

# Housing markets and independence in old age: expanding the opportunities

Professor Michael Ball | May 2011



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## About the research

This piece of research has made me realise that, while housing supply affects us all, its impact varies across the ages.

Housing needs in older years are somewhat different. They are obviously as important as those of any other group, though often overlooked in policy debate. I hope the research outlined in this report casts further light on this important issue.

I should like to thank McCarthy & Stone Retirement Lifestyles Ltd for sponsoring this research at the University of Reading. They made it possible for the research team to conduct a

survey of residents; provided other data; and granted free access to managers and staff at the company, who were always kind, helpful and open to enquiries. However, I should like to emphasise that this report is based on independent research and that the arguments, analysis and recommendations are based on my ideas and understanding of the issues at hand.

I should like to thank the rest of the research team at the University; the many others who helped with enquiries and requests for information; the house managers and wardens

of the places contacted; and, most of all, the owners of the retirement properties - the residents - who with great kindness talked to me and my colleagues. I always left the discussions I had with them with a smile, which is something I shall always remember.

**Michael Ball**



## Foreword

Our society has built very few new homes specifically to meet the needs and aspirations of our ageing population. Without addressing this, most of us will stay in properties that may well become hard to maintain, may be inaccessible, create worries for sons and daughters or exacerbate loneliness.

In old age, housing is not just about having a home, it is about maintaining independence often with declining health. The Housing our Ageing Population: Panel for Innovation (HAPPI), which I chaired, concluded in 2009 that the time has come for a national effort to build well-designed, attractive, sustainable, easy-to-manage homes to suit our requirements as we all grow older.

I am therefore very grateful to Professor Ball for pulling together a fascinating analysis of why older people in the UK today do not have enough choice about where they live and how we can address the challenges of providing more private sector housing in this market. Like HAPPI, Prof Ball makes some interesting comparisons with other parts of the world. He refers to Australia and the US where there is a much higher level of provision of this type of accommodation. Many more elderly households are happy to move

in those countries because there is a good choice of high-quality retirement housing options. Lack of choice or barriers to delivery drives up prices which in turn can lead to poor quality of life and greater pressure on families and local services.

While housing policy focuses on stimulating the market for younger people and key workers, this report reminds us that giving 'later life buyers' more choice boosts housing markets, releasing homes for families, and helps bring communities together. Professor Ball highlights how the Government's new National Planning Policy Framework and the Localism agenda could make a real difference to older homeowners now and in the future with no extra cost to the public purse. I hope that this report will stimulate new thinking about how society can make the lives of many older people more fulfilling.

**Lord Best OBE  
Chairman of HAPPI**



Retirement Housing can hardly be described as a ‘niche’ issue. Over 5.5 million households in England are made up of people over 65, and three quarters of them are owner-occupiers. Yet Retirement Housing is a ‘niche’ market, holding only a 2% share of all homes owned by the over 65s.

Despite McCarthy & Stone’s success as a market leader, we openly concede that supply, diversity and choice of housing in later life are not where we want them to be.

I would like to thank Professor Michael Ball and the University of Reading for a thought-provoking analysis of why we face a shortfall in housing for older people and what can be done to stimulate more private sector investment into housing and care solutions for the elderly.

Professor Ball’s report highlights a paradox of our society. Over half of us will live alone after the age of 75 and nearly two thirds of us will have a limiting life time illness. So our quality of life will become far more affected by the design and location of our home. And yet as we get older we become less and less likely to move house. So, many of us find ways to adapt our family homes so that we can stay there, while some of us move in with our relatives.

Professor Ball argues however, that home ownership remains important throughout life, perhaps as a symbol of financial and personal independence.

For those who make the move to live independently in a more supportive environment, such as owner-occupied Retirement Housing (referred to as OORH in the report), Professor Ball’s interviews show some remarkable results.

82% of residents recommended this type of housing to others in similar circumstances and 83% said they were actually happier in their new home

than they were in their previous family home. Families benefit too. 99% are supportive of the move, and a typical development can impact positively on a local community and the lives of up to 400 locals related to the residents.

As we move out of the current recession, McCarthy & Stone has an ambitious growth strategy. In order to respond to the growing market, we are diversifying our products and services and look forward to helping meet the increasing needs and aspirations of our ageing population. Yet, even to meet a modest 5% share in the housing market for older people, this report shows that over the next decade build rates for OORH will need to increase fourfold on an annual basis. Professor Ball argues that as the market expands, competition will grow. We welcome this challenge.

Professor Ball’s report holds the key to creating more choice for older people. It clearly states that public policy constraints stand in the way but that they can be easily removed. The Government’s forthcoming National Planning Policy Framework and “Localism” agenda together hold the opportunity to do just that, so that communities are equipped to become more responsive to local need as they deliver housing in the future. I sincerely hope that all those involved in shaping housing supply for the future, at neighbourhood, parish, local authority and national level, give serious consideration to the findings and recommendations of this report.

**Gary Day MRTPI ACIH**

**Land & Planning Director,  
McCarthy & Stone Retirement  
Lifestyles Ltd**

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# Housing markets and independence in old age: expanding the opportunities

Executive Summary | May 2011 | Professor Michael Ball

This report highlights the benefits of specialised private retirement accommodation and recommends a number of simple policy changes at no cost to the public purse to help increase its supply and address the challenges of housing an ageing population.

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## Introduction – why OORH matters

This report outlines the findings of a major piece of research on housing for older people who live in specialist private retirement accommodation, called owner occupied retirement housing (OORH). This type of housing is purchased, on a leasehold basis, and found in specially designed blocks of apartments which have communal facilities, house managers and other networks of support integrated within them. There are currently around 105,000 OORH dwellings in the UK, about 2% of the total number of homes for those aged 65 and over.

Why should policy makers be concerned about OORH? The reason is that it delivers a series of benefits for residents, their families, communities, the public sector and society in general. The key benefits of OORH are:

### Personal

- A higher quality of life for residents and their families. The report notes that 92% of OORH residents are very happy or contented and the great majority would recommend the accommodation to others.
- Greater security and convenience, and reduced feelings of isolation and vulnerability.
- Improved independence, well-being and health.

### Environment and neighbourhood

- Environmentally better than traditional housing, with reduced energy use, including less travel. The report states that 51% of OORH residents said that their energy bills were noticeably less.
- Sustains local shopping and other services, helping to sustain local communities. 80% use the shops almost daily or often; over 40% used the library or post office almost daily or often.

### Government/social

- Private rather than public – its provision entails no cost to the public purse.
- Reduced demand on public sector resources and health services. Residents manage better and spend fewer nights in hospital.
- The release of home equity in retirement; though not all release home equity.

### Communities

- Most OORH residents have family and friends in the locality. Older people form an important part of the core of most communities.
- Increases availability of much-needed family housing in areas of shortage. On moving, most OORH residents free up substantial family homes, with two thirds moving from homes with three or more bedrooms. This boosts supply in local housing markets.

This report highlights that far more elderly people could benefit from this type of accommodation than live in it now. However, due to supply side constraints created by restrictive planning and housing policies, many older people are not being provided with the opportunity to purchase OORH. **Relatively simple policy changes could address this without any cost to the public purse.**

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## Why the supply of OORH needs to increase

The population is ageing but older people have not featured much in recent policy discussions about localism, housing or planning. As the UK's population grows and ages over the next 20 years, **the number of households over 65 years old will increase at a particularly fast rate. There are expected to be an extra 3.5 million older households by 2033 in England alone, a 60% increase on today.** By then, a third of all households will consist of those aged over 65, up from 28% in 2008.

The ageing of the UK population is going to have a substantial housing impact. Many older households will face growing health and housing difficulties as they continue to age. Although people are living longer, unfortunately the incidence of age-related ailments is not being delayed at the same rate to progressively older ages.

Home owners aged 65 and older collectively own £1 trillion of housing equity and most want to stay where they currently live for as long as possible. However, as many as 130,000 older people moved in 2008. Many move to be in preferred accommodation or to enjoy living at a different location and few are motivated by releasing housing equity. But, for others, the drivers are primarily push factors associated with being unable to manage in their current home: due to declining health, increasing isolation or financial problems. Even amongst non-movers, there will be many potential reluctant stayers. This is coupled with the fact that most home owners wish to maintain ownership of their home. OORH offers the opportunity for an improved lifestyle while remaining an owner occupier.

**However, the report notes that due to policy restrictions surrounding housing and planning, the supply of OORH has not matched growing demand. Build rates are low and need to grow four times from that achieved even before the 2007/8 downturn to cope with just a moderate increase in demand. Forecasts in the research show a potential increase in the use of this accommodation from 2% currently to 5% of housing for those aged 65 and over the next decade or so. This would generate a build rate of 16,000 OORH units a year, compared to just 4,400 delivered in 2007.**

In a society which is increasingly searching for ways of growing private provision, housing for the elderly seems an obvious candidate for a greater emphasis on the private sector, especially as so many older households are now owner occupiers. Also, within private provision, the benefits of direct property ownership can be maintained.

## The benefits of OORH

The report notes the substantial benefits of OORH for many older people. OORH dwellings are around 10% cheaper than the median values of the previous homes sold, giving significant average equity release, while maintaining continued housing equity. Over 40% are able to withdraw £25,000 or more housing equity but, at the same time, many others have none. An overall increase in the supply of OORH would lower the price of this type of housing, enabling millions more of the elderly to contemplate this as a lifestyle.

The report outlines the following benefits of OORH:

- **A higher quality of life for its residents.** The report notes that 92% of OORH residents are very happy or contented and most would recommend their accommodation to others. 83% said they were happier in OORH and 51% also said that their energy bills were noticeably less.
- **Improved health for residents and reduced impact on the NHS.** The overall balance of residents' perceptions of being able to manage their health was that it was better since their moves. As OORH accommodation is designed for impaired mobility, residents can manage better and spend fewer nights in hospital. This finding is important because of the high costs of in-patient care for older people.
- **OORH is good for the environment.** 51% of OORH residents said that their energy bills were noticeably less than they had been in their previous homes. This is backed up by comparative analysis of the energy costs of larger, older homes and new purpose-built energy-efficient flats. What is more, people tended to travel less once living in OORH, because they are often closer to friends and relatives and to shops and other facilities. Moving into OORH also allows the new owner of the previous home to undertake renovations to improve the energy efficiency of that house, increasing the energy savings potential.
- **OORH boosts local neighbourhoods.** Older people regularly use shops and local facilities during weekdays, when they are often underutilised, and at weekends. 80% use the shops almost daily or often; over 40% used the library or post office almost daily or often. The elderly are integral to any local area and because most have lived there for a long time have built deep roots in their neighbourhoods. This is reflected in extensive family and friendship networks. So, providing OORH means a much wider group of people benefit than simply the person or couple buying the property. Many local market-based services are under threat with the growth of out-of-town shopping and the Internet, but the elderly are more likely to use local amenities than many other residents.
- **OORH has a positive impact on local housing markets.** On moving, most residents free up a substantial family home, with two thirds moving from homes with three or more bedrooms. This boosts local housing markets – for every 5,000 OORH sold, property to the value of £1.1 billion is released into local housing markets. The turnover of this type of housing is essential for a healthy housing market.

## How public policy constrains the delivery of OORH

The research found that the building industry provided this type of accommodation in a competitive environment, so that its price and availability is driven by the costs and availability of construction inputs, including land.

Therefore, a number of policy-related factors have inadvertently contributed to restraining the supply of OORH to date and therefore limited its potential benefits. These include:

- **A lack of understanding of the benefits of OORH at a local and national level.** Evidence of a less than positive attitude to OORH is found in the extent to which McCarthy & Stone have had to go to appeal in relation to its sites. A large portion of its developments are only permitted on appeal, because agreement could not be struck with the local planners (65% of cases). Even on the minority of schemes where the appeal is refused, a clear blueprint is provided by the Inspector that then allows most sites to then receive consent at local authority level in a form of development that the authority had originally indicated to be objectionable. This process of being forced to appeal seems a particularly inefficient, wasteful and time-consuming way of planning for the provision of OORH and raises the prices of the homes built.
- **An inappropriate use of S106/s75(Scotland) charges.** Local planning authorities negotiate with developers of OORH for s106/s75 and Community Infrastructure Levy contributions. The analysis in this research shows that in the case of OORH some or all of the development charges are borne by the user: in this case, elderly middle income households, who do not seem a sensible group to target for this taxation. Under s106, development contributions are made towards providing affordable housing, much of which is used for providing accommodation for younger people. This policy is discriminatory against older people.
- **The role of inflexible building regulations.** The current government has committed itself to reducing the regulatory burden but many issues remain and raise the costs of providing homes for the elderly, especially as there are specific factors that add costs and compliance problems for OORH building. A fundamental problem is that regulations are 'one-size-fits-all'.

## How can public policy help increase the supply of OORH in the future?

The report makes the following four recommendations for amending planning and housing policy to boost the delivery of more OORH and meet demand. All entail little, if any, cost to the public purse.

1. **Better national strategic guidance on housing for the elderly.** The forthcoming National Planning Policy Framework offers an avenue to provide a set of ground rules for the delivery of more suitable accommodation and can help cut through local bureaucracy. It should include recognition in principle that demographic change and an ageing society are central issues for planning. It should also recognise that the elderly should be able to operate effectively in the private market and that the planning process should facilitate that.
2. **Better local strategic guidance on housing for the elderly.** This includes the allocation of sites for OORH in local plans and references to the benefits of this type of accommodation in local housing strategies. The greatest emphasis regarding housing for the elderly and planning is obviously at the local level. It will be highly useful in the context of a more positive, socially responsible attitude towards OORH, if the sector was integrated into planning strategies, local development frameworks and strategic housing market assessments rather than treated on a generally negative and individual site-by-site basis as currently occurs.
3. **Treat OORH as a form of affordable housing.** To improve the supply and lower the price of OORH, this type of housing should be redefined as the equivalent of affordable housing in terms of negotiations with builders over development charges. Treating all OORH as a form of affordable housing in planning terms, because of its significant personal and community benefits, would help reduce prices and increase availability. However, to impose price or quality caps on part or all of it would damage supply. Rather this proposal suggests that all OORH new build should be given enhanced planning status alongside low-cost home ownership for younger households, which is already treated as a form of affordable housing.
4. **Rethinking building regulations.** The government's principle of less all-round is a good one. The analysis here suggests that it would be useful if regulations and other requirements were more sensitive to differences in types of residential building and recognised the distinct roles that they play within housing markets. Regulations have differential costs and outcome impacts depending on the housing types and sub-markets in question. There is also a regulatory bias towards the most common types of built structure. Greater flexibility in allowable solutions, including recognition of the dynamics of household moves, would avoid imposing unnecessary burdens that limit the supply of OORH.

## Conclusion

OORH encapsulates many of the ideas that the current coalition government is promoting. This type of housing is about self-help: using resources built up over a lifetime to fund an appropriate lifestyle in older age, when the frailties of life begin to mount.

It is about private endeavour: utilising personal resources and social networks rather than relying on the state. It is about being able to enjoy life in older age, even when health matters may impose constraints.

It is about maintaining a sense of independence in old age, within an improved framework of emotional and physical security. Also, it is about building up communities: with people living in situations where friendships can be made and mutual support offered and where they can engage with the wider community, especially through links to families and friends.

It is about bringing families together, with grandparents being better linked with their children and their grandchildren living in the local area. It is about recognising the intergenerational linkages in any local community, the cycle of life, and the relation of local resources to these.

It is about ways of living that keep down public costs and save energy, without compromising preferred lifestyles.

The changes recommended in this report are in line with current government policy intentions. If enacted, the benefits would be substantial and the costs limited.

## Chapter 1: The issues

### Introduction

At the age of 65, life expectancy for men in the UK is now 18 years and for women 20 years. Given the principles of averages, many people are going to live a lot longer than that and some will live well into their 100s. Everyone needs a place to live and most of the elderly are relatively comfortable and content as owners of their homes. They have almost all paid their mortgages off and so do not generally feel as financially burdened by ownership as they may have done earlier in their lives. But circumstances may change and people may want to move. As people age, health and mobility deteriorates and, if married, there is a growing risk of losing your spouse. Nature kindly does not tell us a long time in advance about the details of our mortality, so when thinking about housing, even when quite old, it is a good idea to think long-term.

This report outlines the findings of a major piece of the research on housing for the elderly who choose to live in a specific type of accommodation: owner occupied retirement housing (OORH). This type of housing is purchased, on a leasehold basis, and found in specially designed blocks of apartments which have communal facilities and support integrated within them. People living in this type of accommodation express very high levels of satisfaction with the lifestyle. But the amount of housing of this type in the UK is relatively small at about 100,000 units. The questions arise of whether this level of provision is adequate and, if not, what is holding back extra supply? These questions are addressed here.

The simple answer is that far more elderly people would benefit from this type of accommodation than live in it now. Underlying demand is much greater than manifested in current levels of provision. However, more people are not taking advantage of its benefits because its limited supply means that many cannot afford it. The accommodation is not expensive relative to house prices in any locality. In fact, they tend to be about 10% cheaper than the average. However, that is still too expensive for millions of older owner occupiers. This affordability problem, it will be argued here, is the inadvertent result of public policy and the constraints it imposes on the supply side, through restricting land availability and raising building costs.

Furthermore, relatively simple policy changes can be made that would enable owner occupied retirement housing to be treated in a more socially responsible way. They would help to address the issues of supply, choice and affordability. The government has recently changed incentives with regard to housebuilding. It is also altering the relationship between central and local government through a localism agenda and reforming the planning system. The population is ageing but older people have not featured much in recent policy discussions about housing and planning. All the same, matters are in flux. So, it is a good time to be debating these issues and thinking about reforms and their impact on housing for the elderly.

## Broadening out

In Australia and the USA, there are much higher levels of provision of this type of accommodation when measured on a per capita basis, and both the range of options and the affordability of this type of accommodation are much better than in the UK.<sup>1</sup> Elderly households also move more in those countries.

It is sometimes suggested that the UK is different because geographically it is smaller and more uniform, with indifferent weather. So, why move on retirement? But the rest of Europe is but a short plane ride away, so that the Mediterranean littoral probably plays a similar role to Florida in the USA and the Gold Coast in Australia as an attraction for retirees looking for the sun. Moreover, the majority of older British people when they move do not go far, so that an alternative explanation for a lower rate of moving by the elderly has to be found. It comes as no surprise that those countries have less restrictive planning systems in many areas and, so, have far more development land in general and greater opportunities for developers to create good value retirement accommodation. This observation helps to justify investigation of the supply side.

Furthermore, in order to understand the issues surrounding this type of housing provision, it is necessary to investigate the broader framework of housing provision for the elderly in the UK. Most are homeowners and, as already noted, most do not move. When they move into owner occupied retirement housing, the decision is often triggered by a series of life-changing events associated with health and personal isolation.

## The benefits of owner occupied retirement housing

Why should policy makers be concerned about owner occupied retirement housing (OORH)? The reason is that there are a series of benefits that residents, their families, the public sector and society in general gain from this form of accommodation.

- A higher quality of life for residents
  - and their families
- Improved security and convenience
- Sustains independence and health of the elderly
- Frees home equity in retirement
  - Though not all release home equity
- Private rather than public provision
  - Less demand on public sector resources and health services
- Environmentally better
  - Lower overall energy use, less travel
- Increases availability of family housing in areas of shortage
- Sustains local shopping and other services

These benefits are not fully accounted for in the price of the accommodation. In economists' language, there are significant externalities and they provide another reason for arguing that this type of housing is under-supplied.

## Looking ahead

The discussion of the issues here first looks at the propensity of the elderly to move and the triggers of decisions to move. It then provides a background history of the development of owner occupied retirement housing and presents estimates of the potential future demand for this accommodation. It then focuses on the experience of people who moved into it in recent years and the benefits they have derived from doing so. After that, the relationships between residents and other members of local communities are explored; followed by a discussion of the effects on the health service and on the environment. The emphasis subsequently switches to the supply-side, with explanations of how the industry has evolved over time and what constraints producers face. The final chapter then discusses proposals for policy reform, based on the evidence of the previous chapters.

## OORH

The expression 'owner occupied retirement housing' is a long one. In the interests of brevity, it has been reduced to its acronym, OORH, throughout the rest of this report.

<sup>1</sup>A. Jones et al. Service integrated housing for Australians in later life, AHURI, 2010; J. Banks et al. Housing Mobility and Downsizing at Older Ages in Britain and the USA, *Economica*, 2011.

## Chapter 2: Moving in later life

### Introduction

This chapter begins the task of positioning OORH within the context of housing for the elderly in general and by developing an understanding of why older people might wish to move from their existing homes. Older home owners in general strongly prefer to stay where they are, so it is important to explore why this is the case and what conditions trigger decisions to move. Releasing housing equity does not seem to be an important influence for many older people but they do value continued home ownership. Important drivers of moves seem to be declining health and the increasing isolation often associated with reduced mobility or the recent loss of a spouse. The discussion here relies on international as well as UK evidence, because behaviour patterns seem to be quite common across countries.

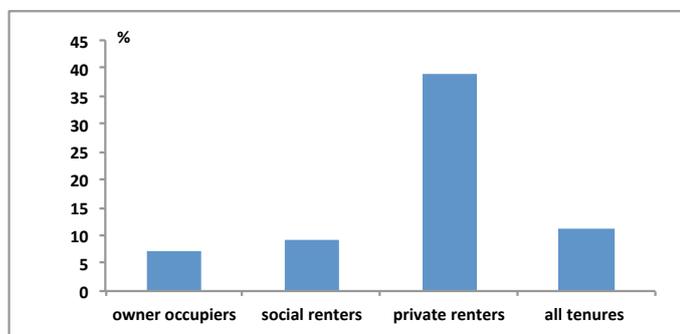
### Moving lessens with age

In England, just over one in 10 of all households move each year. But, there are large differences in who moves, based primarily on which tenure people live in and how old they are.

Private renters are the most mobile, with around 40% of them moving yearly. However, social tenants and homeowners change home far less: only around 7% of owner occupiers move each year and the rate for social tenants is not much higher (Figure 2.1). Part of the difference in rates of mobility across tenures is due to the costs associated with moving. It is cheap to move as a renter, though queues in social housing offset that low cost. Homeowners by contrast face high moving costs, associated amongst other things with agents' and legal fees and taxation, which deters moves by them. In addition, they tend to have more settled lives and so are less interested in moving frequently.

Figure 2.1: Moves in previous year by tenure of new home

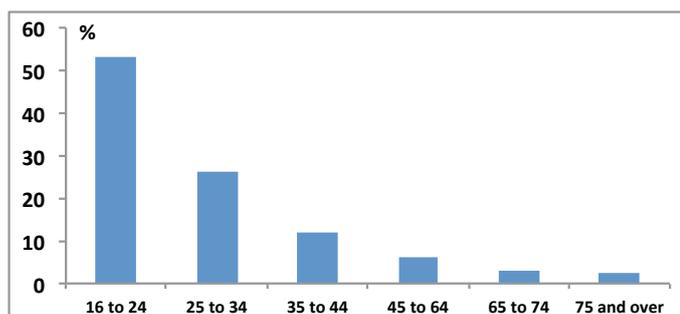
England, 2008



Source: CLG

Figure 2.2: Percentage of households moving in the previous year by age

England, 2008, all movers



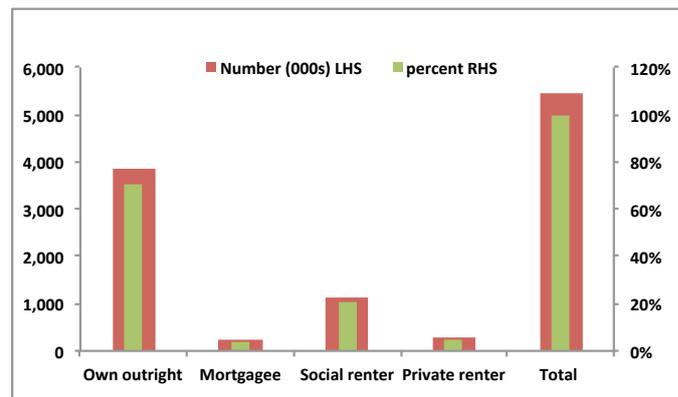
Source: CLG

The other great divide in the propensity of people to move is age. As people get older, they are progressively less likely to move. Over half of all 16 to 24 year olds move in a year; whereas only 3% of 65 to 74 year olds do and only 2% of those aged 75 plus (Figure 2.2).

These two factors of tenure and age clearly interact with each other. For example, the private rented sector attracts the young; whereas the majority of the elderly are home owners and most of the rest are social tenants rather than private renters (Figure 2.3). Of the 5.5 million 65+ households in England, 75% are homeowners; a fifth live in social housing; and only 5% live in the private rented sector, many in the remaining stock of controlled tenancies.

Figure 2.3: Number and tenure distribution of those aged 65 & over

England 2007-8



Note: LHS (Left Hand Side) indicates data should be read in association with axis on left & RHS (Right Hand Side) in relation to one on right

The reasons why the young move frequently seem pretty straightforward. They are at the early stages of their adult lives and job changes encourage high mobility, as do a host of other factors associated with their lifestyles. As their careers mature, personal relationships solidify and children begin to arrive for many of them, they increasingly settle down and move less.

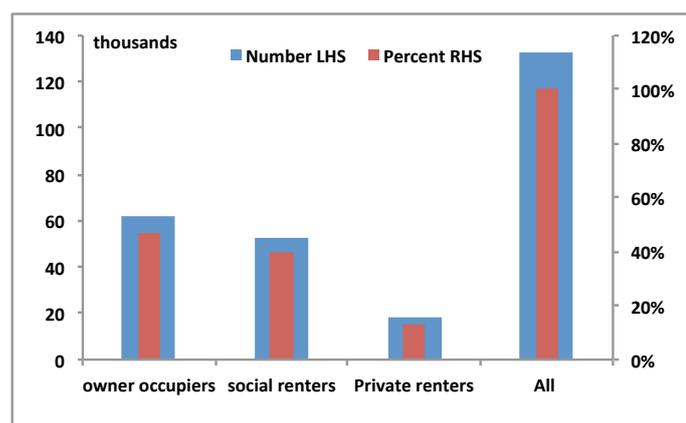
What about the elderly? Their children have invariably long gone to live their own lives, yet frequently the family home remains. Moreover, their lives change dramatically after retirement and beyond as personal circumstances alter. Many are outright homeowners and have substantial wealth locked up in their home, which they could convert into a more liquid form and, say, use as current income by down-sizing. Should not such factors similarly encourage a high proportion of moves amongst the elderly as well? The answer seems generally to be no. Most prefer to stay where they are for as long as they can and they do not touch their housing equity either.

Yet, this conclusion of relatively low mobility amongst the elderly should not be mistakenly understood as implying that numerically few older people actually move. As there are so many older households, even low percentages moving still mean that thousands change home each year. For example, in 2008, it is estimated that around 130,000 English retirees moved: approximately 70,000 of them were aged between 65 and 74 and 60,000 were 75 or older. Social housing is disproportionately represented amongst such movers, partly because of the preponderance of specialist retirement accommodation there but, even so, over 60,000 of the 65+ movers in 2008 bought an owner occupied dwelling (Figure 2.4).

The number of moves by the elderly highlights the current small market share of OORH in annual sales. For example, in 2008, when moves into newly built OORH were at a recent peak, they only represented 3% of all 65 and older moves and only 7% of purchases by them of owner occupied housing. However, if estimates of sales of dwellings from the existing OORH stock are included as well, the shares rise to around 16% of all 65+ year old moves and 35% of owner occupied purchases respectively.

Figure 2.4: Number of retired households moving in past year by tenure of new home

England, 2008



Source: CLG

### A strong reluctance to move amongst the elderly

For anyone, whatever their age, moving home is a costly and potentially disruptive activity. But, for older people, who probably have been living in their current dwelling for a long time, moving can be particularly daunting. Therefore, there are often good reasons for most of them staying in their existing current home, even if a move may ostensibly seem desirable on many grounds. The reasons for staying put are varied. Some are financial; others are physical or about people's sense of well-being.

Strong attachments to a home or a locality can have been built up over many years of living in that home and maintaining such emotional bonds has been identified as important to the well-being of older people.<sup>2</sup> Studies in Australia and elsewhere have highlighted the strong attachment to local areas, even in countries where the elderly have a much wider range of more affordable housing choices than in the UK.<sup>3</sup>

People's assessments of the risks they face as they grow older are also significant. Finally, perceptions of the available options are important, which are partly based on hard information but also influenced by partly-formed or misinformed beliefs and, more importantly, a genuine lack of choice.

### Moving is expensive and housing costs are high

Retirement incomes are typically lower than those in earlier life when salaries are earned, so that the financial costs of moving can be particularly burdensome for the cash-strapped elderly. Given how expensive housing is in the UK, a new home of an older person, as much as that of anyone younger, is almost certainly going to be an expensive purchase, unless it is heavily subsidised. This is particularly true if the property is in a desirable location and, even more so, if it is in one of the higher price areas in southern England or in eastern Scotland. Although affordability is often seen as a problem that primarily affects younger people, in reality, the high cost of British housing acts as a deterrent to moving into a preferred home for many of the elderly as well.

### Equity withdrawal seems to be only a limited incentive to move

The standard view of consumption over a person's life cycle is that savings are made in younger years in order to support consumption in later life when incomes are more limited and the costs of support and care are potentially high. Housing is a major source of household wealth; 56% of all of it in 2008, according to National Accounts data. Much of that wealth is owned by older home owners, as they have experienced many years of rising house prices and have usually paid off their earlier mortgages. Therefore, unsurprisingly, the majority of older households' wealth is associated with housing equity.

Estimates of the amount of housing equity held by older homeowners are very substantial. In National Accounts data it has been estimated to be around £1 trillion (£1,000bn) in 2006 and the 65 plus age group then owned 44% of all housing equity. Based on current demographic forecasts and similar real price rises to the average of the past 25 years, older people's aggregate housing equity may rise to £2.3 trillion in 15 years' time, a staggering sum.<sup>4</sup>

House prices vary widely, with a marked division between cheaper and higher value ones (Figure 2.5). So, housing equity is skewed towards higher value properties rather than being evenly spread throughout all owners (Figure 2.6). This suggests that many older owners, though obviously beneficiaries of wealth holdings that non-owners do not have, are nevertheless not actually holders of substantial housing wealth that can be utilised for non-housing purposes. The high price of housing in the UK, which generates the scale of older home owners' housing equity in the first place, also necessitates a substantial allocation of personal resources by them to housing in the absence of subsidies, either in the form of own equity or income to pay rents. Unsurprisingly in this context, the Pensions Commission in its analysis in the mid-2000s, while aware of the potential financial benefits of housing equity in older life, was pessimistic that housing wealth could make up for substantial amounts of pensions shortfalls and was keen that housing equity remain sufficiently high to withstand housing market shocks.<sup>5</sup>

<sup>2</sup> Gilleard, C., M. Hyde, et al. "The Impact of Age, Place, Aging in Place, and Attachment to Place on the Well-Being of the Over 50s in England." *Research on Aging* 2007, 29(6).

<sup>3</sup> Piggott, J. a. S., R. (2007). Residential Transition amongst the Elderly Sydney Australian Institute for Population Ageing Research, University of New South Wales.

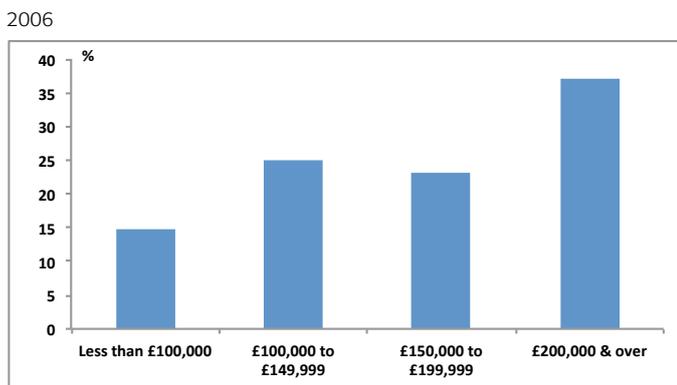
<sup>4</sup> A. Holmans, Prospects for UK housing wealth and inheritance, CML, 2008.

<sup>5</sup> Pensions Commission. *First Report*, 2004. <http://www.webarchive.org.uk/wayback/archive/20070801230000/http://www.pensionscommission.org.uk/publications/2004/annrep/index.html>

Nonetheless, with such a large amount of wealth tied up in older people's homes it may be expected that some older households are keen to cash in on some or all of that equity. However, the evidence does not point to equity withdrawal being of much importance for many older households, although it is for a minority.

Evidence for this limited concern with housing equity can be seen for the largest group of older owner occupiers, those that do not move, in the limited interest that has been shown in equity release finance products. They have languished in the UK for many years at around £500m annually, even in the years prior to the financial crisis, and remain a tiny portion of the value of outstanding housing equity. This may be influenced to a degree by the nature of the products on offer and there is evidence of a somewhat higher take-up in countries, such as Australia and the USA, though even there the share remains very small.<sup>6</sup>

Figure 2.5: The distribution of UK house prices

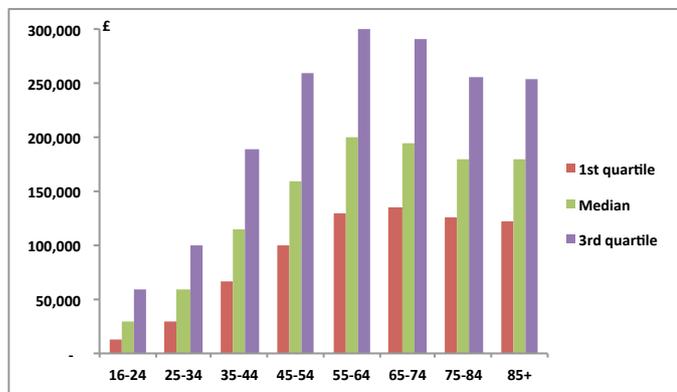


Source: CLG

Nor does equity withdrawal seem to be a major stimulus amongst the elderly when they move. Survey evidence of movers in 2007/8 found that amongst those owners that previously owned outright, who will invariably be amongst older age groups, around a fifth wanted to downsize. Moreover, even amongst those who actually did downsize, the motive for wanting a smaller property was related to a series of non-financial reasons as well as to equity withdrawal and, therefore, downsizing cannot simply be taken as direct evidence of moving in order to withdraw equity.

Figure 2.6: Distribution of net housing wealth by age

Great Britain 2006/8



Note: Household reference persons' age. Excludes those with no housing wealth  
Source: Wealth and Assets Survey, Office for National Statistics

<sup>6</sup> P. Williams, Please release me! A review of the equity release market in the UK, its potential and consumer expectations, CML, 2008.

<sup>7</sup> Venti, S.F. and D.A. Wise (1990), 'But They Don't Want to Reduce Housing Equity', in: D.A. Wise (ed.), *Issues in the Economics of Aging*, University of Chicago Press, Chicago, pp. 13–29; Venti, S. and D.A. Wise (2000), 'Aging and Housing Equity', NBER Working Paper 7882, 2000.

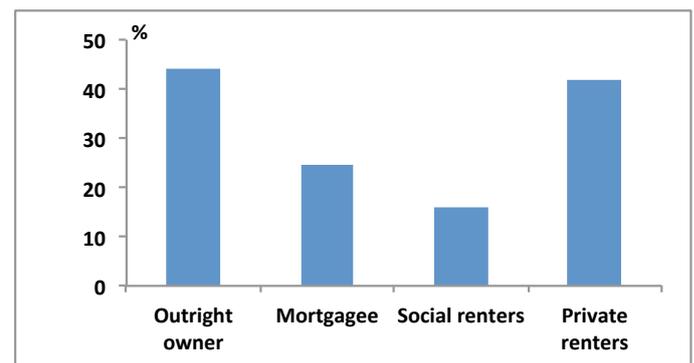
<sup>8</sup> Hurd, M.D. 'Anticipated and Actual Bequests', NBER Working Paper 7380, 1999.

<sup>9</sup> Coile, C. and K. Milligan (2006), 'How Household Portfolios Evolve After Retirement: The Effect of Aging and Health Shocks', NBER Working Paper 12391; Hurd, M.D., 'Mortality Risk and Consumption by Couples', NBER Working Paper 7048, 1999; Jan Rouwendal, 'Housing Wealth and Household Portfolios in an Ageing Society,' *De Economist*, vol. 157(1), 2009.

In fact, it does not seem that the elderly are that much different in their propensity to downsize than many of younger ages. While there are no direct data, this conclusion can be inferred from tenure status. Most outright owners are aged 50 or more and their absolute number as downsizers is not that much greater than that for private tenants of all ages; while there is even a significant downsizing group of owners with mortgages (Figure 2.7). This suggests that complex and changing family structures and lifestyles may be predominant influences on moves to smaller dwellings. In the decision to move to a smaller home, affordability and wealth effects only play a part, even if it they can be important ones.

Figure 2.7: Recent movers who wanted to downsize their home

England 2007/8



Source: CLG

### International research on housing wealth and the elderly

The academic literature in recent years has been critical of the simple 'life cycle' view of housing wealth. This theory argues that savings and wealth are built up in a person's younger years in order to finance consumption when they are old. However, there is now overwhelming international evidence that older home owners in practice are reluctant to run down their housing equity.

For example, research in the USA has found that older people had a strong preference for remaining in the same house and want to keep their housing wealth as it is. Moreover, when the elderly do move, they are as likely to put further funds into their new home as to withdraw equity.<sup>7</sup> There is also little international evidence that homeowners place great significance to being able to bequest significant wealth.<sup>8</sup>

One suggestion to explain this reluctance to convert housing wealth into more liquid and immediately consumable forms has been an argument that older homeowners' housing equity represents an insurance against health and mortality risks. These risks have to be incorporated into the life cycle model of income and wealth to make it more realistic. Moreover, they imply a preference for housing wealth holdings by the elderly for precautionary reasons.<sup>9</sup> When one partner in a couple dies, for example, the loss of income of the surviving person may be substantial and housing equity can then be dipped into. Alternatively, health might deteriorate or extra care may

be required and the expenses associated with such events can be covered by utilising housing equity at that point in time. A personal sense of loss may also induce the surviving member of a couple to want to move and housing equity makes that feasible.

These moving drivers are clearly important in understanding the decisions of people to move to OORH. Purchase enables the retention of housing equity and a potential for downsizing and equity withdrawal, but the prime driver of a move is likely to be non-financial in nature. Housing wealth contributes to budget constraints in the main rather than acts as the prime driver of changing home to a retirement one.

## Habits and preferences often favour staying in the same home

Rather than wishing to withdraw equity, many older households simply want to enjoy the space, location and familiarity that their current home brings to them. Furthermore, studies in the UK and elsewhere have emphasised the importance of housing to life satisfaction amongst the elderly.<sup>10</sup>

There may be significant psychological benefits of staying put. For example, when trading down to a small property, cherished possessions may have to be given away. If someone moves far, regular contacts with friends and relatives may be broken. Habits are well entrenched for people that have typically lived in a place for many years and there will be an understandable reluctance to abandon them. For these reasons, it is to be expected that older people will be more reluctant to move than many younger people and, even when they contemplate moving, many of the elderly will want to move locally. They do not have a stimulus to move because of a new job; or of experiencing growing affluence as careers mature; of setting up a family; or of needing additional accommodation for extra family members. Consequently, many of the common drivers that encourage people to move are absent for older people. As a result, it is to be expected that far less older people move yearly than is the case for the population as a whole.

One strand of housing policy research emphasises the existence of ‘under-occupation’ where households have two or more bedrooms above a set standard. 47% of owner occupied homes are said to be under-occupied in this way, with the highest incidence amongst empty-nesters, who tend to be older.<sup>11</sup> In crude terms, if this so-called excess housing was reallocated, it would house those in need.<sup>12</sup> However, in a free, market-based society people have a right to choose their accommodation on the principle of willingness to pay and there can be no grounds for denying older people the right to enjoy the property they have saved and paid for over many years. No-one argues that people are ‘over-clothed’ if they have more than two pairs of trousers. Consumer sovereignty is the basis of a free society and should be so in housing as much as with other consumption goods. If people wish to downsize that is their choice, but at present the elderly have limited options and, so, moves are suppressed for that reason.

## Moves still happen

Even though elderly people stay in their existing homes for many years because most want to, others clearly do move: as many as 130,000 did in 2008, as earlier data showed. Many move in order to enjoy living at a different location, with rural areas and seaside towns being the main net recipients and London and the Home Counties the main net losers, or be in preferred accommodation. But, for others, the drivers are primarily push factors associated with being unable to manage in their current home, due to declining health, increasing isolation or financial problems.<sup>13</sup> Even amongst non-movers, there will be many potential reluctant stayers.

Affordability clearly influences the decision to move. Some people may not be able to move into preferred accommodation, such as OORH, because they cannot afford to. By no means all older outright homeowners are able to buy a new desirable home and have much equity left from the transaction. The costs of estate agents, legal fees, stamp duty, removal companies and other outgoings further eat into previous equity. Some older people may only be able to move by drawing down non-housing wealth, through recourse to savings, or because of help from family members.

## Core drivers of moves in older age

Some physical and emotional factors that induce a desire for a change in living circumstances are particularly important in older age and the drivers seem common across countries suggesting that they represent widely held preferences.<sup>14</sup> Declining health is an obvious one and isolation another.

With ageing, physical constraints begin to take on a growing significance. To cope with an existing home, an ability to be mobile around the home is important. Moreover, being capable enough to lift and to carry objects is often essential. In the typical British house, climbing stairs may become more onerous with age. Also, the likelihood and consequences of falls may become more worrying. With growing physical impairment, particular activities that were once enjoyable can become burdensome and increasingly difficult to enjoy, such as looking after a garden. Necessary tasks, such as getting cooked food out of the oven, also can become progressively challenging and tiresome; while existing homes may have living space that is no longer required, but it still needs cleaning and looking after.

Growing physical impairment is an unfortunate fact of human existence. Around 40% of those in the UK aged 60 to 74 report having a limiting life time illness and the rate rises to almost 60% at 75 and over.<sup>15</sup> When an older person’s health deteriorates substantially they may need to move into care. But many others with less severe health issues are still able to live independently. However, they may now wish to move into accommodation specifically designed to respect their frailties, with some support and the potential for companionship, because it is now more suited to their current needs.

Existing homes can be adapted for some purposes. Data show that households where a core member is aged 75 and over have adaptations related to hand rails (30% of them), bathroom modifications (26%) or alerting devices installed (14%).<sup>16</sup> However, there are limits to such adaptations and the more complex ones are expensive, so that moves become more sensible. A feasible option in such cases is OORH.

<sup>10</sup> Oswald, F., H.-W. Wahl, et al. “Housing and Life Satisfaction of Older Adults in Two Rural Regions in Germany.” *Research on Aging*, 25(2), 2003.

<sup>11</sup> CLG data.

<sup>12</sup> *Taking Stock. Making the most from housing – an assessment of under utilisation of the housing stock in England*, Policy Briefing, Shelter, London, April, 2011.

<sup>13</sup> Z. Uren & S. Goldring ‘Migration trends at older ages in England and Wales’, *Population Trends*, Winter 2007, ONS.

<sup>14</sup> Robison, J. T. and P. Moen (2000). “A Life-Course Perspective on Housing Expectations and Shifts in Late Midlife.” *Research on Aging* 22(5); Sabia, J. J. “There’s No Place Like Home.” *Research on Aging* 30(1), 2008.

<sup>15</sup> 2002/03 Family Resource Survey, ONS.

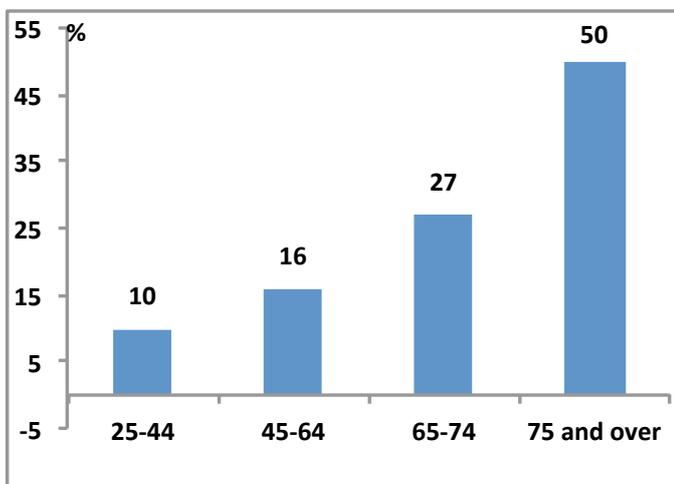
<sup>16</sup> *Focus on older people*, ONS.

Previous research found that for the vast majority of older people a deterioration in their health would be the deciding factor if they were to move in the future. Amongst movers, virtually all were found to be experiencing health problems of some sort, usually related to diminished mobility.<sup>17</sup>

### Isolation

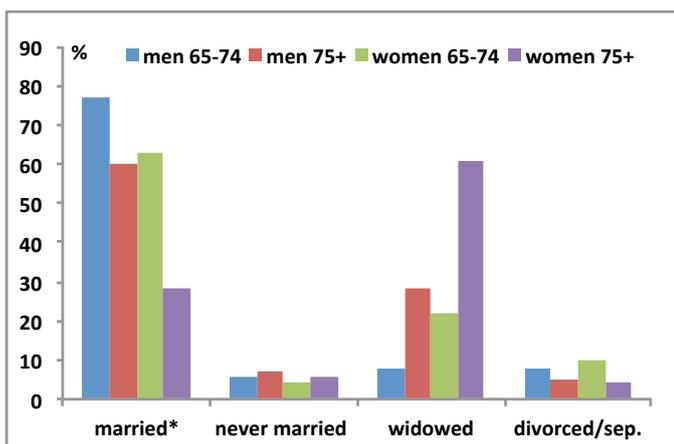
The number of older people living alone is high and growing, with half of those aged over 75 currently living alone (Figure 2.8). The most common cause of living alone is the loss of a spouse. This affects women more than men and over 60% of women aged 75 or more are widows (Figure 2.9). The number of single elderly is expected to grow substantially in the future (Figure 2.10). Problems of isolation are widespread amongst older singles living alone.

Figure 2.8: Proportion of people living alone



Source: GLS

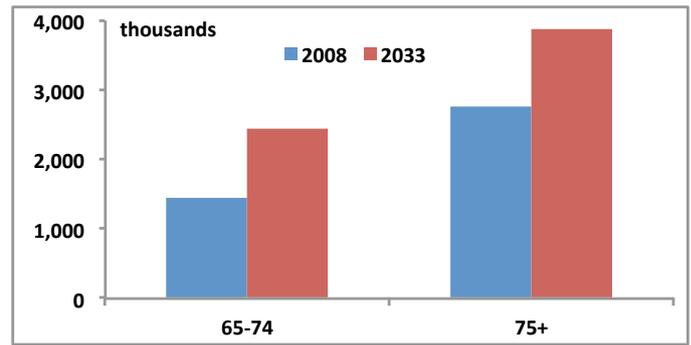
Figure 2.9: Marital status of the elderly



Note: married includes 1-2% co-habitation

Source: ONS

Figure 2.10: Single, widowed & divorced elderly, 2008 & 2033 forecast



Source: ONS

### The benefits of owner occupation for the elderly

Most people aspire to become homeowners at some time in their life. Those on lower incomes may not be able to afford to but the vast majority of the population can and do purchase. A variety of personal, community and general social benefits have been ascribed to home owning in the international literature, including a personal sense of well-being, better levels of repair, neighbourhood enhancements and higher educational attainment by children. Although the results are sometimes debated, some general effect is usually identified.<sup>18</sup>

A preference for owner occupation is particularly apparent amongst the elderly, with high home ownership rates in the 50 to 75 age category. Older people enjoy the independence and security of ownership. In neighbourhoods where homeownership predominates, they will have a much high chance of living near to friends and people of similar ages to themselves and wider choice of properties to live in than in renting. Home owners also gain preferential tax treatment, especially if they have high shares of home equity as most of the elderly do.

However, there are other important considerations, which favour remaining as a homeowner that have particular importance at older ages.

- The first is that ownership acts as a hedge against potential future rises in rents. Once having bought a home, a prevailing rent/house price level is implicitly locked into. The value of a house might go up in the future but the non-maintenance costs of its resident's outgoings do not. This phenomenon is particularly relevant in Britain where long-run real increases in house prices (and rents) are expected to continue in the future because of housing shortages.

The importance of this hedging effect is well-recognised and the Pension Commission amongst others has emphasised its particular importance for older people.<sup>19</sup>

- Secondly, the benefits of homeownership are parallel to those about holding onto housing equity, raised earlier. Of particular importance is likely to be the implicit health insurance effect. Older people because of their increasing age have a rising chance that they may within a relatively short time require care to varying degrees of support. This care may be provided by the state, although this is increasingly unlikely, especially for those above the lowest income. It may be provided on a commercial basis, which

<sup>17</sup> Croucher, K. Housing Choices and Aspirations of Older People. London, Communities and Local Government, 2008.

<sup>18</sup> Dietz, R. D. and D. R. Haurin, "The social and private micro-level consequences of homeownership", *Journal of Urban Economics* 54(3), 2003.

<sup>19</sup> Pensions Commission, *ibid*; Sinai, T. and N. S. Souleles, "Owner-Occupied Housing as a Hedge against Rent Risk", *Quarterly Journal of Economics* 120(2), 2005.

will obviously be costly as it is labour-intensive. Or, as is more typical for many people, it will mainly involve support from family or friends and moving to a living environment where self-help is more viable. It is at times such as these that homeowners may wish to use some of their housing equity by downsizing. However, getting the housing mix correct is likely to be more important, and the benefits of owning will still hold.

- Finally, there may also be an impact on lowering the probability of moving into a nursing home. A recent study in the Netherlands found that home owners enter care homes less often, even after controlling for people's health condition, economic status and family circumstances.<sup>20</sup> They also express a greater satisfaction with their housing situation than renters (and this is in a country with high housing standards and where 45% of the population rents).

## Conclusion

This chapter has identified the main characteristics of older people's housing circumstances and explored under what conditions they might wish to move. Most do not want to move as they are settled in their current homes and it is usually a life changing event that triggers a decision for change. These events are particularly associated with health issues and a loss of mobility, but also with increasing isolation and the loss of a spouse. Older people value being owner occupiers for personal and financial reasons and they generally wish to stay in the tenure as long as they can. However, equity withdrawal is not a significant factor in moving decisions.

These characteristics of older movers correspond to features offered by OORH and the next chapter will examine potential demand for this type of accommodation.

<sup>20</sup>Rouwendal, J. and T. Fleur, Homeownership and Demand for Long-Term Care, No 10-114/3, Tinbergen Institute Discussion Papers, Tinbergen Institute, 2011.

## Chapter 3: The potential demand for owner occupied retirement housing

### Introduction

A central argument of this report is that OORH is significantly under-provided. Far greater numbers of elderly people would benefit from living in this type of housing, if they were given greater opportunity to do so and if there was a better understanding of this type of housing provision both by potential users and policymakers. The strongest argument for under-provision is the high level of satisfaction existing residents express, given their current state of health and lifestyle. There are many other older people with similar characteristics who would benefit from moving to such accommodation. The argument here, of course, is not for a wholesale movement of older people: most like being where they currently are and can cope well. The point rather is to suggest that even a moderate increase in the utilisation of OORH from its current low level would provide considerable benefits to key groups of older people and, in addition, would create substantial spin-off benefits for communities and society as a whole.

One of the main reasons, it is argued here, why this type of accommodation is underprovided is its high current cost and a lack of local supply and choice in many areas. Affordability issues put older people off from moving generally and in particular into OORH. Given the current limited supply of OORH, there is also in many localities a chance of needing to move away from the places where they want to live.

The purpose of this chapter is to examine the current types of specialist accommodation that exist, to explore how provision has changed over time and why, and to provide a scenario analysis of potential increases in demand for OORH. It will identify the types of older people that would potentially benefit from living in OORH and, on the basis of that identification, forecasts demand on the assumption that the price of this accommodation is such that OORH appeals to a wider market.

### An ageing population

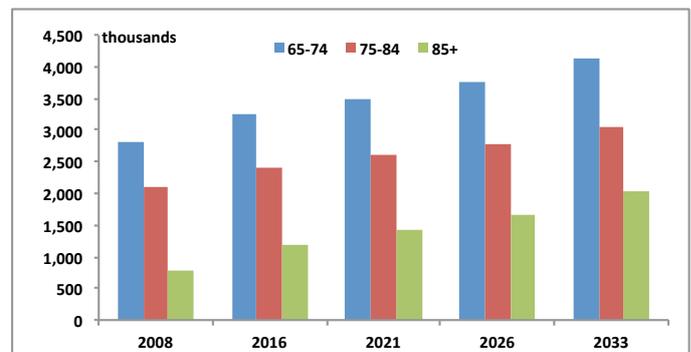
As the U.K.'s population grows and ages over the next 20 years or so, the number of households over 65 years old will increase at a particularly fast rate. There are expected to be an extra 3.5 million older households by 2033 in England alone, a 60% increase on today. By then, a third of all households will consist of those aged over 65, up from 28% in 2008 (Figure 3.1). These forecasts are made for a time that seems a long way off but the dynamics of change are happening now. If these forecasts are averaged out over time, they imply that there will be an extra 140,000 older households each year for the next 20 years or more. Growth will also be fastest amongst the oldest and potentially the frailest, aged 85 or more.

The ageing of the UK population is going to have a substantial housing impact. As was noted in the previous chapter, most of the elderly stay where they currently live, so the demand for housing is likely to grow even faster than household numbers and rising living standards suggest, because older homeowners consume on average relatively spacious accommodation. They became homeowners many decades ago and have been able to buy far more cheaply as a result than is feasible at today's prices and have locked-in that benefit through rising housing equity.

Many of these older households will also face growing health and housing difficulties, as they continue to age. Although people are living longer, unfortunately the incidence of age-related ailments is not being delayed at the same rate to progressively older ages. Therefore, people are likely to have to live with such problems and the constraints they impose for more time, which will alter housing choices amongst the elderly as they grow in number.

Few people plan for such events. Instead, a healthy and socially active person at whatever age tends to plan on the basis that things will remain as they are. However, for many that will not be the case as time passes and, when such events occur, the decision to make a lifestyle change may be quite a sudden one or, alternatively, be recognised as increasingly necessary once a life changing event has occurred.

Figure 3.1: Household projections England



Source: CLG

### Specialist housing for the elderly

Specialist housing for the elderly contains various degrees of support and care.<sup>21</sup> OORH occupies a particular place and currently represents around a seventh of all the accommodation available.

The most intensive care is offered on an institutional basis and there are 170,000 places in England, in the form of residential and nursing homes and specialist care centres. Under such arrangements, an elderly person is no longer part of a separate household but is, instead, a resident of a specific care home. People with particularly severe disabilities or illnesses may require such facilities.

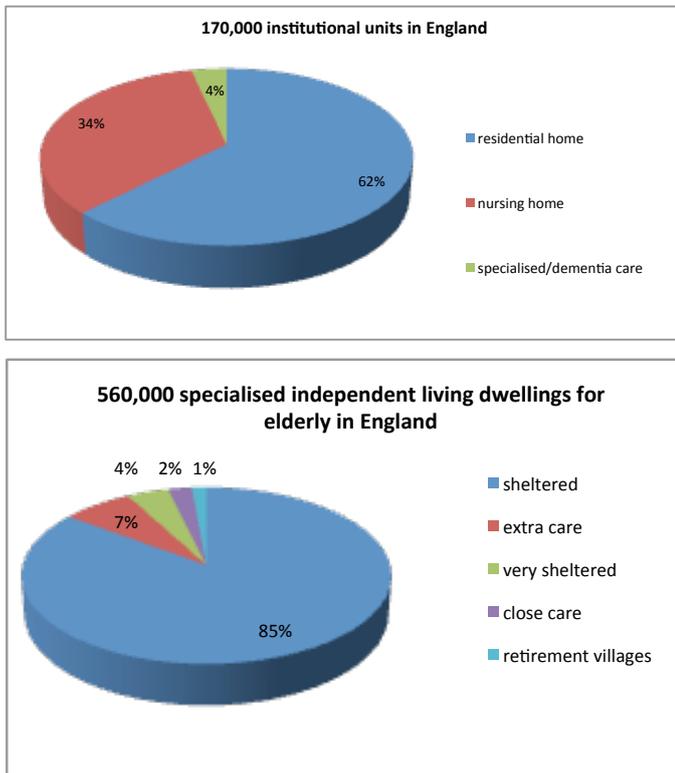
However, the majority of specialist accommodation is associated with a greater degree of independence. Understandably, when feasible, people generally prefer to be as independent as they can. Medical studies also show that this approach is most successful for health and general well-being. So, much specialist accommodation is based on independent living. Properties have their own front doors and are associated with various levels of support. Support ranges from the provision of communal facilities, offering an ability to meet and socialise with other residents, the presence of the house manager/warden for at least part of the day and, possibly, the preparation of meals and a dining room, through

<sup>21</sup> Croucher et al, Comparative evaluation of models of housing with care for later life, JRF, 2007. HAPPI, *ibid*.

to more intensive assistance with extra care (domestic and/or personal) on a 24 hour basis.

There are currently around 560,000 specialist independent living dwellings for the elderly in England (Figure 3.2), which represents around 9% of all 65+ households. Most of these dwellings take the form of sheltered accommodation and OORH, which represents approximately 105,000 units in the UK, is a part of that.

Figure 3.2: Types of specialist housing for the elderly



Source: HAPPI 2009

Most specialist retirement accommodation is rented. There is a small amount of private rented provision and most of the rest is provided either by housing associations or local authorities. Less than 20% of the accommodation is private and most of that relates to OORH or to a small number of 'extra-care' properties with a greater care offer.

It is interesting to note that this balance between social and private provision in retirement housing is the mirror opposite of that for the overall housing stock, where over four-fifths is in the private sector and less than a fifth is socially rented. In part, the difference reflects a now old and long-past tradition of seeing retirement housing as part of general publicly-provided social services. That view lost favour decades ago and is a notion that has declined rapidly in relevance over the past thirty years.

However, the change not only reflects changing assumptions of state intervention and personal choice but also rising living standards, a growing active older population and substantially altered housing careers for most people through their lifetimes. Relatively few older households were home owners in the 1960s and 70s. Many were also poor and lived in bad quality, rent-controlled private accommodation and needed rehousing. That era is now a world away from today's conditions, as there is now much greater affluence and far

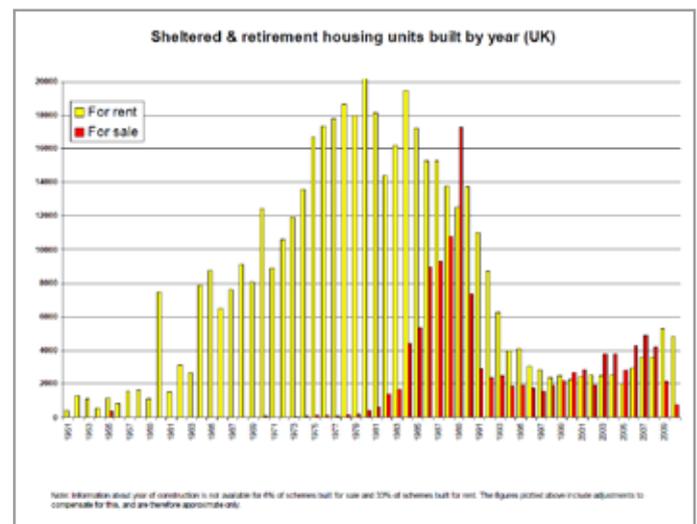
high rates of homeownership amongst the elderly; though poverty and housing hardship amongst some groups of the elderly still remains.

Although the fashion for having heavily public-oriented and institutionalised forms of provision has long passed, specialist housing for the elderly often still carries such connotations, particularly for the elderly themselves as they can remember what specialist housing meant 40 or more years ago. Nowadays, retirement housing is far more differentiated in what it offers and is much more of a realistic housing choice for a person with an existing comfortable life-style. Retirement housing, particularly in the private sector, plays an entirely distinctive role from the image of the past but, unfortunately, these changed characteristics are not always understood and appreciated.

Regrettably, along with the changing role of specialist retirement accommodation over time has gone a substantial reduction in the scale of new provision. Subsidised social building is much reduced and private sector accommodation has not been able to expand much in the face of rising costs and growing land shortages and increasingly burdensome regulation.

The building of specialist accommodation grew dramatically from the early 1960s (Figure 3.3). Rising twelve-fold in a decade, annual building rates reached a scale that was more than three times current levels. All of such housing was in the social sector in the early years, though in the 1980s the OORH sector started to develop. The two types of provision, although offering ostensibly a similar sort of product, are not close substitutes; in the same way as council housing and owner occupation in general are widely different. Socially rented retirement accommodation is an extension of the social care for those on lower incomes into older age. OORH is about maintaining economic as well as living independence in a supportive environment. It caters to a group who are not wealthy but are still financially independent and not in receipt of subsidy and, so, can exercise consumer choice.

Figure 3.3: Sheltered and retirement housebuilding, 1951-2010



Source: EAC

During the 1980s and early 1990s, social provision fell sharply away with public expenditure cut-backs allied to changes in the direction of social and housing policy and a greater reliance on the private market. New social provision levelled off at about 2000 units a year in the mid-1990s and it subsequently had a short-lived upturn from 2007 to 2010, as part of the last government's stimulus measures for the construction industry. Looking forwards, social building is likely to be very limited for at least a number of years to come and probably longer, given current public expenditure cutbacks. Moreover, existing social provision may also be reduced or in some cases offer a lower level of care, such as by the withdrawal of a house manager and switching to remote response instead.

Furthermore, renovation of existing socially provided retirement accommodation is also likely to slow as the money to undertake it dries up. Much of the social stock is now ageing and, in consequence, is becoming increasingly less suitable for modern requirements and for current and future spatial distributions of demand.

OORH building grew rapidly during the 1980s to peak at a level at the end of the decade more than 4 times that of the recent peak prior to the 2007/8 financial crisis. This initial phase of expansion was associated with a general housing boom in the 1980s. During that period, many general housebuilders, as well as specialists, provided this new type of accommodation and some of what was sold was of questionable quality and poorly managed, which cast a shadow over the reputation of the sector for some years afterwards.

In the early 1990s downturn, new building was badly hit by the general housing crisis. Revival of OORH construction then took a long time to take place with a prolonged pick-up only occurring after 2002 and it has never reached again anywhere near the peak levels seen earlier in the 1980s. Output expanded in the 2000s as the general housing market boomed. Some housing associations also started to build this type of accommodation for sale, adding to private supply. The financial crisis in 2007/8 then brought expansion to a halt once more and output is now only slowly recovering as potential residents find it hard to sell their existing homes in a tightly mortgage rationed housing market.

In this brief history, it is noticeable how closely sales of OORH have followed the general experience of the housing market as a whole. This is unsurprising for two reasons.

1. Purchasers of OORH have previous homes to sell in order to have sufficient funds for their new purchase. Consequently, an ability to sell their previous homes (at reasonable prices) is highly dependent on the contemporary state of the housing market. In fact, older people's sales will be especially sensitive to market conditions, because they are mainly sellers of existing family homes and, so, prone to be at the end of long chains of purchases and sales with a high risk of non-completion. Even though they do not need a mortgage, the person buying their previous home, or somewhere further down the chain, needs one. This puts them at a disadvantage whenever mortgages are sharply rationed.
2. The price of OORH is influenced by the same factors as the general price of housing. So, this segment of the new build market faces similar production and land costs to other parts of it and, therefore, unsurprisingly the price of OORH alters in line with the general price of housing.

In summary, there was some revival in the 2000s in specialist retirement housing provision but the extra scale of provision did not reflect the growing problems today of housing the elderly. It was then severely knocked back by the housing market and economic crises and recovery has only been limited since then, so that output still significantly trails potential demand.

There is also a more general question of whether social or private provision is more desirable. In a society which is increasingly searching for ways of increasing private provision, housing for the elderly seems an obvious candidate for a greater emphasis on the private sector, especially as so many older households are now owner occupiers. Also, within private provision, there are many benefits for older householders of direct property ownership rather than renting, as was noted earlier.

## Evaluating the potential of OORH

The question arises whether more OORH housing should be provided, as is being claimed here. Is it the case that current levels of provision reflect true underlying demand for this type of accommodation or is demand restricted by a lack of opportunity to purchase in many localities and by the high cost of current new supply?

There is clearly a severe downswing in sales of OORH at present alongside the current low levels of activity in the housing market as a whole, so unsold completed dwellings exist and built rates remain low. But this currently reflects a low point arising from a major economic and financial crisis. Demand is gradually increasing, vacancies are falling and building rising again. Pent up demand (i.e. as reported in viewing rates) is still high, but potential residents are unable to sell their own home. The present consequently acts as a poor indicator of future demand. So, how much new OORH is required? As the housing market revives should much more OORH be built than was the case, say, prior to the financial crisis and should it be made more affordable?

One response to such a question is to say that market demand is being met, so why should a specific policy stance be made towards OORH? Surely, in a market economy, if there is a demand it will be met with a supply. There are two arguments related to housing markets that identify this conclusion as obviously right in so far as it goes but erroneous if overly simple conclusions about a lack of need for policy change are drawn from it.

### 1. Market outcomes are a product of demand and supply

Aggregate demand is met in a market only as long as it at least covers the prevailing cost of supply. The prevailing high cost of supply in the UK chokes off OORH demand. It is the contention of this report that supply costs are so high because of public policy decisions and constraints. Obviously, no-one is going around saying 'let's make OORH expensive to build' but that is the outcome of a variety of policy positions. This may be true for housing supply in general but it is especially the case for OORH. The policy determined OORH supply-side issues relate to the restriction of land availability, land taxation in the form of affordable housing requirements, etc. and a range of other regulatory burdens.

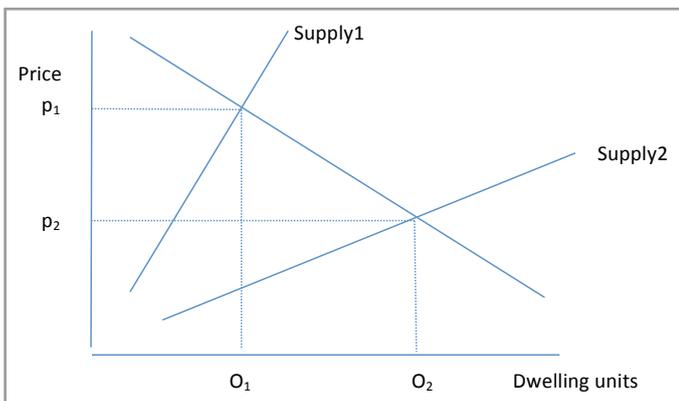
Figure 3.4 illustrates this argument in a standard demand and supply framework. The demand for OORH is assumed to be sensitive to its price and, so, slopes downwards. The position of the demand curve depends on older people's

preferences and current demographics plus prevailing levels of retiree’s incomes and wealth. The supply of OORH depends on input costs and rises as output increases.

In the figure, Supply1 illustrates an inelastic supply schedule in which the cost of supply rises rapidly, while Supply2 illustrates one that can provide housing more cheaply and in which costs do not rise as fast when output increases. Under both schedules, demand and supply are equal in equilibrium. But, with Supply1, the equilibrium price is  $p_1$  with  $O_1$  dwellings sold, and with Supply2, the equilibrium prices and quantities are  $p_2$  and  $O_2$  – OORH is more affordable and there is much more of it sold. Between them, the underlying determinants of demand have not changed but, rather, those affecting supply have.

In the context of policy issues with respect to OORH, the two supply schedules illustrate potential ‘before’ and ‘after’ scenarios. Supply1 is the current regulatory situation in the UK while Supply2 is a feasible scenario for OORH if the burden of regulation was altered and if what is meant by ‘affordable’ housing is redefined.

Figure 3.4: The aggregate demand and supply of OORH with two supply-side scenarios



**2. Local markets dynamics vary in their efficiency and effectiveness**

There is a substantial stream of literature in housing economics that argues that housing ‘sub-markets’ exist, whose behaviour cannot be simply subsumed under a general market model because of specific supply-side, transaction cost and consumer information and perception differences that identify and isolate them as sub-markets. Such markets have varying degrees of distinction in their outcomes from general market processes, which are manifest, for example, through pricing or via barriers to change.

This type of analysis specifically argues that rigidities and constraints exist in some sub-markets which stop them from functioning effectively.<sup>22</sup> What is more, researchers within this tradition argue that decisions about the allocation of land for housing can be used to shape prices and alter the conditions within such sub-markets.<sup>23</sup> OORH can be viewed as an obvious housing sub-market. Behaviour and supply-side constraints are distinctive within it from the housing market in general and its operation as a sub-market also has important implications for the wider operation of local housing markets. Moreover, it is a sub-market open to policy change.

**The future demand for OORH**

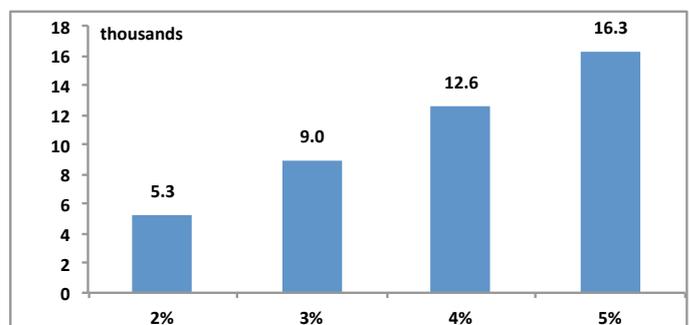
In a forecasting exercise, it would ideally be useful to have good parameter estimates of housing demand by the elderly and also similar inputs regarding supply but, unfortunately, this information is unavailable, because there have been no studies of this sector of the market. However another route is presented via assessments of the incidence of factors that encourage older people to think of living in OORH. It then becomes possible to postulate views about how many of such people might wish to move into this type of housing. Prime drivers of the demand for specialist retirement accommodation relate to health and social issues associated with older people. So, it is in relation to these factors that some estimates of the potential demand for OORH will now be made.

This exercise starts with a simple base case in which the current share of OORH in all housing used by older people remains the same in the future as it is today. The result ‘stock’ demand is then converted into an annual flow of new building by assuming that new building will expand at a steady rate to meet that demand.

Currently, OORH has a market share of 2% of the accommodation of people aged 65 plus in Britain. Therefore, as a base case, this share is applied to official forecasts of the future number of older households.<sup>24</sup> This assumption of a fixed market is likely to be unduly pessimistic but it provides a useful benchmark against which to compare other forecasts.

As can be seen in the first column of Figure 3.5, where the 2% market share annual build rate is shown, current household forecasts suggest that with a constant market share 5,300 new OORH dwellings will be required annually in England over the next 20 or so years. That figure is around a third higher than the recent peak achieved in the years before the financial crisis and is over twice what is currently being built. Of course, for every year when building is below the forecast, pent-up demand grows. As the general housing market improves over the next few years, consequently, it is to be expected that the demand for OORH will rise rapidly, as older households will then be able to sell homes where sales are currently not happening. This forecast surge in demand can be expected to have a positive stimulus to encouraging interest in providing this type of housing.

Figure 3.5: Annual demand for new OORH at current 2% & larger market shares 2011-33



<sup>22</sup> See, for example, C. Watkins, ‘Microeconomic Perspectives on the Structure and Operation of Local Housing Markets’, Urban Studies, March, 2008.

<sup>23</sup> G. Pyrcie, Micro and Macro Effects of the Location of New Housing, University of Glasgow, 2004.

<sup>24</sup> Published by CLG.

However, if interest in living in OORH grows even moderately, this will raise the share of this type of property in overall future accommodation for the elderly. Figure 3.5 shows the impact of such changes on annual rates of newly built retirement accommodation. A 5% share of all accommodation for those 65 and over, which is by no means unfeasible, would lead to build requirements of over 16,000 new OORH dwellings a year, which is over four times the build rate achieved prior to the 2007/8 downturn. What is more, pent-up demand grows faster at these higher market shares if building does not reach the levels required to meet such demand.

An important conclusion of this introductory forecasting analysis is that it is clear that it does not require that much change in the role of OORH in the accommodation for the elderly for there to be a sea change in the market for such property. At a relatively modest market share of 5% of all homes for those over 65, within 20 years, there would be 460,000 of these types of properties in the housing stock. That is a market which is four and a half times larger than the one now existing. Within it, there would be significantly larger annual transactions of existing retirement homes as people move in and out of them; plus substantial repair and improvement of them; and the continual building of further new dwellings, as population pressures grew.

A larger market should also induce supply-side changes. Specialist firms in all aspects of the construction and purchase and sale processes would be expected to grow in number and in size. The management requirements and other service features of such properties would rise in importance. The potential for the scale and scope economies and for other productivity improvements would also be greatly enhanced. Such a growth framework should encourage competition, innovation, cost improvements and enhancement in quality. Furthermore, greater engagement of local authorities and central government with this type of housing would be necessitated as this type of housing similarly increased in importance.

But what factors would suggest that the market share of OORH is likely to increase?

1. One has already been raised, namely, a likely reduction in the share of retirement accommodation provided through social housing and proportionately greater private provision. Such provision for those on the lowest incomes would need to be based on subsidising the costs of some of the elderly. Yet, there are obvious avenues for expansion of an entirely unsubsidised form of provision, more closely reflecting the current high levels of owner occupation amongst the elderly. The largest single group of people presently moving from owner occupation into social housing are those over 65, many of them into specialist retirement and care accommodation. If some of these moves remained within the private sector or were delayed for several years, this would stimulate private demand and lower pressures in the public sector.
2. Another and more important potential for increases in the demand for OORH concerns greater recognition amongst the population as a whole and the elderly in particular of the benefits of living in specialised accommodation. These benefits are clearly shown in the survey evidence presented in later chapters of this report. In addition, there is somewhat of a chicken-and-egg situation in that the range of opportunities in OORH would be far greater if there was a larger stock of such accommodation, both in terms of locations and detailed property types.

3. Affordability is another factor of great significance, as was discussed previously. If public policy was changed, there are reasonable grounds to think that the affordability of OORH could be considerably improved. This would not only lower entry costs but also provide and incentivise those that moved with a greater probability of being able to withdraw equity from their previous house at the time of the move.
4. Fluctuations in the state of the housing market were shown above to be important influences on sales of OORH. If liquidity in the market could be improved during times of market difficulty, this would enable older people to sell their existing homes and move to OORH on a timelier basis in relation to their needs. That would also have the effect of expanding and smoothing out demand for this type of housing.

These issues will be considered in greater depth later in this report.

### Mobility, health and the demand for OORH

The benefits of OORH are especially pertinent for households that are still relatively active but find their existing home increasingly hard to cope with for physical reasons or who are suffering from the adverse effects of isolation, possibly as a consequence of the recent loss of a spouse or other loved-one.

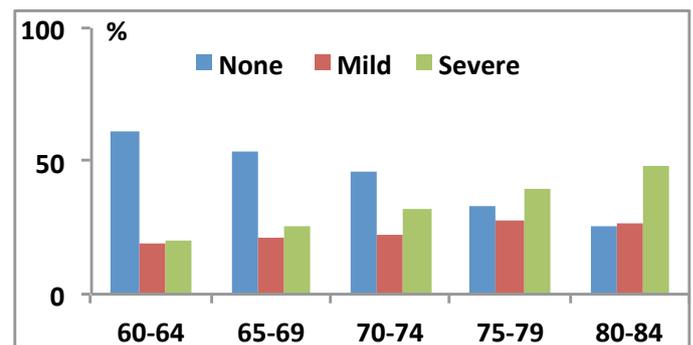
The negative impacts of isolation are difficult to measure as the consequences vary substantially across individuals from those that enjoy their new found independence to those that find being alone very painful. However, it is reasonable to predict that whatever the person's view isolation is likely to be harder to enjoy if it is associated with a loss of mobility, because then continual social interaction outside of the home is impaired. This suggests that a focus on mobility may be the most fruitful avenue when looking at the potential demand for OORH. Moreover, because of isolation, even those that have no activity constraints may still benefit from the greater sociability, support and sense of security offered in OORH compared to living in an ordinary family home.

### Activity constraints and forecasting potential OORH demand

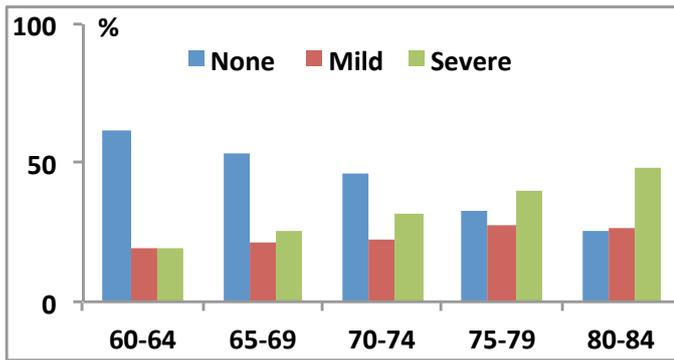
There is some useful information on activity and ageing available from the English Longitudinal Survey of Ageing's (ELSA) latest 2008 data set.<sup>25</sup> Activity constraints are measured in two ways: first, by the perception of the person and, second, by an objective measure of walking speed (Figure 3.6). The study broke down activity constraints into a threefold classification; none, mild activity constraints and severe activity constraints.

Figure 3.6: Activity constraints and ageing

(a) Perceived activity constraints



<sup>25</sup> ELSA, 2010.

*(b) Measured walking speed*

Note: No information for 85+  
Source: ELSA 2010

As can be seen in Figure 3.6, activity constraints unsurprisingly rise with age, with almost half of respondents being severely constrained by the age of 80 on at least one of the measures. Nonetheless, a substantial proportion of the elderly still retain a significant ability to be active across all age ranges, although frailty obviously increases with age.

The survey findings indicate that perceived activity constraints are generally worse than those objectively measured by walking speeds but this may in part result from the fact that people's perceptions take into account more issues, such as the ability to climb stairs comfortably, than does a simple walking measure. In addition, when looking at whether someone wants to move, perceptions, rather than objective measures, are clearly going to be the most important drivers of their decisions.

Such data can be used along with other information to draw up a behavioural-based model of the potential future demand for OORH centred on demographic, personal physical mobility and social factors.

- 1. Household forecasts.** The basis of the estimates is the official 2008-based forecast of household numbers by age group up to 2033, which are linearly adjusted to generate intermediate year estimates.
- 2. Age profile.** It is assumed that the number of people benefiting from moving into OORH rises with age up to 85. A small number of those with activity constraints below 60 are included, along with an increasing proportion of those aged 65 to 85. It is then assumed that older age groups have a rising proportion of those that need more intensive care, so that the share benefiting from living in OORH is somewhat less than for younger age groups.
- 3. Activity constraint.** People benefiting from living in OORH are, in line with experience, determined by the expected degree of activity constraint they face. In aggregate, this is estimated by the shares of specific activity limitation category in an age range. The forecasts put greater weight on the mild activity constraint measure rather than on the none or the severe categories, because the active have a much higher probability of staying in their own home and severely constrained ones are likely to require extra care. However, isolation plays a part in people's living choices so some share of the active category is included as well.

- 4. Owner occupation.** In order to buy an owner occupied retirement home it is generally necessary to have a prior owned dwelling to sell in order to raise sufficient funds. So, homeownership shares in each age group are an important determinant of OORH demand. In this context, it is assumed that the already high homeownership rate will remain constant for those below 75 over time but will rise over time amongst those aged over 75, because of the higher current homeownership rates amongst younger households.
- 5. Affordability.** Affordability issues suggest that owner occupiers with existing properties in the lower end of the house price distribution will not be able to afford to purchase OORH at its current price point in the market. For this reason, a percentage of lower house price homeowners are excluded. Similarly, owners with particularly expensive dwellings may choose other more expensive housing and care options if they move, or be able to afford a package of substantial adaptation of their current home and extensive personal care, so a deduction is also made for them.
- 6. Household type.** The attractiveness of living in OORH is likely to differ between one and two-person households. On the one hand, there is a greater chance that they will remain in their existing accommodation, because isolation factors are less for couples and, if one person suffers an activity constraint, the other is there to assist them. These factors would suggest that couples are likely to be relatively less represented in OORH than are single person households. On the other hand, there may be an encouragement factor as well, when spouses find OORH attractive because their partners are constrained in what they can do. However, on balance, an assumption of greater attractiveness of OORH for singles seems most plausible.

The detailed assumptions made in the forecast modelling are presented in Table 3.1 and the forecasts provided in Table 3.2. The forecasting data suggests that there is probably substantial pent-up demand for OORH at present and the pressures will grow over time as the population ages, unless house prices rise so far that moves are deterred. These estimates of underlying demand suggest that it would be quite easy to rapidly increase the size of OORH over the next decade or so, if the price of entry was appropriate.

It should be emphasised that such predicted increases do not imply a wholesale movement of the over 65s into this type of accommodation but, instead, a rather modest increase in its role. The forecasts shown in Table 3.2, for example, would only raise the sector's share of 65+ housing to 5%.

It could be argued that the assumptions made in this forecasting exercise contain a number of essentially arbitrary statements. But that is to miss the point of this exercise, which is to suggest that a large potential demand exists on plausible estimates of who might benefit from living in OORH. The assumptions made are quite conservative in their nature. Different assumptions can obviously be used but such variations are still likely to show a substantial potential demand, which is much greater than the current market share of OORH.

Table 3.1: Detailed assumptions of the forecasting model

Household shares by age cohorts		55-64	65-74	75-84	85+
Owner-occupation share %		78.9	76.6	68.9	68.9
Shares of ELSA activity groups %		1 PERSON			
<i>No activity limitation</i>		-	10	10	*
<i>Mild activity limitation</i>		5	25	50	*
<i>Severe activity limitation</i>		none	none	none	*
		2 PERSON			
<i>No activity limitation</i>		-	2	5	*
<i>Mild activity limitation</i>		2	20	30	*
<i>Severe activity limitation</i>		none	none	none	*
Exclusions of top and bottom ends of the house price distribution %					
<i>Excluded owners top-end</i>		15	15	15	15
<i>Excluded owners lower-end</i>		35	35	35	35

Table 3.2: Forecasts of potential OORH demand

<b>By age cohort</b>	Thousands of households	55-64	65-74	75-84	85+
1 person	<i>FORECAST 2016</i>	4.2	47.1	102.8	63.3
	<i>FORECAST 2021</i>	4.3	50.9	124.7	80.5
	<i>FORECAST 2033</i>	5.7	59.0	139.2	109.7
2 person	<i>FORECAST 2016</i>	3.9	41.5	30.3	24.3
	<i>FORECAST 2021</i>	4.0	44.9	36.8	30.9
	<i>FORECAST 2033</i>	4.0	53.4	47.6	47.5
<b>By household size</b>					
	1 person				
	<i>FORECAST 2016</i>	217.4			
	<i>FORECAST 2021</i>	260.4			
	<i>FORECAST 2033</i>	313.6			
	2 person				
	<i>FORECAST 2016</i>	100.0			
	<i>FORECAST 2021</i>	116.6			
	<i>FORECAST 2033</i>	152.1			
<b>Total households</b>					
	<i>FORECAST 2016</i>	317.4			
	<i>FORECAST 2021</i>	376.9			
	<i>FORECAST 2033</i>	465.7			

## The impact of improving affordability on demand

What would improvements to the affordability of OORH do to the demand for OORH housing? Unfortunately, as already noted, specific demand parameters for this type of housing do not exist. However, using existing information for housing in general, it is possible to suggest some effects.

For example, if OORH buyers' responsiveness to house price changes was the same as those estimated for British house purchasers in general, a 10% reduction in the price of new homes of this type would lead to a 5% increase in the demand for them.<sup>26</sup> In fact, there are reasons to believe that demand would increase by even more. This is because at relatively lower OORH purchase prices, there would be an additional wealth effect for buyers of OORH homes when they downsize from their previous dwellings, because the price of OORH would have fallen relative to the price of their previous home. This improved equity withdrawal effect would act a stimulus to purchase for all potential buyers of this type of accommodation. Another group in particular would benefit: namely, those previously excluded from purchase because they did not have enough wealth in their previous home and insufficient alternatives sources of finance to afford to buy an OORH.

There are reasons to believe that demand would increase by even more. This is because at relatively lower OORH purchase prices, there would be an additional wealth effect for buyers of OORH homes when they downsize from their previous dwellings, because the price of OORH would have fallen relative to the price of their previous home. This improved equity withdrawal effect would act a stimulus to purchase for all potential buyers of this type of accommodation. Another group in particular would benefit: namely, those previously excluded from purchase because they did not have enough wealth in their previous home and insufficient alternatives sources of finance to afford to buy an OORH.

## Conclusions

Britain's population is ageing, yet the range of living options for the elderly has shrunk at the same time, as data on the new building of specialist housing for the elderly show. 50 years ago specialist housing was based on a public rental housing and social service agenda. Rising living standards, the growth of owner occupation amongst the elderly and changing perceptions of the role of government at national and local levels have changed all that. But the private sector has not been able to expand the accommodation it offers to any great extent. In fact, the amount built for sale in the past decade is far less than it was in the 1980s.

The cynic might argue that the market has spoken and indicated only a relatively low demand for this type of accommodation. However, as the analysis in this chapter has shown, this claim is spurious and, instead, the situation exists of high supply costs limiting the demand that is met. This suggests that there are deep-seated supply side problems. Housing in general faces these difficulties but they are exceptionally large with regard to OORH and the problems unfortunately derive from restrictive and inappropriate public policy with respect to housing supply and a failure to recognise the key role that policy towards the elderly can play in making local housing markets work better.

The demand for OORH is greatest in the UK's ageing population amongst those suffering from the frailties of old age and who are consequently physically constrained in what they can do or from those who are experiencing increasing isolation, often because of the recent loss of a loved one. These characteristics were used to make some scenario forecasts of the potential demand for OORH. Those estimates show that, even on modest assumptions, the underlying demand for OORH is currently substantial and will grow in the future, suggesting the need for a substantial increase in its current size.

<sup>26</sup>Ermisch, J., Findlay, J. and Gibb, K., 'The Price Elasticity of Housing Demand in Britain: Issues of Sample Selection', *Journal of Housing Economics*, Vol 5, 1996.

## Chapter 4: Moving into OORH

### Introduction

The opinions of residents living in OORH obviously matter. What benefits do they gain and how happy are they with their choice? Moreover, what made them decide to opt for this form of accommodation? What was their previous home like? What role did housing equity play? Who moves into OORH? These questions enable a picture of OORH in relation to its users to be built up.

### A survey of recent movers into OORH

As part of this research, a questionnaire survey was undertaken of residents who have recently moved into OORH. People were contacted who had bought retirement accommodation between mid-2007 and mid-2010. This period was chosen to ensure topicality and to consider purchases since the onset of the recent downturn in the housing market, while still enabling a sufficient sample size.

Face-to-face and telephone interviews were conducted with 345 residents at 44 recently built McCarthy and Stone developments, spread throughout Britain. The survey took place between October 2010 and February 2011.

The questionnaire contained 60 questions related to:

- Benefits of moving
- Satisfaction with move
- Personal characteristics
- Current and previous property characteristics
- Use of local services
- Distance moved
- Energy saving: home and travel.

The purpose of the questions asked was not to enquire about individual issues in relationship to the specific development in which the respondent lived, but rather to explore general reasons why people decided to adopt this lifestyle and the benefits they had received from doing so. In addition, questions were asked about the degree of integration with the local neighbourhood, health and environmental factors.

Further information on moves into retirement accommodation was derived from recent sales data of McCarthy and Stone. Over 5000 sales records were available, information from which was used in parts of the analysis.

It should be emphasised that these survey results relate to those who have recently moved into OORH and who had lived in this lifestyle for on average only 1.8 years, although some had only been there a few months. Consequently, their characteristics may not be identical to those who have been living in such accommodation for some time. In particular, longer-term residents are likely to be older than those who have recently moved in.

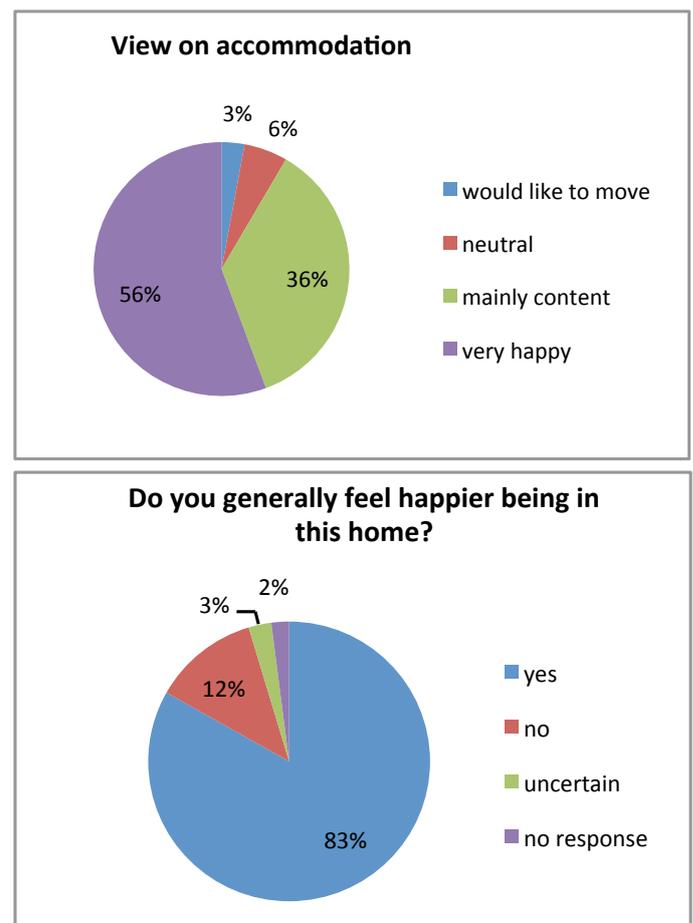
### Attitudes to their new home

#### High satisfaction scores

There were generally very high levels of satisfaction amongst respondents with their new homes and the lifestyle associated with them. The question was asked in four different ways in order to ensure the robustness of the responses.

92% reported themselves as very happy or mainly contented with their new accommodation. 83% said that they generally felt happier being in this home. Most look forward to living there for some time to come and when asked if they would recommend where they lived to others in similar circumstances, 57% gave a 10 out of 10 positive score and only 5% gave a score of less than five (Figure 4.1).

Figure 4.1: Satisfaction with new home



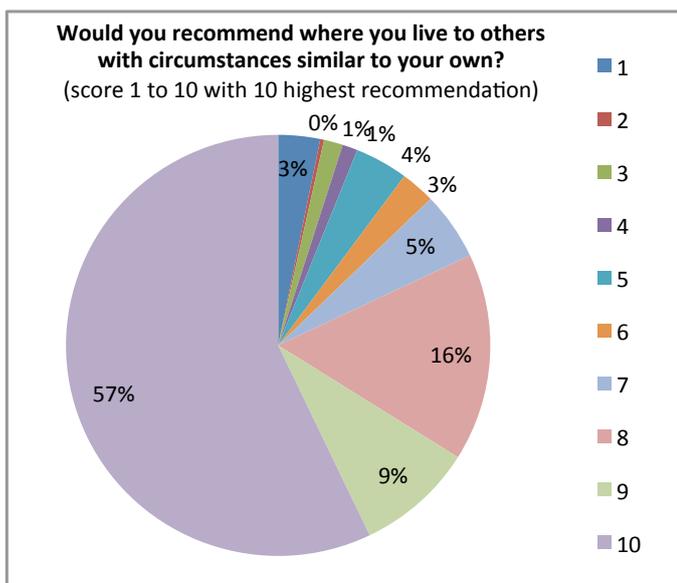
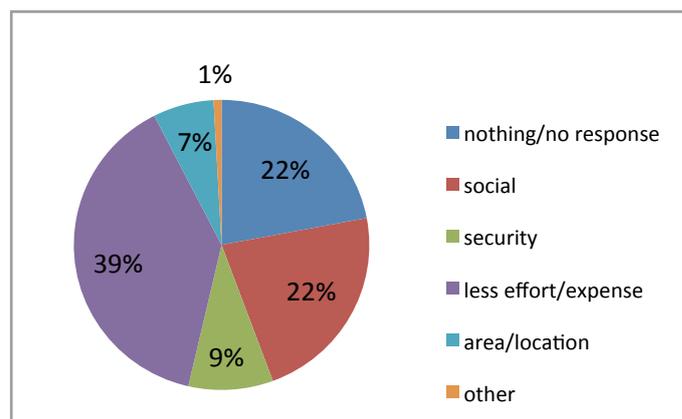


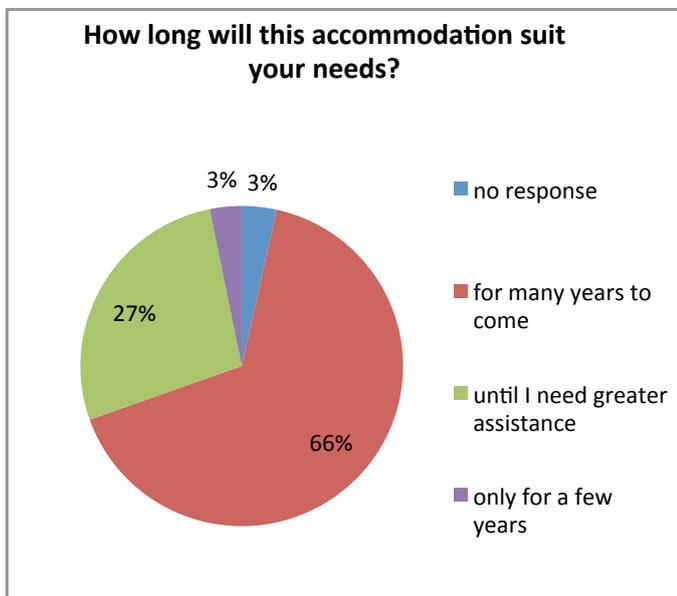
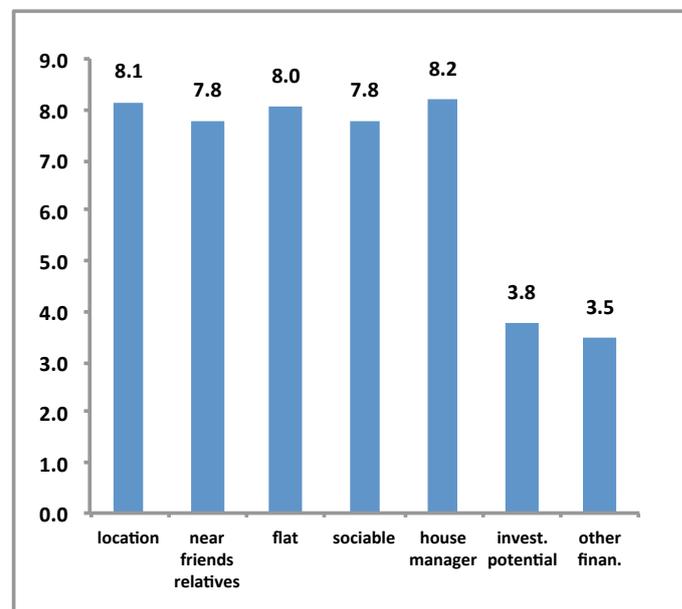
Figure 4.2: The attractions of the new home

a) What is better about your current home?

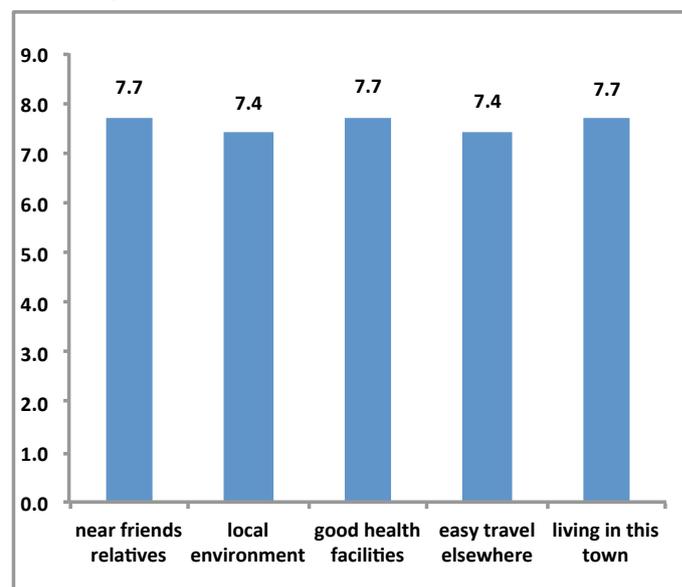


What attracted you most about moving into:

b) this property?



c) this neighbourhood?



Average scores with 10 the highest importance and 1 the lowest

**Benefits of new home**

With regard to the perceived benefits of the new home, the main attractions were:

- Location
- Proximity to relatives and friends
- Ease of living in accommodation
- Sociability and security
- Having a house manager present
- The local environment
- Good health facilities
- Ease of travelling elsewhere

By contrast, financial factors, including the possibility of equity withdrawal, scored low (Figure 4.2). This corresponds to the findings of the wider literature on housing and the elderly, noted in Chapter 3.

Although most people were highly satisfied following their move, it was only natural that many also missed aspects of their previous home and lifestyle; although nearly a third actually missed nothing at all (Figure 4.3). The overwhelming majority recognised that they could no longer enjoy many of these things they missed, because of the impacts of ageing and health issues upon their lifestyles, and therefore had no regrets about their decision to move.

It was noticeable that the general disposition of the people interviewed was one of cheerfulness and fortitude and the sense that they wanted to enjoy life to the full, while recognising that their circumstances have changed. This type of highly positive attitude corresponds very closely to that found for the elderly in general in so-called ‘happiness surveys’. In them, happiness has a U-bend over the human lifespan. Middle-age represents the low point - in the 40 and 50 age range - but after that personal satisfaction continuously rises with growing age.<sup>27</sup>

Figure 4.3: Things missed about old home

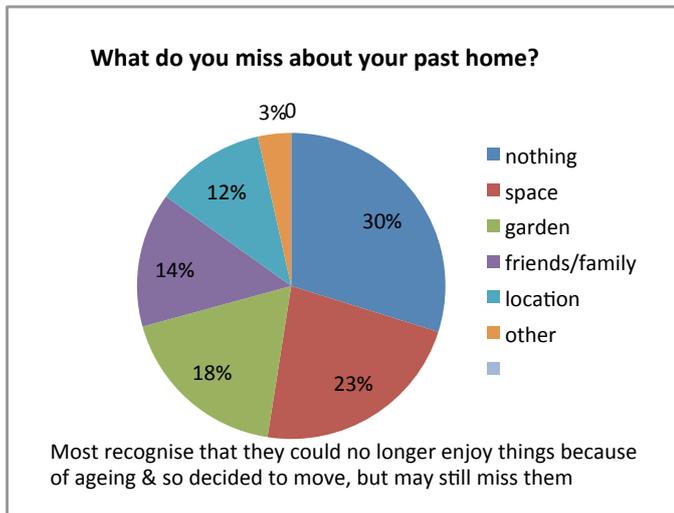
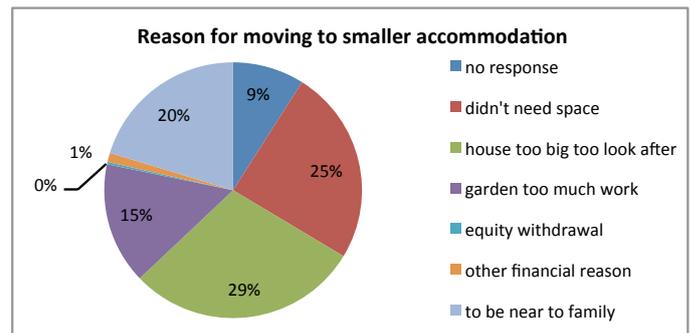
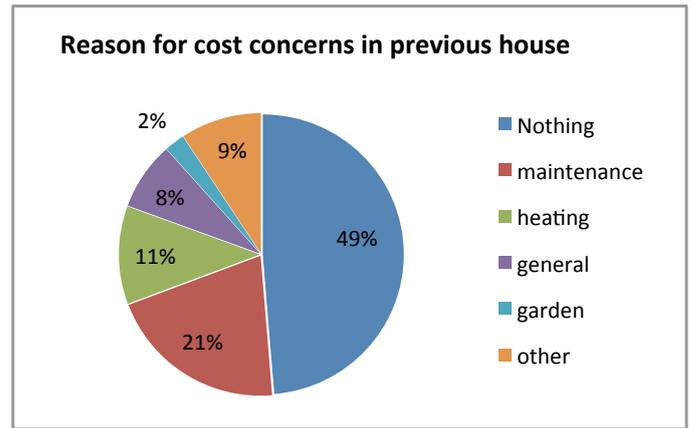
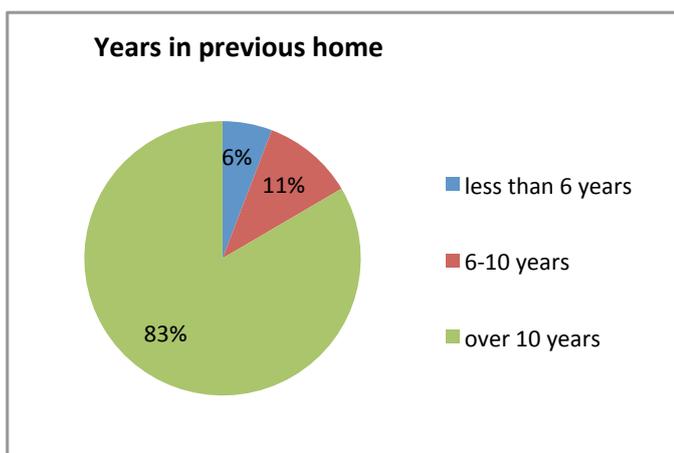


Figure 4.4: Time there and problems with previous home

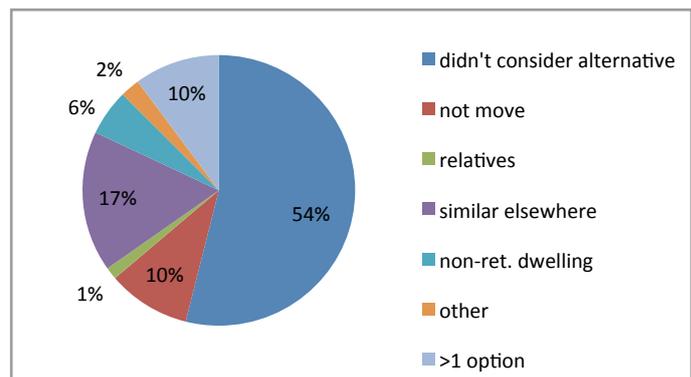


Most of those who moved into OORH had lived in their previous home for many years but now found it too demanding, which helped to prompt their decision to sell (Figure 4.4). Almost 30% found the previous home to be too big to look after and another 15% were concerned about the garden being too much work. A quarter simply felt that they did not need the space anymore and, so, were happy to downsize. Half of respondents were also concerned about the running costs of previous properties, including maintenance and repairs, energy costs, and frequently the level of council taxes.

### Options at the time of the move

Over 70% of those who were interviewed in the residents' survey had firmly decided on opting for that living style and did not consider alternative options (Figure 4.5). The majority, in fact, had decided to purchase in the development in question and considered no other. This was generally because many had lived locally before and did not wish to move elsewhere but rather to be close to family or to friends and, so, chose the only local OORH available to them, as others did not exist in the area.

Figure 4.5: Options considered when moving



<sup>27</sup> A. Stone, Schwartz, J., Broderick J. et al. A snapshot of the age distribution of psychological well-being in the United States. *Proceedings of the National Academy of Sciences of the USA*, 107, 2010; D. Blanchflower and A.Oswald, International happiness, NBER working paper 16668, 2011.

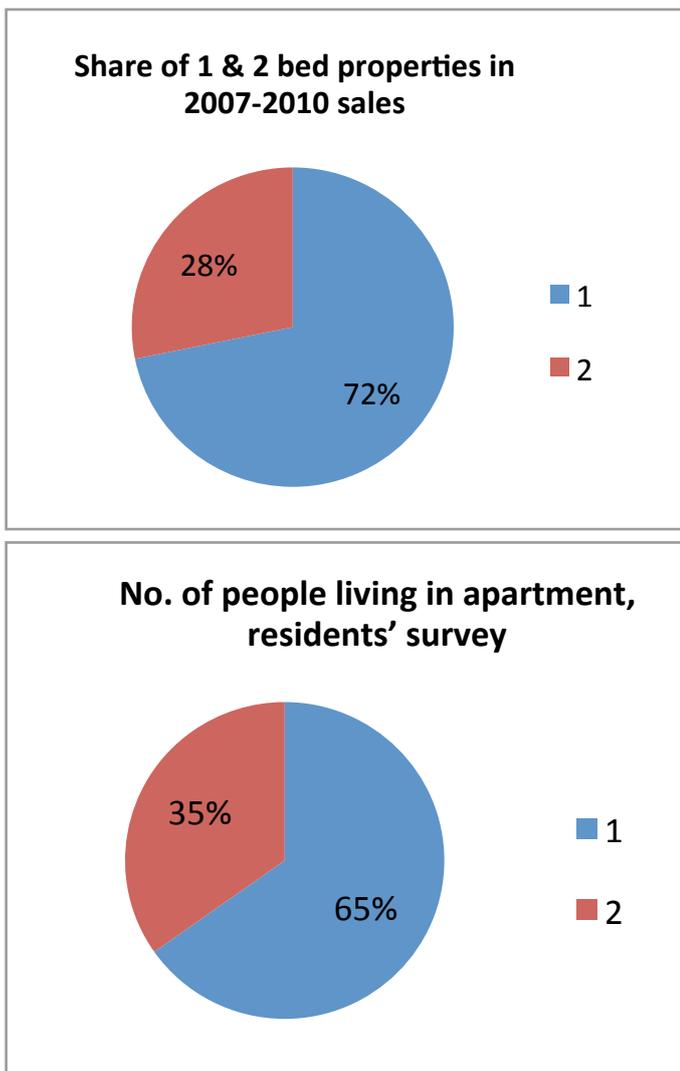
### Residents and the size of dwelling purchased

The majority of the people living in OORH are women who live alone but there are also a significant number of single men and couples living together. This balance partly reflects the greater longevity of women and their somewhat higher levels of mobility impairment. In the interview survey, 74% of respondents were women and 26% men. 35% lived with someone else, although this percentage will be higher than the actual number of couples living in the places surveyed because both of those in a couple may have provided an interview (Figure 4.6).

People’s ages ranged from under 65 to over 90. Almost a quarter were aged between 65 and 75; half were aged between 76 and 85; and a further fifth between 86 and 90 (Figure 4.7). Therefore, the core age of movers into OORH was between 75 and 85, which is unsurprising as this is the decade when mobility factors and potential isolation begin to affect large proportions of elderly.

Most flats in OORH have one bedroom, reflecting prevalent patterns of demand (Figure 4.6). In addition, there are a number of two bed properties. Floor areas may differ between properties with the same bed-size as well, with such differences being reflected in sales prices.

Figure 4.6: Property and household sizes



Whether purchasers choose one or two bed properties obviously depends on their prices and the resources buyers have in terms of income and wealth. However, the decision will also be influenced by people’s living preferences. For example, some single people may wish to have an extra room in order to have more space or to enable relatives or friends to stay with them on occasion. There are often separate guestrooms available for short stays by visitors in retirement complexes but they may not be available at desired times. Alternatively, couples may themselves choose to buy one bed apartments, as is common in the rest of the housing market, for the convenience of a smaller property or because that is all they can afford. A consequence of such variation in flat size choices is that there is only a relatively weak correlation between household size and the number of bedrooms. It was 0.4 in the residents’ survey.

Figure 4.7: Age distribution of survey respondents

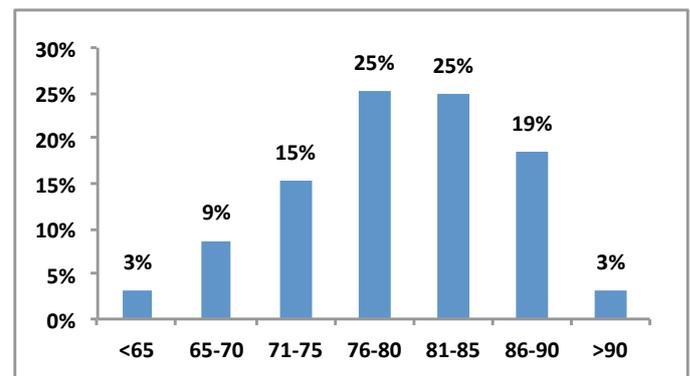


Table 4.1: Household size and number of bedrooms

% of total number of flats	1 person	2 person
1 bed	49%	12%
2 bed	16%	22%

Source: Residents’ survey

### Incomes

It did not prove possible to gather detailed information on incomes in the survey but information on previous employment and discussions with residents highlighted that most residents had had relatively comfortable, lives. They were typically “your average mum and dad” coming from skilled working class or middle class backgrounds and when in work had been in a wide range of occupations. Many of the women had previously been housewives bringing up families for most of their adult lives. They had now lost their husbands but had sufficient financial provision. There may have been many situations where children or grandchildren were assisting with financial support but no detailed evidence is available on such matters.

Most people’s lives had been structured by a common set of core values in which work, family, house purchase, paying off

a mortgage and providing for old age had been key elements. In discussions with them, they were clearly proud of their sustained financial independence and valued continued homeownership. When asked about their living standards, three-quarters said they were comfortable and only 2% said they were particularly financially constrained. This perception was not based on substantial income. From what income information could be gathered, it seemed likely at least four-fifths had incomes that were 70% or less than average final household incomes in the UK and many probably had much smaller incomes than that.

### House prices and housing equity

Sales data provided by McCarthy and Stone 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. This could then be compared with the value of the properties purchased.

The average value of previous dwellings was just under £220,000, which was close to the national average for the period in question (measured values were 5% less than average UK house prices). There was a wide range of values around that average, of course, due to house type and locational factors.

The timing of the survey covered a three year period when the housing market fell into recession and then partly recovered from it. So, these results may be influenced by that period. For example, it may have been the case that new house prices held up more than those of second-hand ones during the downswing, so that the differential between the prices of new OORH dwellings and existing homes was particularly narrow. However, the new build market was hit by the 2007/8 financial crisis in a way that had never been experienced in peacetime since financial crises of the nineteenth century. In general, the fluctuations in the market over this period were varied enough to make it hard to come to a definite conclusion about which prices of what properties in what locations moved differentially to others.

Recent cyclical effects are probably not of that great importance when looking at the relative price of OORH and existing housing, because what matters most is the typical position relative to median house prices in a locality of the prices of new OORH and those of previous homes of purchasers. Given the broad middle of the range life-time income profiles of people buying OORH, it is reasonable to expect that the prices of their previous dwellings are distributed around either side of median prices. The average price of new OORH is generally somewhat less than the median but probably usually falls roughly within -10% of the median, because of the costs of providing OORH. A central argument of this report is that there would be substantial personal and social benefits to be derived by increasing supply and allowing the price of OORH to be shifted to a lower level relative to median house prices, through introducing cost-reducing policy reforms.

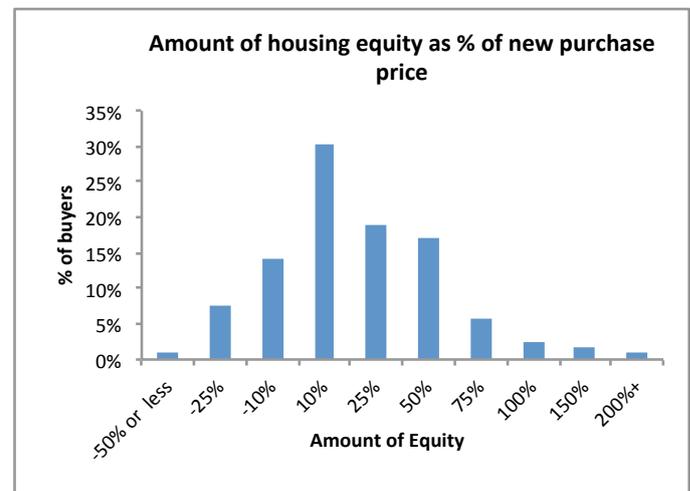
A number of other important conclusions can be drawn from this analysis:

**1. Impact of new OORH on supply in the local housing market.** This issue highlights the relationship between OORH and the housing stock. A key statistic is that for every 5,000 new OORH sold, property to the average value of £1.1billion is released into local housing markets

through the sales of previous homes. The value is clearly greater in the more expensive parts of the country and less elsewhere but everywhere the impact on a local housing market can be significant. Building more OORH homes can therefore help to moderate local house price growth in the face of housing shortages, a theme that is explored in more depth later in this report.

**2. Equity release.** The OORH dwellings bought were around 10% cheaper than the median values of the previous homes sold, giving a significant but not a particularly large amount of average equity release. So, a general approximation would be that every 5,000 homes are associated with about £85m of equity release. Around the average value of equity withdrawal, again, there is a substantial distribution of values. Over 40% were able to withdraw £25, 000 or more housing equity but, at the same time, many others had none (Figure 4.8).

Figure 4.8: Previous housing equity and the price of the new home



**3. Non-direct housing wealth input into the new home.** It was clear from the three year sales data for England that a significant number of purchasers paid more for their new home than the value of the dwelling they sold. This is in line with US studies which highlight that some purchasers may put additional equity into their housing, while others withdraw it.<sup>28</sup>

The purchase in such cases required additional wealth either from own savings or from assistance offered by family members - because mortgages are hardly ever an option given the age range of OORH purchasers. However, family members may themselves have re-mortgaged to help a parent move into a home that suited their needs.

Almost 30% of purchasers had less housing equity than the cost of their new home. For some the deficit was relatively modest but almost 20% of purchasers paid over £10,000 extra. This illustrates the fact that for many home owners purchase of an OORH is an often impossible financial struggle. At present, homeowners in a locality with a house valued in the lower 40% of the price distribution are going to have to find other sources of funds if they want to move into OORH. Aggregating across the country, that percentage totals millions of elderly homeowners being currently excluded from a living option that may greatly benefit them. Moreover, the numbers will increase further over time as the number of older people grows.

<sup>28</sup>Venti *ibid*.

## Conclusions

This chapter has answered several key questions about OORH by drawing on evidence from a survey of OORH and sales data from McCarthy and Stone.

The survey results report high levels of satisfaction by residents with the lifestyles they had chosen by buying into OORH.

People mainly move into this sort of housing for the same reasons that researchers have previously identified as the prime stimuli for moves by the elderly, namely, a life changing event related to the need for more support, security and companionship. People generally move into OORH because they find their previous homes too much to cope with in their new circumstances, especially after the recent loss of a spouse.

Most residents are women but, also, there are significant numbers of single men and couples. The size of the flats bought is influenced by ability to pay and personal preferences, rather than a simple allocation according to household size.

Housing equity is vital as a means to purchase. Previous homes are roughly situated in the broad middle of local house values. OORH sits somewhat lower down the distribution but the difference is not that great, so equity release is there for most purchasers but the sums are often modest. Moreover, almost 30% of purchasers had to use sources of funds in addition to the sales value of their previous home. This suggests that children and other members of a family may be financially helping out, as well as providing the more commonly identified incidental and informal care and companionship.

Notions that the costs of OORH are of little consequence because they are met by the value of previous homes are consequently often wide of the mark. Millions of elderly homeowners who have saved, purchased and paid off mortgages are ineligible for OORH because for them it is unaffordable. They rely on personal support from their families but their housing options are constrained by inappropriate policies which restrict supply and in turn drive up prices.

## Chapter 5: Residents, families and communities

### Introduction

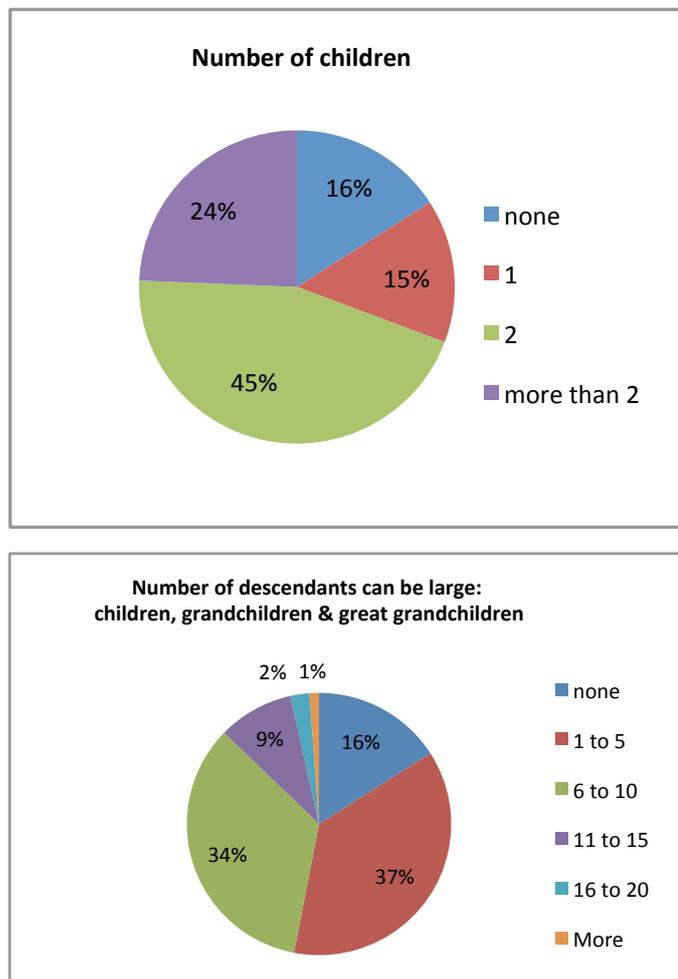
Housing forms the bases on which neighbourhoods develop and how communities evolve for the obvious reason that housing is actually where people live. The mix of housing that exists in a neighbourhood is consequently going to have a major impact on its character and how that will change over time. In this context, this chapter looks at how OORH relates to local populations, families and communities. This is a two-way process. On the one hand, if an older person enjoys good engagement with their family and the local community they can rely on informal help and support for many of their needs and enhance their quality of life. On the other hand, older people play a crucial role in the family and social networks of local areas, bringing out many of the desirable characteristics admired in the concept of a community. They are also significant users of local facilities, such as shops, libraries and community centres and that helps to sustain those facilities and keep neighbourhoods alive.

Many OORH residents are drawn from the local area, however, some are not. Nonetheless, even they form a part of the local community and engage with others in it. The focus of this chapter is the deep inter-linkages between OORH and local communities. In addition, it examines the impact of building OORH on turnover in the local housing stock.

### Families, friends and communities

Keeping in touch with their families and maintaining a close link across the generations is regarded as very important by many of those moving into OORH. Some survey respondents had large families, including grandchildren and sometimes great-grandchildren. However, an important minority of 16% had no children at all and some had never been married (Figure 5.1) but they may often still value staying in a particular locality, because that is where many of their old friends and social relationships are based.

Figure 5.1: Number of Children and Grandchildren



It was often the case when families are close that the children of those moving into the accommodation might take on the burden of helping their elderly parent deal with their finances and bills, perhaps, contributing money as well as time to the process. On quite a number of occasions, survey respondents reported that their daughters or sons had helped to find their current accommodation for them or had even suggested it; wanting their parent to be comfortable, secure and to be living near to them. Some survey respondents commented that a child of theirs had undertaken all documentation associated with sale and purchase, so that all they need to do was provide their signature when appropriate. Some buyers' children probably also contributed financially to the purchase, although there was no direct survey evidence to verify this.

In general, respondents' families were strongly supportive of their parents' decisions to move into OORH, with only 1% disapproving (Figure 5.2). These family networks highlight the fact that a much wider number of people in local communities are directly affected by moves into OORH than simply those that move into them. This wider group linked by family ties to OORH gains considerable personal benefit knowing that their parent is in a more secure, supportive environment and can be easily visited. The same type of spill-over benefit occurs for other people engaged in long-term friendships with OORH residents. Many in the survey stated that they were keen to keep in frequent touch with friends and that influenced their location choice.

Contacts with family and friends were often improved by moves into OORH (Figure 5.3). Almost 45% of respondents said contact was better or much better and only 5% said it was worse. Moreover, just under half said the contact was about the same, but that may have been because many had only moved a short distance and, therefore, circumstances had not changed.

Figure 5.2: Family attitudes to move into OORH

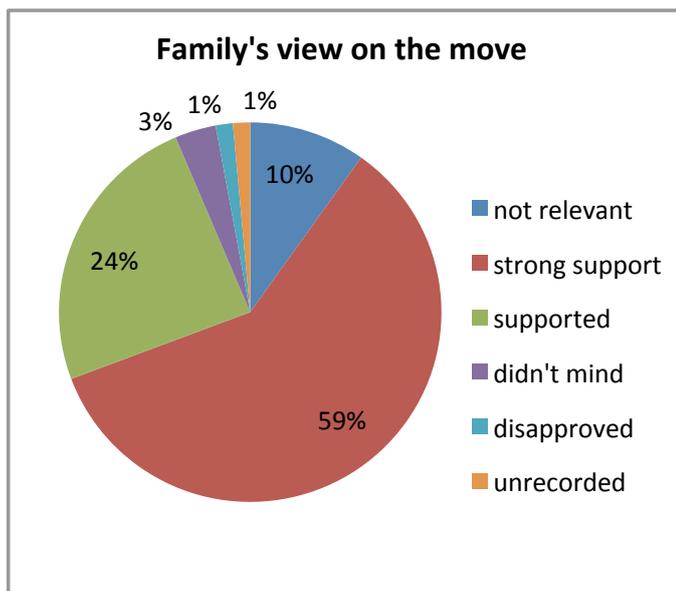
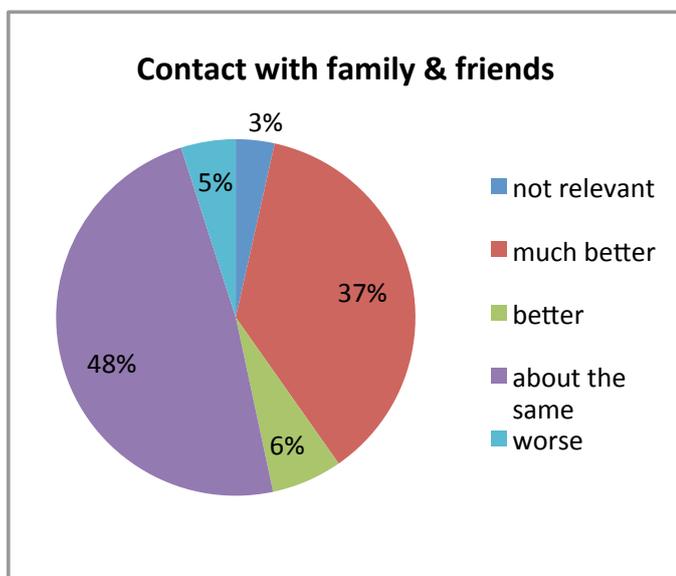


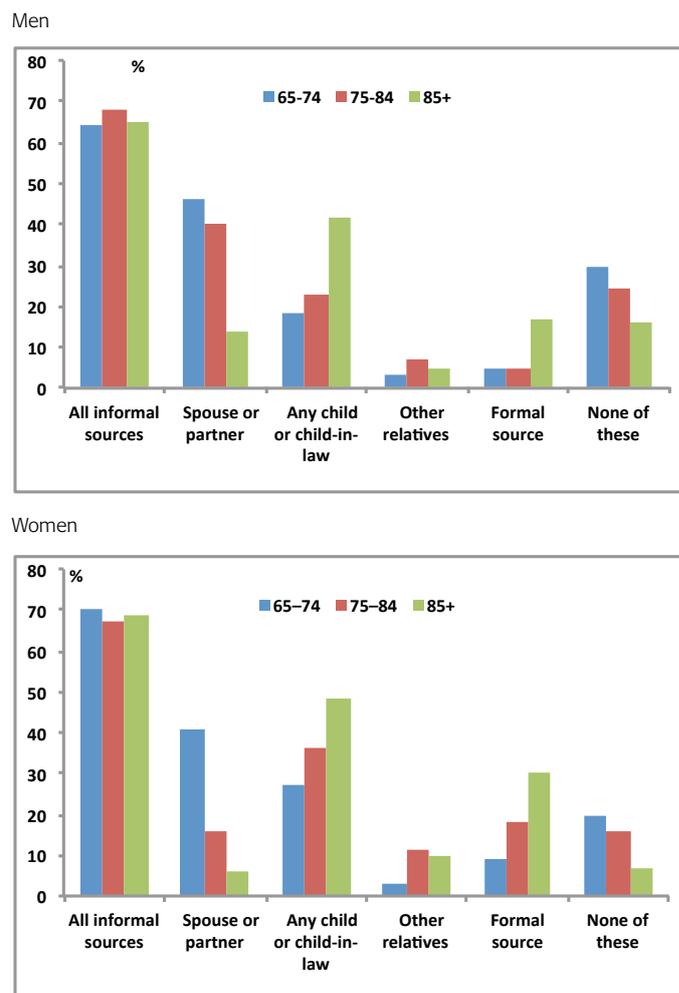
Figure 5.3: Contact with family & friends following a move into OORH



It is well recognised that isolation is a major problem for many elderly people, as was noted earlier. OORH has two effects on reducing a sense of isolation. The first is the dwelling effect of moving into accommodation where it is easier to make friends with other people living in the same building. It is noticeable when visiting such places that there is strong sense of friendship, camaraderie and mutual support amongst residents. The second is a locational effect related to when the accommodation is close to family and friends.

These interconnections mean that OORH residents are likely to have a somewhat different relationship to sources of help with basic tasks than the elderly population in general. This is because they probably have better supportive relationships with close neighbours and other friends, as well as often having better access to members of their own family. The periodic ELSA surveys of the elderly in England, mentioned earlier, measure general assistance and they indicate that older people predominantly rely on informal help when having difficulty in coping with the basic tasks of life (Figure 5.4).

Figure 5.4: Sources of help reported by older people with shopping or work around the house and garden by age



Source: ELSA

Of course, better general physical assistance is not the sole motivation of decisions to move into OORH. Probably as, if not more, important is the hope of greater emotional satisfaction through improved social interaction and much of that is with other members of the local community in the form of family and friends. Many purchasers of OORH when choosing locations wish to move closer to members of their own family in order to enhance their personal well-being through greater contact with them.

Such processes of searching out higher emotional satisfaction may lead to longer distance moves in relation to OORH. For example, this occurs when elderly parents wish to move closer to a child of theirs and its family. Alternatively, it may happen when people wish to go back to an area of the country where they once lived or were brought up.

This discussion of the significance of family networks highlights the importance of OORH in bringing families together. It also raises a key point concerning the need to make available this type of accommodation in localities where most people work. The children of most OORH residents are likely to be in jobs and therefore elderly parents, if they want to be close to their families, will be as much affected by the spatial distribution of employment as their children are.

A whole series of family and wider social relationships can be affected across the generations by the move of a parent

or grandparent into nearby OORH. So, hypothetically a retirement development of, say, 60 flats may impact on the family lives of as many as 400 local residents, or even more, once children, grandchildren and great grandchildren are brought into the calculation. Clearly, having mum or dad or grandparents close by is a substantial benefit and source of emotional security for many families, so local personal benefits extend well beyond those living in any development itself. This calculation suggests a potentially large social relationship multiplier for a newly built OORH dwelling, with families and subsequent generations of residents all benefitting from locally built OORH. Such numbers suggest that this form of housing provision can be highly significant for the continuance of integrated local communities. Furthermore, this multiplier figure does not include other potential interactions with local friends as well. Older people are at the heart of local communities and they bring a sense of stability and sustainability across the generations.

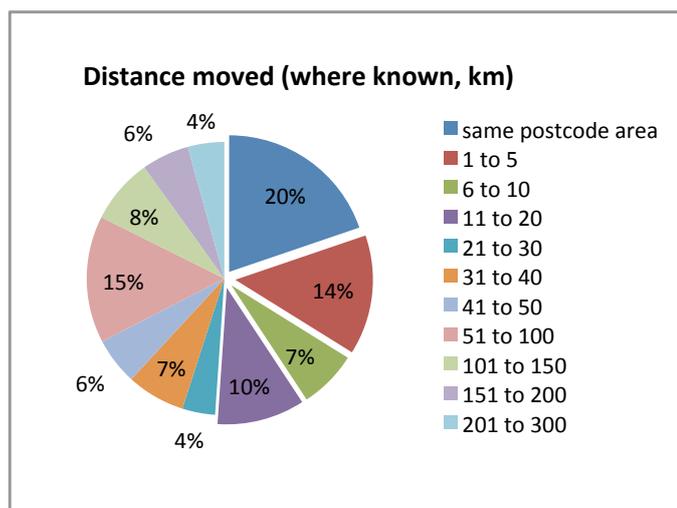
### Distance moved

Most people only move a relatively short distance when they move into OORH. Sales data from McCarthy and Stone on over 5000 moves across Great Britain between 2007 and 2010 showed a high proportion of short distance moves, measured as straight line distances between the centres of the previous and the new postcode areas:

- 25% in same postcode area
- 40% within 5km
- 50% within 10km
- 60% within 20km
- 71% within 50km.

Similar results were derived from the Residents' Survey as well (Figure 5.5). When older people did move longer distances it was often back to near a place they had once lived or to be closer to relatives.

Figure 5.5: Distance moved



A local emphasis is typical of most moves but with respect to older people it highlights how generally they identify strongly with the locality in which they have spent a large part of their lives. In a minority of cases, they may lose that sense of attachment when an area has changed significantly for the worse or, perhaps, if they have suffered problems with bad neighbours.

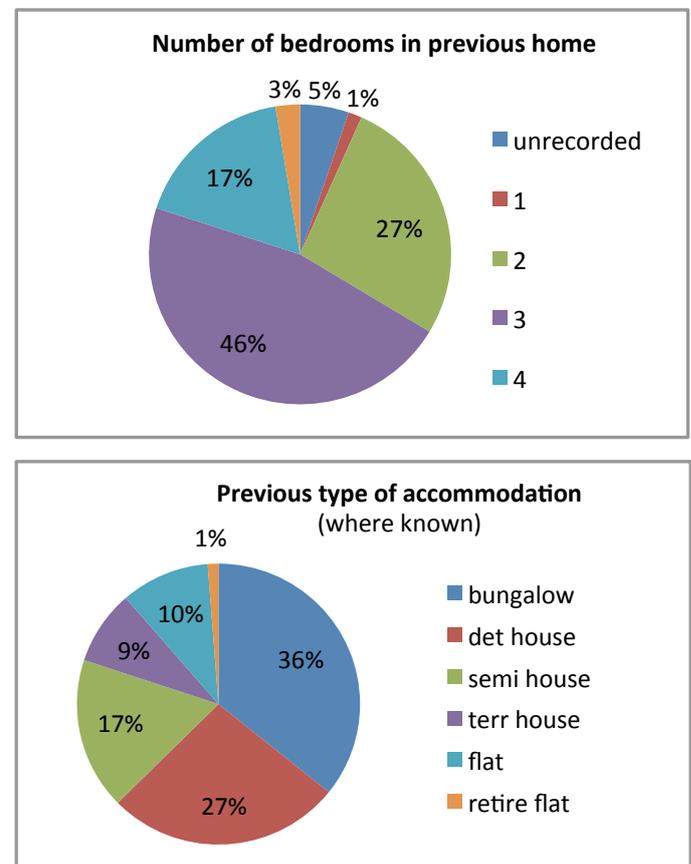
Localisation raises an important issue. Those that want to stay in the same area will only move if local accommodation is available. This helps to explain why many movers into OORH that were surveyed had only looked at the new development into which they had moved, as was noted in the previous chapter. That scheme probably represents the only local OORH option and none would have existed before it. This suggests that increasing the spatial density of OORH across more areas where older occupiers currently live would raise interest in this housing option amongst the elderly.

### Freeing up family housing

The homes that OORH residents move out of are typically family homes. Once an older person decides to leave, the property will usually be bought by younger people and often used to raise families. In this way, the local housing stock is recycled through the generations.

The previous dwellings vacated by purchasers of OORH interviewed in the residents' survey were generally relatively spacious, by UK standards, with an average of 2.8 bedrooms each. In fact, two-thirds had three or more bedrooms. The quality of the housing was also generally high. 80% was built after 1950 and 45% since 1970, so most of them were quite modern. 80% were also substantial homes, being either bungalows or detached and semi-detached houses (Figure 5.6). A high proportion was bungalows, which reflects the suburban nature of most of the locations from which people moved. Too much should not be read into this high share of bungalows because, contrary to perceived wisdom, a similar proportion of retirees live in bungalows as in other economic groups.<sup>29</sup>

Figure 5.6: Characteristics of previous homes



<sup>29</sup> English Housing Survey.

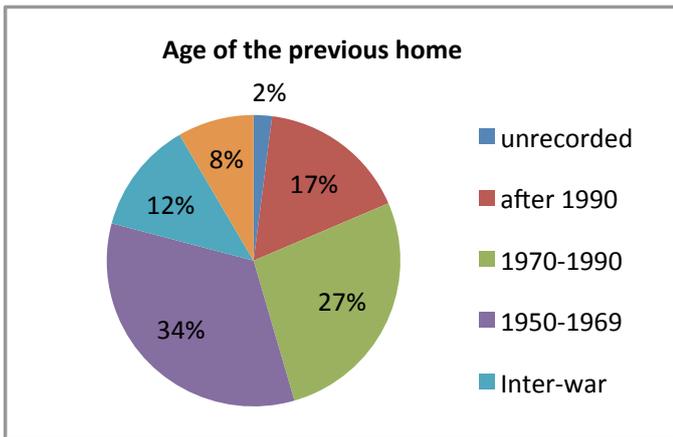
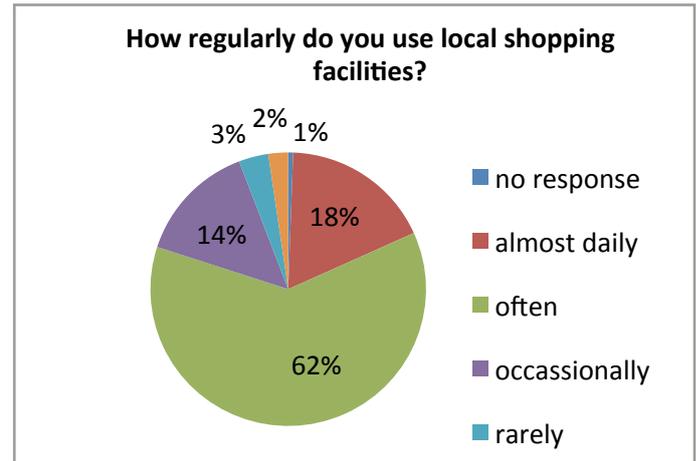
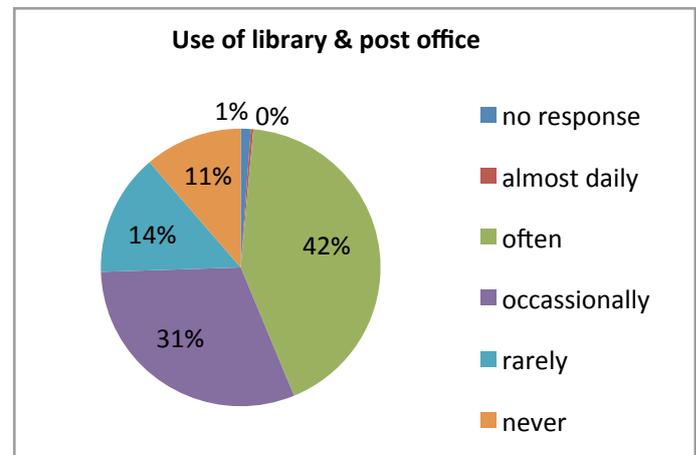


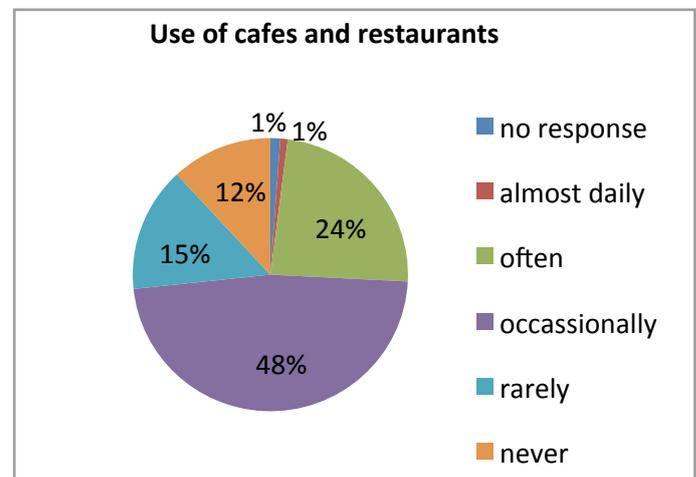
Figure 5.7: OORH residents are active users of local services



The provision of new OORH has a multiplier effect on housing supply because of the release of the previous home back into the local housing market. A chain of purchases and sales is initiated. A home is provided for an elderly person in OORH; the home vacated is now available for a typically much larger household; that family's previous home now becomes available for someone else; and so on. The chain of moves triggered by the provision of a new OORH dwelling is likely to be quite substantial, given the quite spacious nature of the properties vacated and the chronic shortage of family housing in Britain. Quite a large number of people consequently will all be able to improve their housing in this chain of moves and often on moving will improve the actual dwellings themselves, adding to supply. Moreover, such a chain of moves is made possible by the provision of one relatively small dwelling.

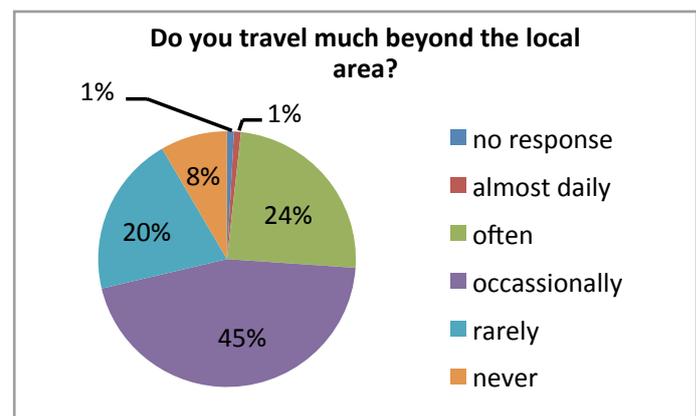


The scale of these chain effects should not be underestimated. On average, the previous dwelling had nearly 2 more bedrooms than the new one. So, for every OORH home bought, a 'classic' family of a couple and two children could be spaciouly housed in the previous home. In that scenario, five people are housed in the new and old dwelling for the provision of one relatively small single-person dwelling. Such processes are also highly land efficient, as the new dwelling only uses up a small amount of extra land.



### Impact on local services

Concern is frequently voiced about the loss of local shops from high streets and neighbourhoods. For example, a recent poll found that 82% of people felt a reduction in the number of local shops in their area had a negative impact on the local community.<sup>30</sup> The elderly are regular users of shopping and other local facilities during weekdays, when they are often underutilised, as well as at the weekends. OORH developments are deliberately located near neighbourhood or high street facilities, because that is what their residents prefer.



Respondents in the residents' survey were regular users of local services. 80% used the shops almost daily or often; over 40% used the library or post office almost daily or often; and almost three-quarters were regular or occasional users of local cafes and restaurants (Figure 5.7). They did use some facilities further afield, although only a quarter did so often, but the local area was their focus of activity. This is, of course, unsurprising given the age of many respondents and the mobility constraints which they face.

<sup>30</sup>ACS. [http://www.acs.org.uk/en/Press\\_Office/details/index.cfm/obj\\_id/A19CC74E-5B44-43CD-BF78B6601833217E](http://www.acs.org.uk/en/Press_Office/details/index.cfm/obj_id/A19CC74E-5B44-43CD-BF78B6601833217E)

## Conclusions

There is a simple conclusion to this chapter regarding the impact of OORH on local communities. The elderly are integral to any local area and because most have lived there for a long time have built deep roots into neighbourhoods. This is reflected in extensive family and friendship networks. So, providing OORH means a much wider group of people benefit than simply the person or couple buying the property.

Moreover, elderly people are considerable owners of local resources and also users of other ones. The main resource they own is a significant part of local housing stocks, especially the larger, family-oriented, properties. So, if older people move into OORH, much housing is freed up for others and, because potentially large chains of purchases and sales are set under way as a result, many other people benefit as well.

The pattern of moves analysed above highlights the fact that much provision of OORH is about providing housing for people already living in the locality. This clearly has resonance with policies which aim to focus on the needs of local communities.

Many local market-based services are under threat with the growth of out-of-town shopping and the Internet. Elderly people are more likely to use local services than many other residents, especially at what would otherwise be very quiet times for those services. They may well make a similar contribution to other local activities as well.

However, OORH residents are often ignored as a special group with particular needs by local authorities. In contrast to the elderly in social housing, special services are not provided: by local authorities or by other community organisations, such as charities. In some respects, this mirrors the independent and self-help attitudes of OORH residents themselves but, unfortunately, it also reflects neglect at the local policy level.

## Chapter 6: Public services and the environment

### Introduction

Two major items of concern in the UK today are the costs of public services and the impact of energy usage on global warming. In both contexts, the usual policy stance is to argue for a change in activity, with less usage and hard choices about lifestyles. Although it is currently only a small part of housing provision, OORH offers important savings in both spheres, without requiring consumers to do things differently. This arises because there are benefits of OORH in terms of health provision, which saves on health costs particularly in the NHS, and in terms of the energy usage of older households.

Within the NHS, the average spending per retired person is nearly double that of non-retired ones. Almost two thirds of general and acute hospital beds are occupied by people over 65.<sup>31</sup> In 2007/8 the average value of health services used by retired households was £5,200 compared to £2,800 for the non-retired; with the cost of services greatest for the most elderly.<sup>32</sup> Department of Health estimates suggest that the average cost of providing hospital and community health services for those 85 years and older is around three times greater than that aged between 65 and 74. Any reduction in health costs amongst the elderly is consequently of considerable public benefit.

With respect to energy use, there is already a programme of changes in building regulations that will lead to 'zero carbon' new homes. However, the provision of OORH has particularly beneficial energy usage benefits in terms of travel savings as well as domestic energy use.

### Health and the use of health services

The median age of the respondents to the residents' survey was just below 80 and many had moved into OORH because they have mobility or other health difficulties, such as having experienced a stroke or heart attack sometime previously. Nevertheless, residents did not exhibit high usage of public health facilities relative to that age cohort in the population as a whole.

Since moving in to their new accommodation, most have experienced no change in their health (Figure 6.1). For a minority their health had worsened but this may have been due to the fact that they were feeling the effects of ageing.

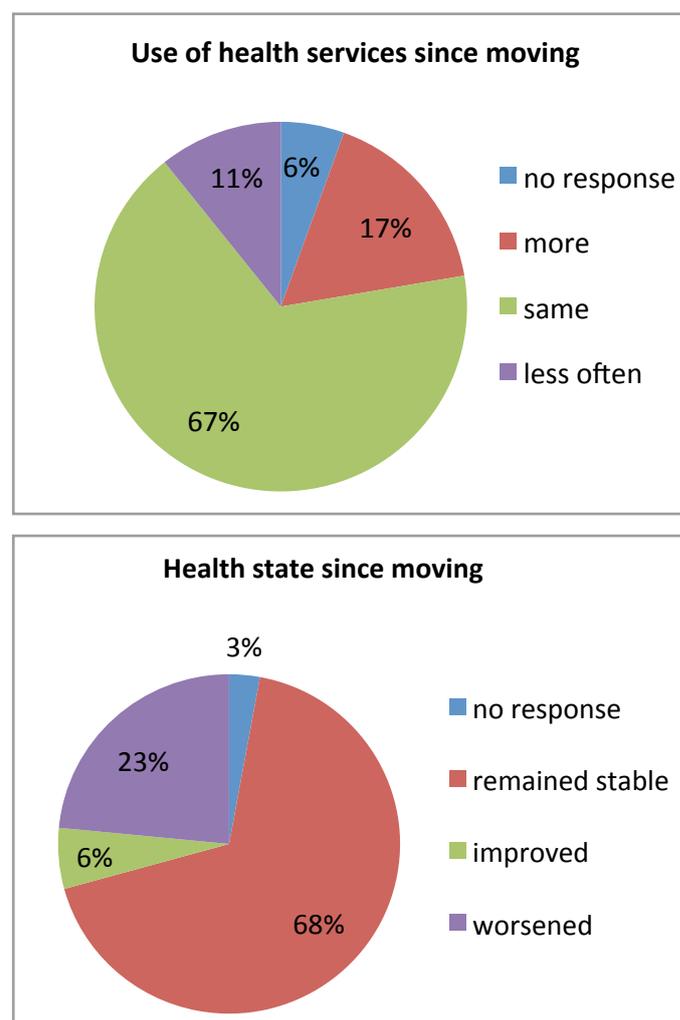
The usage of health services since moving was pretty much the same as in the past for most residents; although 17% did say that they were using them more, which may be due to the ageing effect already mentioned. Less than a fifth visited their doctor monthly or more and only 9% had had a home visit from a doctor or nurse since they had moved (Figure 6.2).

One of the benefits of living in OORH is that the accommodation is designed to cope with the needs of those with impaired mobility and other health-related problems while more assistance is at hand than in non-specialist housing. These benefits are reflected in residents' perceptions of being able to manage their health, with 28% saying that they could now manage it better (Figure 6.3). The overall balance of views was strongly in favour of improvement, with only 5% saying it had worsened – probably because of the onset of an illness. 65% of respondents said there was no change but that may reflect no deterioration in their health, as 68% also reported that their health had been stable since moving.

A quarter had stayed in hospital overnight since they had moved and 10% had had to be there for more than a week (Figure 6.4). This percentage of in-patient care is similar to that of the general population as a whole of that age.<sup>33</sup> However, 60% of OORH residents who had stayed in hospital said that they had found it easier to return home since moving. There are also indications that residents spent fewer nights in hospital than was the case for that age-cohort in the population as a whole.

This finding about spending less time in hospital is perhaps the most interesting one in relation to both the well-being of the person in question and also the costs to the National Health Service. As was noted at the beginning of this chapter, nights in hospital are one of the most expensive items of health care for the elderly, so any reduction in in-patient stays provides a significant benefit to the NHS.

Figure 6.1: Use of health services and state of health



<sup>31</sup> National Service Framework for Older People, Department of Health, 2001.

<sup>32</sup> ONS.

<sup>33</sup> GLS data

Figure 6.2: Visits to doctor

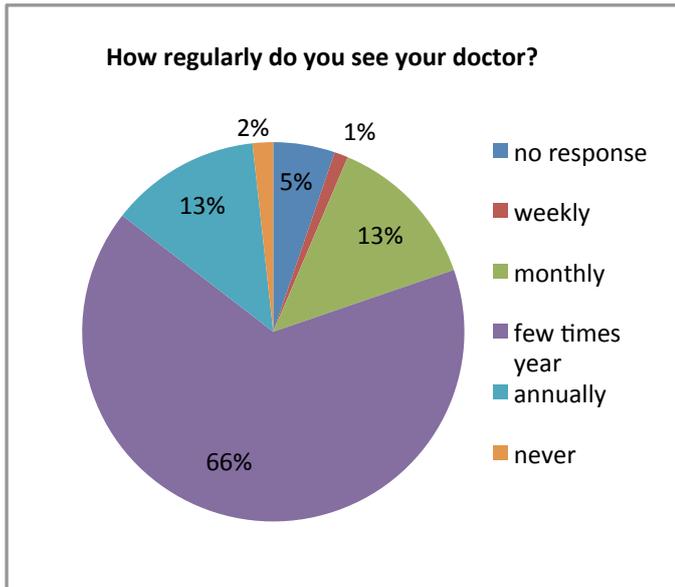


Figure 6.4: Use of hospital in-patients and the return home

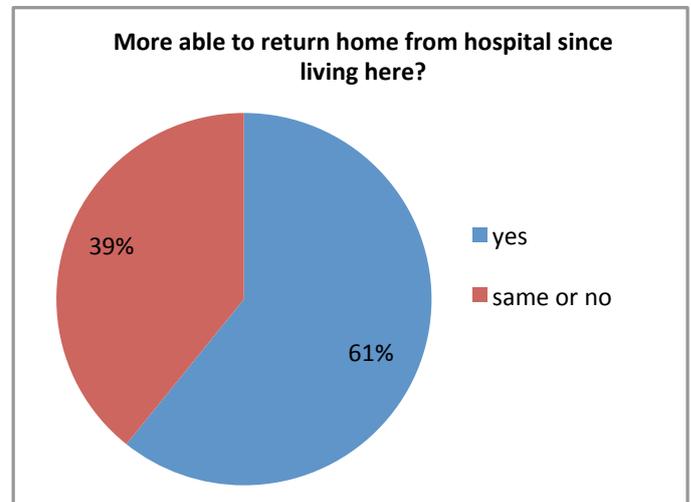
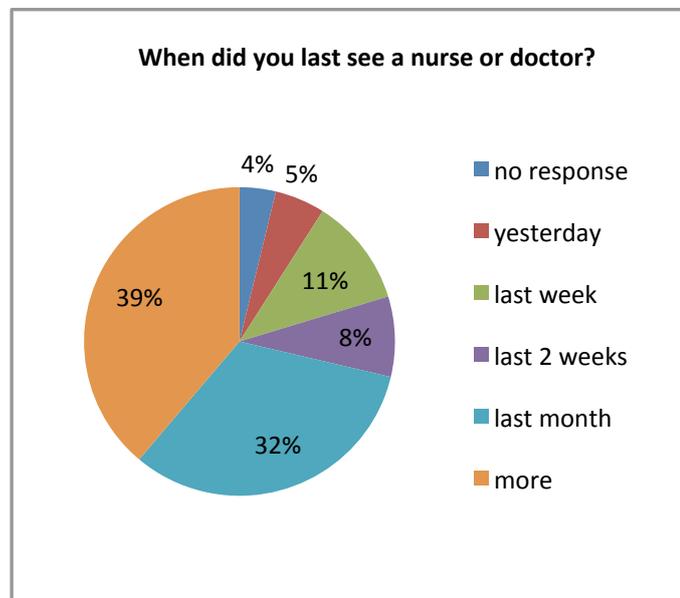
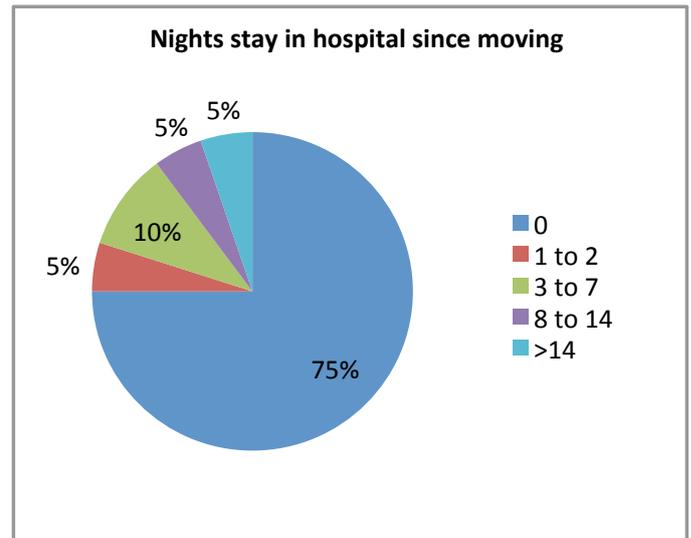
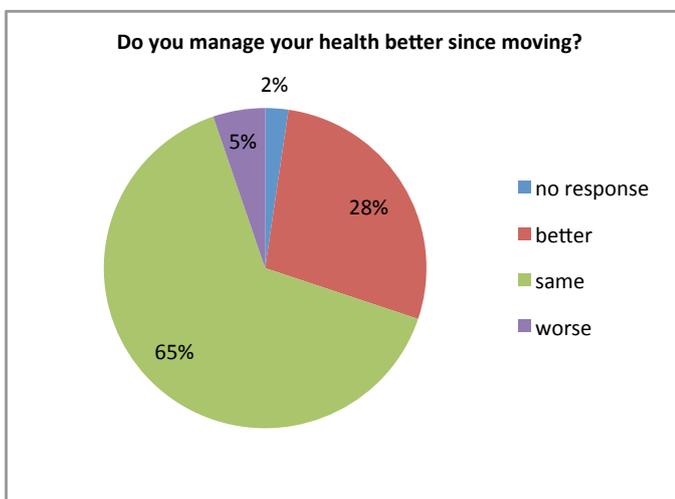


Figure 6.3: Perceptions of personal health management

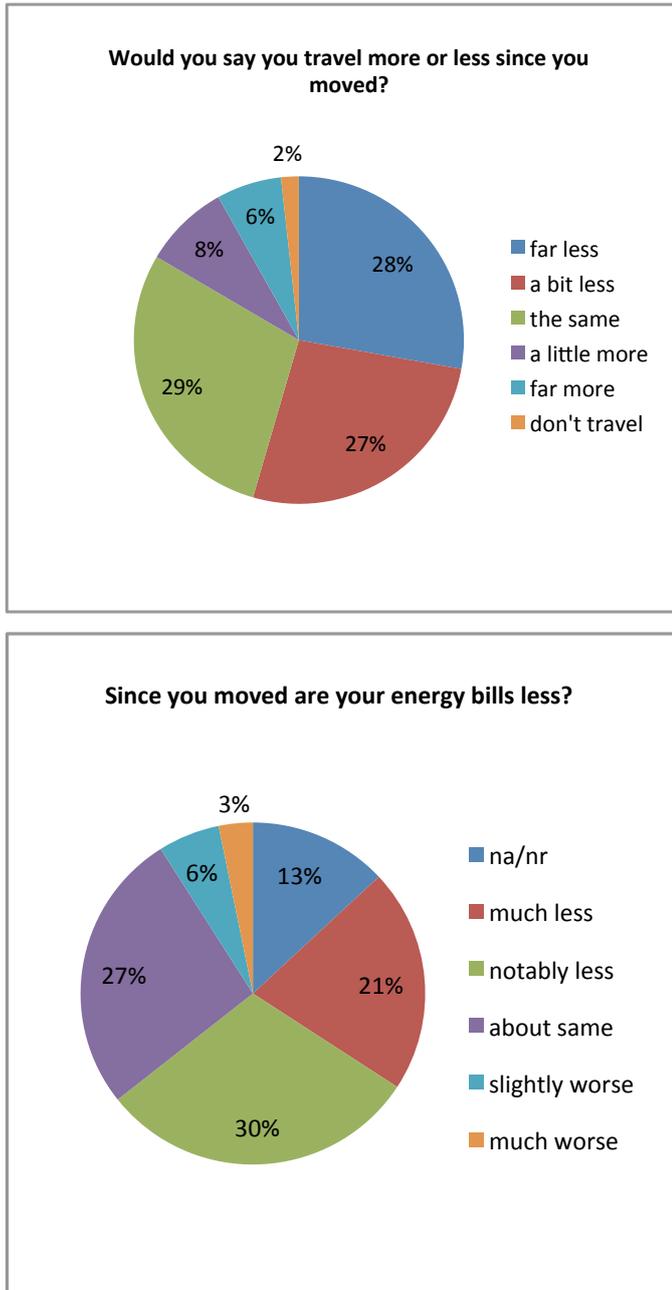


### Energy assessment

Many energy assessments are static in nature because they look at the energy use of a specific building or activity. In terms of energy saving, which is actually the objective in the face of global warming, changes in energy use are actually the most important factors. Therefore, in the context of OORH making comparisons between energy use in the previous homes and related lifestyles and those in the current home are most worthwhile.

There are two issues in this comparative approach. The first is energy use in the home, measured by the costs of energy bills. The second is the amount people travel and the energy used up in those journeys. In the residents' survey, people were asked how their energy bills had been since moving and also how much their travel patterns had changed. The results suggested a significant reduction in energy consumption on both counts. 51% said that their energy bills in the new dwelling were noticeably less or much less than before and 55% said they travelled a bit less or far less. These responses indicate a significant lowering of the carbon footprint of residents following their moves.

Figure 6.5: Comparative energy usage



These interview responses were backed up by further information. With regard to travel, other questions in the residents' survey highlighted that people were now often living much closer to friends and relatives after they had moved. As journeys to meet them were likely to have previously been a substantial part of those people's total journeys, a reduction in travel following the move is unsurprising. Their visitors are also likely to have to travel less in order to meet them. Journeys to shops and other facilities are also key components of travel needs and the location of OORH properties near to facilities would have cut journey times compared to the dispersed locations of previous suburban homes.

The situation with regard to energy usage in the home is more complex, because energy usage depends on a person's habits as well as the energy efficiency of buildings. The most obvious change is that after moving people are living in accommodation built to the latest and historically strictest energy standards. So, it is to be expected on that criterion alone energy usage would be less, as indicated by falls in energy bills.

Energy surveys link energy usage to income levels and dwelling characteristics. With regards to income, higher income households are associated with the highest energy usage. OORH residents, however, have much lower incomes than even the national household average and therefore are unlikely to be heavy users.<sup>34</sup> As regards buildings, purpose-built flats have the lowest energy use in the housing stock as do properties with the smallest number of bedrooms.<sup>35</sup> These data consequently are similar in their conclusions to the responses in the residents' survey regarding energy.

### Conclusions

Measurement issues are difficult when trying to assess the use of health services and the extent of energy usage. So, research can often be inconclusive. However, the evidence presented here does suggest that OORH provides clear health and energy saving benefits.

The overall balance of residents' perceptions of being able to manage their health was that it was better since they moved. There is also one clear aspect where OORH residents utilise health services less. That is the amount of time they spend in hospitals when they are ill. This finding is important because of the high costs of in-patient care.

Turning to energy usage, respondents felt that their bills were less in OORH than they had been in their previous homes. This is backed up by comparative analysis of the energy costs of larger, older homes and new purpose-built energy-efficient flats. What is more, people tended to travel less once living in OORH, because they are often closer to friends and relatives and to shops and other facilities.

Increasing the provision of OORH is thus good for the environment. It would therefore seem perverse if general measures aimed at improving the energy efficiency of new buildings particularly adversely affected the viability of OORH over other ways of living. However, this currently seems to be happening, as the next chapter shows.

<sup>34</sup> DECC.

<sup>35</sup> English Housing Survey.

## Chapter 7: Providers and supply side constraints

### The importance of the supply-side for affordability

So far, this report has examined the benefits of OORH to users and in relation to the wider community, public services and the environment. It has been emphasised that, if affordability could be improved, more people would benefit from OORH.

Improving affordability is a job for the supply side. If building costs could be lowered and supply increased, competition would push down new dwelling prices and, more likely than not, encourage greater product variety and service innovation. The price of this type of housing is influenced by the same cost factors as all other types of new homes: that is, by land prices and costs associated with construction, development finance, and conforming to planning and other types of regulation. So, this chapter will examine these elements of the supply side in turn in order to identify potential issues that could be addressed.

A common argument is that non-land supply costs do not matter much in the UK because of land supply constraints. So, if the cost of building housing falls for some reason or another, the argument goes, the principal result would be to bid up of the price of land rather than to lower the price of houses for consumers. A corollary is that there is little point in looking at any one type of housing specifically, because general land shortages have to be overcome for housing affordability to improve. Focusing on one type of accommodation clouds the core policy message of needing to improve land supply in general.

There is a great deal of sense in the argument that it is land shortages in general that raise the cost of housing for all. However, given current policies, it is both feasible and desirable to treat new OORH in a unique way that shields any benefits of improving its cost of provision from seeping away in higher land prices, as will be explained in the policy chapter that follows.

### The specific production characteristics of OORH

The construction of owner occupied retirement housing has obviously many similar characteristics to other types of housebuilding. However, there are a number of specific features that are important when looking at supply-side issues.

#### 1. A specialist product

This type of housing consists of purpose built blocks of apartments embedded into the urban fabric; with on-site facilities and building designs to aid the movement, comfort and security of the elderly. Communal lounge facilities and office and other building space for services are required and these typically take-up 30% of built space; none of which is directly revenue earning, because only the self-contained space within flats is sold. In addition, landscaped gardens and car parking have to be provided. Communal cooking and restaurant facilities may also be built.

The accommodation built and the service offer have to be attractive and desirable – people will obviously only buy what they like. Furthermore, it has to be affordable for the broad middle income and wealth range of the elderly population in a locality and potentially from elsewhere. This joint value requirement has to be met within a tight cost frame: on the one side, driven by caps on feasible selling prices and, on the other, by high land prices, by construction and finance costs and by regulatory compliance expenses.

#### 2. Working capital intensive

Although some flats can be sold off plan, most schemes have to be completed and be in a completed “live-in” state before most sales are made. Before anyone can move in, a house manager has to be in place and the communal facilities available for use, even though at that time many of the flats are likely to remain unsold. After that time, a further period will elapse before all the units for sale are occupied.

Such activity means that a considerable amount of working capital has to be utilised in land purchase, in acquiring planning permission, in construction, and in setting up service functions, before most revenues come on stream and final sales are completed. It is consequently a more working capital intensive type of building process than, say, building new single-family housing.

The scale and the length of time of the investment of capital mean that the financial success of this type of development is highly sensitive to market risks to a greater extent than many other types of housebuilding. When the general housing market turns down, elderly people wanting to move into such accommodation cannot find anyone to purchase their existing home and, so, sales languish whilst working capital still has to be financed

#### 3. Specific market and product skills

Producers have to have a good understanding and knowledge of this specialist market in order to succeed. These are necessary in all aspects of the business: land assembly and planning, design, specification, finance, marketing and sales, and in the setting up of the continuing client service and maintenance operation.

#### 4. The benefits of specialisation

The features already described suggest that, although in principle generalist builders could be active in this area, in practice there are considerable benefits to be derived from specialisation within it. In consequence, many firms active in this area over the past two decades focus upon it exclusively.

McCarthy and Stone is the major producer. Since the late 1990s, the firm has averaged around a 60% market share and has a strong brand image.<sup>36</sup> Other providers include a variety of smaller size specialists and some housing associations building for sale. Although the largest firm has a significant market share, the sector remains a competitive one. There is ease of firm entry and exit, other new housing products are substitutes and, most importantly, elderly people always have the option of staying in the existing housing stock.

#### 5. Specific land needs

Residents of OORH like to be near shops and other facilities and, so, proximity to town or neighbourhood centres is a requirement. Moreover, developments are not particularly large in size, so that relatively small land sites are desirable. This means that sites are often brownfield in nature and frequently ‘windfall’ ones released from other land uses and, consequently, often absent from land-use plans. Planning authorities, instead, often treat such sites opportunistically on a case-by-case basis.

<sup>36</sup> For example, they consistently achieve a five star rating in HBF national new home customer satisfaction survey industry results.

The required locations mean that this type of housing is often in competition for central urban sites with other land uses, such as commercial offices or shops. Alternatively, but less frequently, a scheme might be an element of the larger suburban development and located near the shopping and other facilities within it. In this case, the land will be bought from, or in conjunction with, the major developers of the scheme.

The general nature of this development profile for OORH is not conducive to land banking, because of the relatively long-time frame of the development relative to site sizes, the inherent risks and because so much capital is already tied up in schemes underway. So, firms typically buy land on an as-needed basis, which makes them sensitive to the available flow of land supply.

## 6. Setting up an on-going resident service operation

There are several on-going activities necessary once the accommodation has been built. These include the need for a house manager; a helpline linked to the emergency call system available in flats; maintenance of the building, its communal parts and surroundings; a considerable burden of administration and compliance; dealing with changes in occupants when they occur; and, on occasion, a full-service meals and restaurant operation.

All these features mean that on-going service arrangements have to be built up and sustained. Those operations may be undertaken by independent service companies that often purchase the freehold of developments as well and are active across a wide number of properties. The major British provider of retirement services is Peverel, which was once part of McCarthy and Stone, but many others also exist.<sup>37</sup> (McCarthy & Stone now manages all of its new schemes itself).

Getting the service operation functioning at a high standard is clearly key to the on-going success of an OORH development and the happiness of residents. It also has a cost dimension and associated on-going charges for residents. This key element of the 'lifestyle package' affects the attractiveness to potential purchasers, the initial purchase prices they are willing to pay and the continued reputation of this lifestyle.

## Local authorities, land-use planning and OORH

Planning is currently undergoing considerable change with the development of a new National Planning Policy Framework (NPPF) and the government's associated localism agenda. Discussion in relation to them will be undertaken in the next policy related chapter. However, in order to frame that discussion it is worth briefly looking at past experience of the practice of planning for OORH, because even with the envisaged changes, the past will influence practice considerably going forward. Unfortunately, the picture is not an encouraging one. Strategic neglect and extensive case-by-case objection to development proposals have been the principal features of planning and OORH to date.

Evidence of a less than positive attitude to OORH is found in the extent to which McCarthy & Stone have had to go to appeal in relation to its sites. A large portion of its developments are only permitted on appeal because agreement could not be struck with the local planners (65% of cases). Even on the minority of schemes

where the appeal is refused, a clear blueprint is provided by the Inspector that then allows most sites to then receive consent at local authority level in a form of development that the authority had originally indicated to be objectionable. This indicates that local planning departments are less than enthusiastic about such developments and only allow many when required to. On average, McCarthy & Stone has had to go through the process of appeal 10 times a year and has initiated appeals even more times (after which agreement was reached with the local planning authority without having to pursue the appeal further).

Even when an appeal is successful, it raises costs. McCarthy & Stone's costs on average are around £105,000 per appeal, or over £1m annually, plus they incur land holding costs because of the delay. In addition, local authorities incur other substantial costs themselves in preparing for and participating in appeals, and in 43% of cases paying the developers' costs. So, this process of being forced to appeal seems a particularly inefficient, wasteful and time-consuming way of planning for the provision of OORH and raises the prices of the homes built. Other costs and uncertainties are imposed by the length of time it takes to go through the planning process.<sup>38</sup>

Critical commentary on the lack of engagement between the planning system and housing for the elderly in general has been significant in recent years and on how it needs to be more joined up with other local services and better related to national priorities.<sup>39</sup> This is encapsulated in a quote from a recent Planning Advisory Service (PAS) paper: "There is clearly a need for change in the way planners approach planning for an ageing population – all the way from plan making through to implementation."<sup>40</sup> The PAS report does show that some local authorities and the planning community in general are trying to address the issues. However, the engagement is relatively small in scale in relative to the large number of planning authorities in the country as a whole. It, also, tends to be from what can be described as a traditional planning framework. Positively, that approach argues for better recognition and a more positive approach at the local level. But, more worryingly, its suggested remedy is an administrative one of greater planner engagement across the local policy spectrum related to the elderly; more consultation; and improved demographic data and analysis to inform planning. Such a perspective has also been echoed in a recent Local Government Group seminar paper.<sup>41</sup>

There is a danger in expecting too much of planners in such an approach. They would be in little position to overcome possible conflicts over resource use and divergent policy directions. The analysis base on which they make decisions and consult local populations may be scant and weak. Greater planner engagement across local authorities' functions and policy and in greater consultation would lead to a substantial increase in their workloads, with overload potentially leading to unhelpful or inadequate outcomes and continued cycles of appeal.

More strategic guidance on housing for the elderly seems essential to provide a set of ground-rules that can cut through a potential escalation in bureaucracy and conflict. Some can be set locally but broad national frameworks and guidance seem vital. The NPPF offers such an avenue and the significance of demographic change in the country would suggest inclusion within that Framework's remit. As the RTPI

<sup>37</sup> See the EAC website.

<sup>38</sup> M. Ball, *Housing supply and planning controls. The impact of development control processing times on housing supply in England*, National Housing and Planning Advisory Unit, Dept. Communities and Local Government, 2010

<sup>39</sup> Wanless, *ibid*; HAPPI, *ibid*; International Longevity Centre, *Sustainable planning for housing in an ageing population: a guide for regional level strategies*, 2008; Poole, *Housing Options for Older People*, Kings Fund, 2006; National Housing Federation, *In your lifetime*, 2010.

<sup>40</sup> Planning Advisory Service, 2009, *Knitting together – planning and our ageing population*, p7.

<sup>41</sup> Housing and Neighbourhoods fit for an Ageing Population: Briefing report for an LG Group workshop, 2010.

argued in a submission on the NPPF: “The NPPF does ... have an important role in establishing the type of plans that are needed at the local level in terms of their evidence base, including the establishment of need, their transparency and their inclusivity.”(p5).<sup>42</sup>

Strategic Housing Market Assessments (SHMAs) are likely to be particularly important, as they will represent the basis of forward-looking assessments of housing requirements. However, SMHAs are not easy to do and there are widely divergent outcomes in terms of their quality and content. SHMAs aim to provide an evidence base and are intended to be monitored annually and revised every three to five years to inform local plans and housing strategies. Their purpose is to go beyond demographics to measure, project and monitor demand in housing market areas, which may themselves straddle local authority boundaries. Demand in relation to supply is important as it brings into forecasts house prices and, consequently, actually how many people will be able to afford to live in an area. If house prices continue to escalate on a long-term basis as they have done in the past, and there is a clear chance they will, increasing fewer people will be able to afford to live in many parts of the country, which will result in many current local people or their children and grandchildren being squeezed out. However, in practice, most SHMAs over the past five years since their introduction have only added a little housing market intelligence and data onto traditional local demographic forecasting, rather than approached estimation through the economics of housing market mechanisms. There remains a great deal of uncertainty over how SHMAs should be done properly and what conclusions should be drawn from them in planning terms.<sup>43</sup>

SHMAs are relevant to elderly housing, because a simple demographic analysis provides no indication of how the elderly are going to be housed. Most live in the private sector in existing local housing and do not move. Consequently, there is a danger of regarding their housing as being ‘sorted’ and beyond the remit of planning as it is primarily focused on new development. However, that is to take a crude cross-sectional demographic ‘needs’ view rather than a life-cycle and more market-oriented view of local housing. There has to be an understanding of how older people operate within a market context and what local opportunities exist for them, including OORH.

At present, on average, around a fifth of any local area’s housing stock houses owner occupiers aged 65 and over. Because this figure is an England average, and includes low homeownership rates in London, the percentages are actually much higher in many local authority areas and particularly for family housing in them. The possibility of at least a portion of such a substantial group of elderly being able to move within the private sector is essential for the effective functioning of local housing markets. If there is no movement by the 65+, the turnover of housing in a local area will become progressively less as people live longer. The stock available for other movers will shrink significantly, making demographic-based forecasts of future need increasingly irrelevant as local house prices escalate.

## Section 106 agreements and CIL

As with all private residential development, OORH is not granted planning permission unless a Section 106 agreement is drawn up.<sup>44</sup> These specify the contributions to affordable housing and other items that developers have to make

following negotiation with the local planning authority. From April 2010, local authorities also have the opportunity to charge a Community Infrastructure Levy (CIL) in partial replacement of Section 106. The actual incidence of development charges on specific OORH developments varies considerably and over time with fluctuations in the housing market, but can still be substantial.

The theory underlying Section 106 and CIL charges is twofold:

1. Land values are greatly increased by the granting of planning permission, so the local authority as the representative of the local community should be able to impose a charge to gain some of the windfall for local needs. But who bears the cost of the charge, the final user of the building granted permission or the original owner of the land on which it is built? In a certain world with only one land use, it could be argued that the charge falls on the land owner alone.
2. The provision of private housing should make some contribution towards housing the less well-off in the form of affordable housing. Affordable housing includes social housing at below market rents and various forms of low-cost homeownership, used to an entry into owner occupation.

On both counts, it is not clear that OORH fits the bill as a candidate for development charges.

With regard to the incidence of development charges, it was noted earlier that OORH competes with other land uses in central urban areas as well as other forms of residential housing. Although other land uses are subject to development charges, they are typically lower than for residential. Moreover, brownfield sites can be used in a wide variety of configurations and often contain a great deal of uncertainty about build costs and development pricing. On both counts, the argument that the charges pass through to landowners is weak. In which case, at least part of the charge remains with the developer. As a result, developers will be less interested in supplying new OORH, which in turn raises its price. Some or all of the development charges, consequently, are borne by the user: in this case elderly middle income households, who do not seem a sensible group to target for extra taxation.

Furthermore, section 106 monies are not used to help the elderly but generally for facilities that help younger people. RTPI research found no evidence of section 106 agreement leading to improvements to facilities specifically for the older population and urged local authorities to do so.<sup>45</sup>

## Building and other regulations

A report on the housebuilding industry for government last year by the author highlighted the high regulatory burden the industry faces.<sup>46</sup> The current government has committed itself reducing the burden but many issues remain.

These burdens, of course, affect the provision of housing for the elderly as much as any other type of private new housing. But, in addition, there are specific factors that add costs and compliance problems to OORH building. Several examples give the flavour of the issue:

1. **SBEMS ratings** In relation to energy use, Building Regulations are gradually being altered to generate ‘zero

<sup>42</sup> National Planning Policy Framework: Preconsultation Phase: RTPI Initial Proposals, 2011. <http://www.rtpi.org.uk/download/11270/110228-RTPI-evidence-on-NPPF.pdf>

<sup>43</sup> Understanding Housing Markets. What are the issues? Is there scope for joint working to produce a toolkit to improve SHMAs? NHPAU, 2010. <http://www.communities.gov.uk/documents/507390/nhpau/pdf/1516435.pdf>

<sup>44</sup> These contributions fall under section 75 of Scottish planning law, but for brevity will be referred to by their English title only.

<sup>45</sup> Planning for an Ageing Population, RTPI, 2004.

<sup>46</sup> M. Ball *The Housebuilding Industry. Promoting Recovery in Housing Supply*, Dept. Communities and Local Government, 2010.

carbon' new residential buildings. Each new OORH dwelling has to conform to SAP energy ratings for individual dwellings. However, as OORH includes communal spaces as well, there is the likelihood of a requirement to meet SBEMS ratings (Simplified Building Energy Model) as well for those communal areas that are heated (residents' lounge, restaurant etc.). This requires utilisation of renewable technology, in one form or another, which will result in a substantial capital cost (although part, if not all, of this cost could be recovered from the Government's financial incentive tariff), and significant on-going operating and maintenance costs. These on-going costs will be a burden for residents as they will be on top of the normal service charge. This could well therefore prejudice supply of OORH as other living alternatives for the elderly do not bear that cost.

2. **Flood and water management** Amendments to the Flood and Water Management Act are proposing on-site SUDS (Sustainable Urban Drainage Systems) in which rainwater is dealt with on site rather than the traditional approach of channelling through pipes to a watercourse. However, this approach is difficult and expensive to achieve on the small brownfield sites typically used for new OORH.
3. **Secure by design** This is the official UK Police flagship initiative supporting the principles of 'designing out crime' but it is now also becoming a benchmark to be met in order to win planning approval. New OORH schemes therefore have to introduce expensive locking system on all of the entrance doors to individual apartments in line with standard requirements. However, this obligation ignores the already existing security features in OORH buildings, including door entry systems at main entrances with CCTV etc., so it is questionable whether security is actually improved.

A fundamental problem is that regulations are 'one-size-fits-all'. This can be seen in the examples above. Regulations and changes to them do not tend to recognise market segments and associated specific compliance and cost implications. OORH is only around 2% of new housebuilding, so it could be suggested that it is hard for regulations to take into account such a small part of the market. But the danger is that by recourse to such arguments building regulations limit housing choice and innovation inadvertently.

This theme is noticeable in new regulation and general debates over energy saving through Part L of the Building Regulations and local planning policies. Such measures can have particularly high cost impacts on OORH threatening development viability. Furthermore, small sites offer less flexibility than do major housing developments which tend to be the prime focus of debate.

Another difficulty is that policy does not consider the actual housing alternatives facing users and their energy impacts. In the case of an older person moving into OORH, the previous chapter suggested that there were significant energy savings in relation to that person's travel habits (and those of their visitors) and in the difference between the energy costs of a large house built in an area era when energy savings were not of concern and a purpose-built apartment built to the latest energy-saving requirements. The overall energy-saving arising from that person moving into OORH is therefore likely to be substantial. Failure to move into an OORH home, therefore, has a considerable negative impact on energy-saving aims. Once again, the dynamics of housing markets and how they inter-relate with travel patterns are what matters in the energy calculus, rather than the static energy measurement of a particular building.

## Conclusion

This chapter has looked at the supply side and argued that there are significant barriers to reducing the cost of OORH housing. The biggest problem is planning induced land shortages, leading to higher costs for the elderly. However, there are other issues associated with on-going changes to building regulations. These factors can be seen throughout the housebuilding industry but have specific manifestations in OORH.

To reiterate a theme of this report, the supply side matters a great deal if there is a desire to increase use of OORH and its affordability. The issues discussed here have been related to public policy and regulation policy because it is through changes in regulations and attitudes towards OORH in central and local government that there is the greatest prospect of improvement in the supply side.

## Chapter 8: Time for a policy reassessment

### Introduction

The current government is trying to do two things in relation to the role that it plays in society. The first is to reduce public expenditure in order to deal with economic crisis and to rebalance the economy. The second is to change the relationship between government and people: by devolving power down to lower levels of government in local areas and by trying to encourage people, both individually and collectively, to rely less on the state and more on their own actions. It is obvious, given the number of older people and their importance in society as a whole, that these policy changes are having significant impacts on older people.

It could also be argued that OORH encapsulates many of the ideas the government is promoting. As has been argued in this report, this type of housing is about self-help: using resources built up over a lifetime to fund an appropriate lifestyle in older age, when the frailties of life begin to mount. It is about private endeavour: utilising personal resources and social networks rather than relying on the state. It is about being able to enjoy life in older age, even when health matters may impose constraints. It is about maintaining a sense of independence in old age, within an improved framework of emotional and physical security. It is also about building up communities: with people living in situations where friendships can be made and mutual support offered and where they can engage with the wider community, especially through links to families and friends. It is about bringing families together, with grandparents being better linked with their children and their grandchildren living in the local area. It is about recognising the intergenerational linkages in any local community, the cycle of life, and the relation of local resources to these. It is about ways of living that keep down public costs and save energy, without compromising preferred lifestyles.

Given these characteristics, it might be expected that politicians and governments would be currently rushing to assist the expansion of OORH. Yet this is not the case. In part, this is because the sector is quite a small one, housing only around 2% of those over 65 at present, and so often overlooked. It is also because this form of provision does not appear on the political radar much. Its very characteristics mean that there are no urgent problems that politics has to deal with.

However, it is also about the way government traditionally works at the local as well as national level. Governments focus on pre-given tasks and on winning votes. Even when engaged with broad questions, the minutiae of what already exists tend to predominate over wider concerns. For example, most local authorities now have some form of policy statement related to housing for the elderly. Moreover, they generally recognise that many older people live in private housing with, in most places, the majority being owner occupiers. However, in practice, this does not mean that any level of government actually has fully worked out strategies with regard to elderly housing in the private sector and, typically, they all neglect OORH almost entirely.

Policy is also rarely joined up between strategy and action. Elderly housing policy statements quickly focus action on the things that centrally matter to the local authority rather than seeing local government as one agent within a much bigger market place. Issues of provision and expenditure by local authorities and social housing providers for the elderly invariably become the centre of local government interest, to the exclusion of the positive role that the private sector can play. Though social providers are clearly important and costs of social care are high and of concern to both central and local government, particularly at a time when expenditure is being squeezed, the opportunities offered by the private sector are under-played. Perhaps, this emphasis is encouraged because votes are directly won and lost in relation to actions that can be directly attributed to local government, which relate most to social provision; whereas it is less easy to identify and attribute positive benefits that voters can easily weigh up in relation to the provision of private housing. However, in the absence of coherent policies and strategies the negatives start to mount. Without clear strategies and guidance, planners and local politicians understandably become focused on objections to development, rather than on the positive contributions this type of housing offers.

The research results here indicate that the provision of OORH has particularly large community spin-offs. Not only does the provision of OORH often directly house someone from a local community, who themselves will frequently have extensive kinship and friendship networks within that community, but in addition it means that existing local housing is vacated when somebody moves into an owner occupied retirement home.

So, OORH would seem tailor-made for policies aimed at strengthening communities and giving them more say in what they would like to see in terms of local development. However, many local people are not aware of these OORH links and are thus likely to be indifferent to its existence in consequence. Others see only another new development, which can provoke a NIMBY-ist response. Part of the issue therefore is about appropriate research, information and communication.

These sorts of issues raise some of the dilemmas facing localism. How to get real action, engagement and a positive response to necessary development? How to build up a consensus on what to do? These are difficult questions without simple answers. Yet this concluding chapter will argue that in relation to OORH some simple policy rules could draw out the benefits. The principal issues concern engagement with local housing markets, planning policy and wider building regulation.

## Localism agenda and OORH

Current government policy puts a great deal of emphasis on its localism agenda. Taking a positive view towards OORH would be an important practical step within that context. Such a positive view would:

- Recognise the direct benefits to user
- Identify benefits to local authorities and central government in less public expenditure e.g. on care
- Be aware of indirect benefits to family and friends
  - Most of whom are locals
- Note other wider context benefits
  - With respect to health provision, community building, localities, local services, and the environment
- Integrate housing market benefits
  - A new OORH houses an elderly person directly plus potentially a family in the previous home and frees up chains of moves.

## Shaping housing markets

Growing problems with affordability have led governments to try and improve the situation in housing markets for groups that are regarded as particularly adversely affected. For example, in the last Budget there were initiatives for first-time buyers and also with respect to institutional investment in rental housing. Far less attention is paid to the situation of the elderly. Older homeowners are seen as equity rich, but as the analysis here has shown many cannot afford to move even if they would wish to. Insufficient attention is given to the distribution of house prices amongst the elderly and the impact on their housing options.

Furthermore, when housing markets seize up, governments spend more on social housing and improving the ability of first-time buyers to raise mortgages. Neither of these things helps last-time buyers. The benefits for them are substantial of moving, when they need to, and also for society as a whole, because when older people downsize important parts of the housing stock are released for others to use and flows of transactions spread through markets in chains of sales.

**Schemes to facilitate the continued sale of older people's property in periods of market downturn and overly tight credit conditions would seem just as desirable as providing liquidity for first-time buyers and they indirectly help serve the same purpose of stimulating the market.**

**But where government action would be most relevant is in the allocation of land for housing, because it shapes the costs of OORH.** An opportunity to improve the market-price of OORH has been highlighted in this report and it has been argued that the amount of OORH would be much greater if it could be provided more cheaply. **With localism, it would seem that the onus is entirely on local authorities in this regard. Yet central government still sets the rules.**

## Affordable housing

Under s106 Planning Obligations, development contributions are made towards providing below market price housing. As was noted earlier OORH developments often make such contributions.

There are a variety of definitions of the below market price housing provided in this way. Affordable housing is defined as: "includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market."<sup>47</sup> Intermediate rental housing is that between open market levels and subsidised rents. Under the current government policy, most social rents are going to rise up to the intermediate level. However, most intermediate housing involves shared ownership, usually involving a social housing institution and private purchaser, as a stepping stone to full ownership. In 2008/9, 25,000 intermediate homes were built: 45% of all affordable housing delivered in England that year.<sup>48</sup>

The point of going through these definitions is to highlight the fact that this set of policies is discriminatory against older people, unless they are on low incomes living in social housing. It was pointed out in Chapter 6 above that it cannot be assumed that the landowner always bears the burden of s106 payments. In the current framework, an older person on a modest income moving into OORH is being taxed to provide housing for those who might actually be better-off. This is regressive and seems hard to justify. Two potential reforms can be suggested, the first smaller scale and the second involving a bigger but more beneficial outcome.

***OPTION 1: Ring fence any s106 contributions that are derived from providing older people's homes***

**The funding derived from such s106 negotiations could be directed to expenditure that benefits older people. More reasonably, as affordability is such an issue in this submarket, it would be better to apply a zero rate to OORH.**

***OPTION 2: Redefine OORH as being equivalent to affordable housing***

**Developers when they make s106 contributions on any development could offer to provide land for OORH as their contribution, provided that the offer leads to an underwritten, viable and timely new build scheme of OORH, and negotiate the appropriate tariff with local planners accordingly.**

Option 2 was suggested by one of the HAPPI panel and has much merit. Where the location of the development is inappropriate for OORH, equivalent payments could be made to a local or regional fund set up to purchase land for viable OORH building.

If land costs would be reduced significantly by treating OORH like affordable housing for s106 negotiations, developers would have an incentive to provide OORH, possibly in partnership with specialist providers, and this would greatly increase the supply of such accommodation and extend competition within the sector. This extra supply would result in OORH becoming far more affordable and move the price of OORH down the distributional percentages of local house prices, so that additional older people can afford to sell their existing home and buy into the sector. The viable and timely caveats were included to avoid the possibility of unworkable proposals being offered as s106 contributions.

<sup>47</sup> Delivering Affordable Housing, CLG, 2006.

<sup>48</sup> CLG.

There are various formulae that could be used and experimented with over precisely how development contributions that assist in the provision of OORH could be operationalized. Probably the best way to set s106 tariffs in relation to OORH is to base them on the number of dwelling units alone. There is a temptation to specify particular price levels for the dwellings built that guarantee they will be affordable, but it is probably better to let the market determine the actual mix between quality and price. Asking prices should in any case quickly improve because the extra supply would lead to competition and that would force the price of OORH down. However, if, as a second-best, price caps were imposed, it would be better if they were set in relation to specific percentile points in local house price distributions rather than fixed in monetary terms, which requires guesses about future house prices and a danger that the price was pitched too low to induce developer interest.

**It should not be a requirement that the OORH 'contribution' negotiated under s106 agreements be built on the sites in question, because they may be inappropriate locations for the accommodation needs of the elderly. Instead, developers should be able to purchase 'credits' in the cost of better located schemes, where appropriate, and should be able to negotiate with OORH developers over the value of such credits to encourage the principle of economy.**

To impose price or quality caps on part or of all of OORH would damage supply. **Similarly, independent developments of OORH should not be liable to pay an additional affordable housing contribution, say, to provide 'cheaper' OORH accommodation elsewhere, as that would simply raise costs again. Rather this proposal suggests that all OORH new build should be given enhanced planning status alongside low-cost home ownership for younger households, which is already treated as a form of affordable housing.**

Treating OORH as an affordable type of housing would have a dramatic impact on its supply, cost and the range of choice. The policy would not only improve fairness towards the elderly and enable access for more of them to a lifestyle that may offer considerable benefits to them but would also encourage older people in need of some support and care down a private, self-help route. There are also a further set of spill-over benefits, outlined in this report, that further reinforce justification for treating OORH in this more socially responsible way.

This change of policy would involve no cost to government.

### OORH and planning policy

If OORH is to become one of the components of local community building, a new attitude to housing the elderly has to pervade throughout land-use planning. Although government wishes to direct decision-making down to local authorities, the new NPPF framework would benefit from engaging with this issue in its principles.

**With regard to the NPPF FRAMEWORK, two factors seem important:**

1. *Recognition in principle that demographic change and an ageing society are central issues for planning*

**The data on the ageing population and the sharp rise in older households should make that self-evident, but dealing with this issue from a housing perspective is about more than simply recognising the demographics but rather, instead, dealing with the consequences and knock-on effects in local housing markets.**

2. *Recognition that the elderly should be able to operate effectively in the private market and that the planning process should facilitate that*

**Older people can rarely borrow mortgages and may effectively be trapped where they are unless there is a better price range of private sector options from which they can choose. The balance of specialist housing is currently heavily tilted towards the public and housing association sectors.**

**The greatest emphasis regarding housing for the elderly and planning is obviously at the LOCAL LEVEL.**

1. **It will be highly useful in the context of a more positive, socially responsible attitude towards OORH, if the sector was integrated into planning strategies and local development frameworks rather than treated on an individual site, generally negative, basis as currently occurs.**
2. **It would help within this context if planning operated on a dynamic, life-cycle basis rather than the cross-sectional approach to estimating needs that dominates thinking at present. There is a lack of coherent, credible approaches to undertaking these analyses that can bring in housing market and population dynamics. Addressing this problem urgently within the context of the transformation of the planning system seems essential, if sufficient housing of the right type is to be provided. (This issue was discussed in Chapter 7 in relation to SHMAs.)**

There is a dynamic interrelationship between the people living in a local area - that is the community - and the local housing stock. The community contains arrays of people/households that flow through the housing stock, moving at different stages of their lives. From within this framework, ageing becomes an integral element, rather than regarded as an end point of less importance than earlier life-cycle events, such as buying the first home. Also, within this dynamic framework it is easier to identify when restricted land release blocks the flow of households through the housing stock. A specific blockage has been identified in this report in the form of a lack of lower-priced private housing into which some of the elderly would wish move, of which OORH should be an important part. That blockage is caused by insufficient land supply, not by the actions of developers themselves.

## Rethinking building regulations

The government's intentions towards reducing the regulatory burden are to be welcomed. The principle of less all-round is a good one, but there are so many initiatives underway which affect housebuilding that the task is a hard one.

**The analysis here suggests that it would be useful if regulations and other requirements were more sensitive to differences in types of residential building and recognised the distinct roles that they play within housing markets.**

Regulations have a differential costs and outcome impacts depending on the housing types and sub-markets in question. There is also a regulatory bias towards the most common types of built structure.

It would help if building regulations and debates around them could take a wider view that of just the characteristics of built structures and specific problems associated with them, such as rainwater run-off. Buildings are in networks of provision. For example, people moving into OORH typically leave behind an older, larger, family home which is often refurbished and made more energy efficient by its new occupants. Unless regulations are sensitive to these market dynamics they can end up severely restricting desirable developments. That could then negate the aims of the regulations in the first place. This point has great reliance for OORH. It was pointed out earlier in Chapter 6 that environmentally OORH is a good thing. However, environmentally driven regulations are now threatening the viability of schemes and the overall consequences of their loss will be bad rather than good for the environment.

Building regulations traditionally have played the role of underwriting the safety and integrity of built structures. In this context, there can be no variation: a building is either safe or it is not. However, in recent decades building regulations have come to play another role, which is much more related to changing behaviours in what is seen as socially desirable ways. The most obvious example of this approach is regulation aimed at reducing energy use. A less energy-efficient dwelling does not threaten life and limb but may be detrimental to wider and much longer-term events associated with global warming. In these contexts, a rigid approach may not be the most desirable; in fact, it may hamper innovation and unduly raise costs.

- 1. If energy reduction policies are to continue through building regulations rather than say through an energy tax, it may be worthwhile extending the principles of control away from absolute requirements to a more flexible mix of options to achieve goals with a greater emphasis on allowable solutions than is currently envisaged.**
- 2. Network effects should be integrated and recognised as a potential allowable solutions. They should be explored and assigned particular values.**
- 3. Moreover, the different types of activities that are going to take place within buildings could be given distinct weights in allowable solution tariffs.**
- 4. The same should be the case with other environment regulations.**

## The feasibility of increasing OORH supply

The sorts of changes being suggested here are in line with current government policy intentions. The benefits from change would be substantial and the costs limited. Bringing OORH within the remit of affordable types of housing, eligible for s106 negotiations, will also trigger larger payments to local authorities for permitting OORH building under the New Homes Bonus Scheme recently put in place. This would further incentivise the building of OORH, because under it affordable homes are given an enhanced bonus.<sup>49</sup>

## Conclusion

One of the greatest issues facing the UK, both now and increasingly the future, is the housing and care of a rapidly growing older population. There are signs of increasing recognition of the issues but to date limited practical outcome can be seen in housing and planning policies.

The growing shortage of housing in Britain and the crisis of affordability associated with it affects all ages. Moreover, markets are not being allowed to function properly, so that the elderly face constrained housing costs as a result and bottlenecks appear in local housing markets to the detriment of all. These bottlenecks are not due to some perceived failure of suppliers but to the conditions under which they have to operate and the unanticipated consequences of public policies that create them.

Older 'last-time buyers' are getting a raw deal, as well as the much better recognised problems facing younger 'first-time buyers'. Moreover, in some respects, the elderly who want to move into accommodation more suited to their needs are getting a worse deal, as there is currently little policy focus upon them.

With regard to provision of specialist housing for the elderly, the research reported here found that due to policy restrictions surrounding housing and planning, the supply of OORH is not matching growing demand. Build rates are low and need to grow four times from that achieved before the recent downturn to cope with just a moderate increase in demand.

OORH hits all the right buttons in terms of personal and social benefits; the impact on families and communities; and the public exchequer. There is a strong case for expanding supply and improving affordability through relatively modest changes to planning and land policies. The current revisions to the planning system offer an excellent opportunity for doing so at both the national and local levels.

<sup>49</sup>New Homes Bonus: final scheme design, CLG.

Housing markets and  
independence in old age:  
expanding the opportunities

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