financial Times: <http://www.ft.com/cms/s/0/3053531e-9580-11e4-b3a6-00144feabdco.html#axzz3rwwz6Wivh>

However, not all housing chains may result in a typical ‘first-home’ coming on to the market. For example, recent estimates from a national estate agency suggested that one in three transactions did not involve a chain, although there were considerable variations across the country, and those transactions not involving a chain frequently represent ‘sub-markets’ of rental properties being bought and sold among buy-to-let-landlords.²⁰

Previous analysis from the New Policy Institute found that among working-age owners of homes with 3+ bedrooms, 20% were previously living in private rented accommodation – i.e. they were likely first-time buyers - suggesting that when older homeowners vacate larger homes, at least one-in-five may potentially be bought by first-time buyers.²¹ Put another way, when older people downsize from larger homes, there may not in fact be a ‘chain’ to a first-time buyer, but rather, the property may be sold directly to just such a buyer.

Data from the ONS shows that around one-fifth (21.8%) of privately owned residential dwellings are rented out, i.e. four-fifths of privately owned homes are owner occupied.²² If it is assumed that a single new additional unit of retirement housing maintains the ratio of owned-to-rented occupation among privately owned dwellings, we can reasonably assume that in four out of five cases, older people downsizing into new specialist retirement housing may enable first-time buyers to move on to the property ladder, whether through directly purchasing the home that is released or through the creation of a housing chain. As noted above, it is important to underline that when older people downsize into specialist retirement housing, they do not move down the housing ladder and into competition with other buyers, but rather, sideways.

Enabling such changes in tenure among younger households may have significant long-term future economic effects for the Exchequer, relating to both Housing Benefit and entitlement to means tested social care funding. These are now explored in turn.

5.2. Renting and Housing Benefit

If younger households are enabled to move tenure from private rented accommodation to owner-occupation through the development of new retirement housing, this may save money for the Exchequer in the long-term.

This is because if younger people rent their whole lives, the state will have to meet most of their rental costs in retirement through funding means-tested Housing Benefit. Indeed, the majority of older people who rent are in receipt of Housing Benefit.

However, enabling more young people to get on to the property ladder will ultimately reduce the number of people who arrive at retirement with rental costs, and by extension, the future cost of Housing Benefit for the taxpayer.

²⁰ Source: Evans J (2015) *Rise of buy-to-let breaks the property chain*, Financial Times, London: <http://www.ft.com/cms/s/0/b902e6e4-7e54-11e5-a1fe-567b37f80b64.html#axzz3rwwz6Wivh>

²¹ Pannell J et al. (2012) *Market Assessment of Housing Options for Older People*, New Policy Institute, London

²² Beckett D (2014) *Trends in the United Kingdom Housing Market*, 2014, ONS, London

Housing Benefit

What does Housing Benefit for older people cost the Exchequer? According to data from the Department for Work and Pensions, in May 2015, there were 1,273,006 individuals aged 65 and over receiving Housing Benefit, and the average award was £85.24 per week, or £4,432.48 each year.²³

What percentage of renters aged 65+ receive Housing Benefit? This percentage can be estimated by comparing several sources of data. First, data from the Department for Work and Pensions (DWP) indicates the number of people aged 65+ in receipt of Housing Benefit at the level of Great Britain (England, Wales and Scotland). This number was 1,276,650 in March 2011.

Second, Census data collected in March 2011 indicates there were 1,939,401 renters aged 65+ in England and Wales, i.e. excluding Scotland. After accounting for this figure excluding older renters in Scotland, we can roughly estimate that around 60% of older renters in Great Britain are in receipt of Housing Benefit, including in England.

In England, life expectancy for a male aged 65 is around 18.56 years, and 21.1 years for a female. So, we can estimate that, a single male renter aged 65 in receipt of Housing Benefit is likely to receive around £82,000 in Housing Benefit during their retirement. The equivalent figure for a woman is around £95,000, suggesting an average figure of £88,500 for both genders.

As noted above, if we assume 60% of older renters are in receipt of Housing Benefit, we can estimate that total average lifetime receipt of Housing Benefit among older renters is 0.6 multiplied by £88,500, i.e. £53,000, although this estimate does not take account of differing life expectancy across men and women, and changes in individual circumstances.

These figures show that moving young renters into owner-occupation may result in significant savings for the Exchequer in terms of reduced subsequent expenditure on Housing Benefit.

In the 2015 Autumn Spending Review, the government announced measures to limit social sector Housing Benefit rates to the equivalent private sector rate for new recipients. This was projected by HM Treasury to save around £170 million in 2019-20, rising to £225 million in 2020-21,²⁴ which represents a saving of around 10%.²⁵ However, in its accompanying analysis, the Office for Budget Responsibility noted that the uncertainty of such projections was 'Medium-High'.²⁶

The estimates in our analysis relate to Housing Benefit rules for current recipients, and Housing Benefit rules may well have changed again by the time today's young renters reach retirement age.

²³ Source: DWP (2015) Housing Benefit claimants and average weekly award

²⁴ HM Treasury (2015) *Spending Review and Autumn Statement*, HM Treasury, London

²⁵ Office for Budget Responsibility (2015) *Welfare Trends Report*, Office for Budget Responsibility, London

²⁶ Office for Budget Responsibility (2015) *Economic and Fiscal Outlook: November 2015*, Office for Budget Responsibility, London

Nevertheless, to provide a conservative estimate of potential future Housing Benefit costs in light of the 2015 Autumn Spending Review, we are also lowering our estimate of total average lifetime receipt of Housing Benefit among older renters by 10% to £47,700.

Estimate

If an older homeowner moves into a new retirement housing unit, what will this mean for public expenditure on Housing Benefit?

We can assume that:

When an older homeowner downsizes into new specialist retirement accommodation, four times out of five, this will result in a first-time buyer moving on to the property ladder, i.e. there is an 80% (0.8) probability of a first-time buyer being enabled to move on to the property ladder, reflecting the percentage of private homes that are owner-occupied vs. rented.

If we assume that in future, rising life expectancy is matched by a rising State Pension Age, and today's younger cohorts spend a similar number of years in retirement as today's older generation, we can assume that:

Potential lifetime receipt of Housing Benefit in retirement is broadly equivalent to today's older cohort, averaging around £47,700.

Multiplying 0.8 by £47,700, we can estimate that by releasing housing, the construction of a unit of specialist retirement housing will:

Reduce future expenditure on Housing Benefit for a retired renter by an average of around £38,200 per retirement housing unit through enabling a first-time buyer to move on to the property ladder.

This analysis suggests that a single new unit of retirement housing will on average reduce future public expenditure on Housing Benefit by around **£38,200**, by enabling a first-time buyer to move out of private renting into owner-occupation.

5.3. Future social care expenditure

In addition to reducing future reliance on means-tested Housing Benefit to fund rental costs in retirement, enabling young people to move on to their property ladder will also provide them with greater levels of wealth during retirement, up to 70 years later. Indeed, assuming England's maintains a means-tested system of support for residential care costs, an increase in the number of young people who get on to the housing ladder as a result of older people downsizing into specialist retirement accommodation will also increase young people's ability to pay for their own residential care.²⁷ This in turn will reduce public expenditure on means-tested residential care funding.

²⁷ The government postponed implementation of the 'capped cost' reforms to long-term care funding in England from April 2016, and these changes are earmarked for implementation in April 2020, including changes to means test thresholds for residential care in England. The estimates therefore reflect the current system at the time of writing, but would be subject to change following future potential changes to means test rules for residential care.

Estimate

As noted in the previous chapter, we can estimate:

Average expected lifetime cost of residential care – which is distinct from average ‘length of stay’ for older people living in mainstream housing is £20,700

However, where individuals own their own home, such expenditure will generally be borne privately rather than by a local authority.

We can assume:

Four times out of five the development of a new retirement housing unit will enable a young person to move on to the property ladder, i.e. there is an 80% (0.8) probability of a first-time buyer being enabled to move on to the property ladder.

By multiplying 0.8 by the average lifetime cost of residential care (£20,700), we can estimate that:

Each new unit of retirement housing will reduce future public expenditure on means tested support for residential care costs by around £16,600 in today’s terms.

On the basis of this analysis, we can estimate that by enabling a first-time buyer to move on to the housing ladder, ultimately reducing their entitlement to local authority residential care funding, each new additional unit of retirement housing results in a saving to the state in this way of around **£16,600** in today’s prices.

5.4. Conclusion

The economic effects of a new unit of specialist retirement housing may not just be realised in the short-term by the buyer of such a property, but also over the very long term by a first-time buyer and the Exchequer.

Through enabling young people to move on to the housing ladder, increasing their level of retirement wealth, adding together the figures in this chapter (£38,200 and £16,600), we can estimate that each new unit of specialist retirement housing may in the long-term over the full life-time of a first time buyer reduce expenditure on Housing Benefit and means tested social care costs by around **£54,800** in today’s prices.

6. Aggregated Savings at the Population Level

6.1. Introduction

The previous chapters have explored how the development of a single new specialist retirement housing unit may result in savings to the state, and has estimated the value of these savings.

These figures can be summarised as follows:

Type of Saving	Estimated value per person	Estimated value per unit with 2 people
Health and care needs	£9,700	£19,400
Local authority social care entitlement	£18,600	£37,200
First-time buyers and future retirement wealth	£54,800	£54,800
Total	£83,100	£111,400

For one new retirement housing unit occupied by one person for at least 10 years, potential total savings are around £83,100 over the long-term. If two people occupy this unit for at least 10 years, potential total savings are around £111,400 over the long-term.

6.2. Scenarios

Using these estimates, it is possible to develop scenarios, exploring potential total savings across different regions of England if a defined percentage of older homeowners were to move into specialist retirement housing.

The number of older homeowners in different parts of England are set out below:

Number of individuals living in owner-occupied homes, 65+, English Regions

	NE	NW	YH	EM	WM	E	L	SE	SW
Owned-outright	266,141	775,375	561,310	527,827	642,098	702,788	507,657	1,024,656	725,759
Owned with mortgage	37,200	100,614	69,625	62,592	77,816	90,239	96,652	144,215	95,703
Total owned	303,341	875,989	630,935	590,419	719,914	793,027	604,309	1,168,871	821,462

Source: Census 2011

If for every 50 older homeowners in each region, one couple were to move into new specialist retirement housing representing a saving per unit of £111,400, what sort of saving might this yield over the long term?

	NE	NW	YH	EM	WM	E	L	SE	SW
Total owned	303,341	875,989	630,935	590,419	719,914	793,027	604,309	1,168,871	821,462
£ Total Saving	675,843,748	1,951,703,492	1,405,723,180	1,315,453,532	1,603,968,392	1,766,864,156	1,346,400,452	2,604,244,588	1,830,217,336

This table shows that depending on the size of the region, if one couple for every 50 older homeowners moved into a new unit of specialist retirement housing for at least 10 years, this would yield savings in the long-term of between £675 million and £2.6 billion depending on the region, or £14.5 billion across the country.

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