

# Spotlight Housing for older people

2017

Rented sheltered housing does not meet the needs of 25% of older households. Social landlords can help plug the housing gap and produce an attractive new revenue stream by building shared ownership retirement housing.

## Different people, different products

The open market and social landlords are not meeting the needs of around 25% of older households. International benchmarks suggest we should provide purpose designed housing for 15% of elderly households. This means we need 1.4 million of these homes in the UK.

FIGURE 1

### Top Five Districts

#### OVERSUPPLIED DISTRICTS

1	Birmingham
2	Leeds
3	Bolton
4	Bristol
5	Redcar & Cleveland

#### UNDERSUPPLIED DISTRICTS

1	New Forest
2	Sheffield
3	St Albans
4	Wealden
5	Broadland

Source: Savills Research

The open market provides housing for older people that have housing equity and can afford to downsize into a purpose built property. Around 40% of households could afford to downsize and have at least £50,000 left over, assuming they can find one of these scarce properties. Social landlords provide for the least well-off, by offering rented sheltered housing for older people. This accounts for a further 35% of the elderly population.

This leaves a housing gap of 300,000 "squeezed middle" households\*, wealthy enough to own their own home but not wealthy enough to leave it. There may be space for them in rented sheltered housing, but this is seen as a last resort due to (often unfair) perceptions of low quality and poor design. Homeowners will often only move into sheltered housing if health or financial pressures force them to.

Meanwhile, older households are left with their wealth tied up in ageing properties they are not able to maintain or heat, with little cash available to help pay for care costs.

Demand outstrips supply  
There is demand for 420,000 rented sheltered homes for older people across the country. Yet, there are 560,000 such homes in the UK, an oversupply of 140,000. Many of these homes are in the wrong locations to meet the demands of older occupiers.

It's not just a simple story of oversupply. In many markets housing need hugely outstrips supply, such as the New Forest and St Albans. Existing stock is concentrated in urban areas such as Birmingham, and Bristol, where there are fewer older households today.

## Not fit for purpose

As well as homes in the wrong places, the sector suffers from perceptions of poor quality. Of those sheltered homes for older people, around four fifths were built before 1990. Many haven't been remodelled or refurbished since then and require significant investment to make them fit for purpose.

Yet the over 65s own over £1.5 trillion in housing equity, around 43% of the UK total. As a generation comprised largely of homeowners, there's no incentive for these households to move into old, tired rented housing unless pushed by changes in their health or finances.

This ageing stock is failing to attract the next generation of retirees. This presents a problem for the social landlords operating these homes. Lack of demand has driven down maintenance and investment spending, so these homes are often expensive to run. There is an opportunity for social



→ landlords to consolidate their stock and create something more attractive to both older households and their balance sheets.

**Plugging the gap**

The gap in supply for 'squeezed middle' households provides the opportunity for a range of new

products. Shared ownership is one option. It could be targeted to allow households with less equity to downsize and still have substantial cash left over. It could work well for households with enough equity or pension income to service ongoing rents, though it is less suitable for low-income households.

Social landlords have built over 180,000 shared ownership homes, mostly for working age households. It is a familiar product that has potential in the older persons' housing market.

Developing shared ownership homes for older people would allow social landlords to:

- house older people in need of suitable accommodation;
- free up larger homes for young families; and
- collect capital and revenue receipts to help fund further housing development and social care.

**Conclusion**

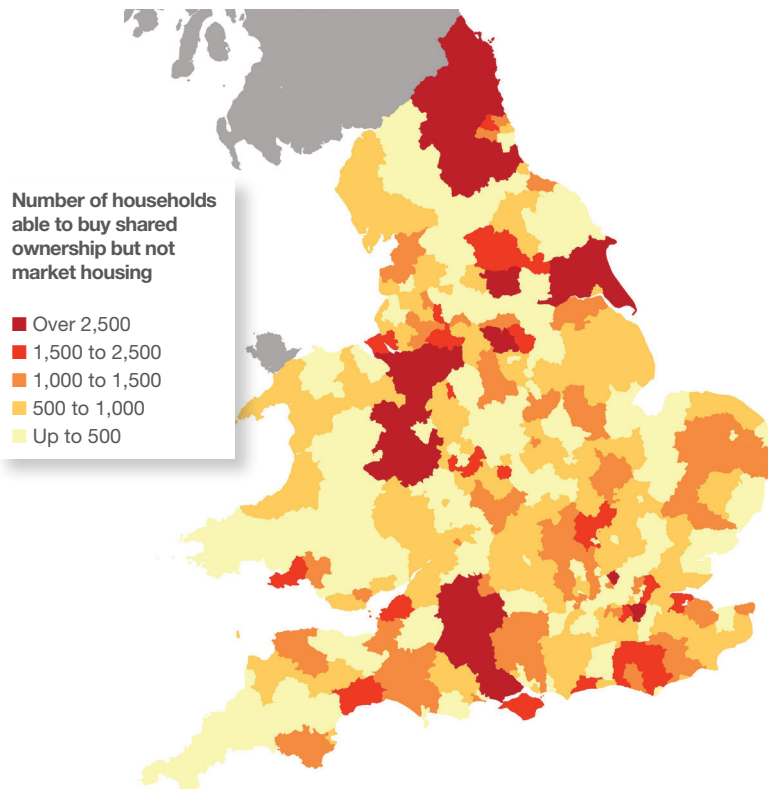
Housing the UK's ageing population will become a more pressing issue in the next ten years. Currently, some parts of the market have adequate provision but there is a growing gap.

Social landlords have the assets and capacity to develop these new housing products. This would create a range of retirement solutions that might incentivise households to downsize and reduce the burden of home ownership in late life.

Landlords should review their sheltered housing portfolios, understand local supply and demand, and explore the scope for alternative forms of housing for older people (such as shared ownership). If they do, it will strengthen their business plans, create more housing supply, free up family housing, and help more elderly households. ■

\*We estimated that a new build home in a retirement development would typically be priced at around the upper quartile of the flat market – in other words more expensive than 75% of flats in that area.

**FIGURE 2**  
**Potential Scale of Demand for Shared Ownership**



Source: Savills Research

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