



## Market rent in retirement and extra care housing: a new offer for older people?

The past two years (2012-2013) have seen a growing interest in the potential role of a 'new PRS' in delivering quality housing and greater tenure choice ... with media interest, conferences and reports, a government PRS Taskforce and government funding for Build to Rent. This interest comes from a wide range of players, including government, housing associations, developers, new private rented sector (PRS) businesses, thinktanks and charities. But private rented housing for older people has been missing from the debate so far.

This is the second of two Briefings for the Housing LIN: here we argue that market rent could extend the choice of housing options for older people in retirement and extra care housing, including those who may prefer to move from larger family housing. Briefing 1, Quality and choice for older people's housing: what can a new Private Rented Sector offer?, explores whether the PRS could extend the choice of mainstream housing options for older people who prefer to live in all-age communities.

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## Introduction

With the advent of Phase Two of the Department of Health's Care and Support Specialised Housing Fund and its encouragement for the sector to look at wider market opportunities to deliver housing for older and vulnerable adults, is now the right time for exploring the opportunities which private rented specialist housing can offer older people? Who might provide market rent options for older people in specialist housing?

This briefing asks:

- whether market rent is a viable option for older people in retirement and extra-care housing;
- what role such a broader choice might play in encouraging some people to downsize and move to more suitable housing in later life;
- whether market rent for older people is on the radar for housing associations, developers and other partners;
- how far market rent is considered when local authorities are setting out their strategic plans for housing, care and support for older people;
- what could/should central policy do to ensure that PRS is a positive housing option for older people?
- if the examples featured offer a way to extend tenure choice.

## What do we mean by specialist housing for older people?

Specialist housing is restricted to (or designated for) older people aged 55/60/65+ (usually through conditions in the lease or tenancy agreement). It often has special design features/facilities, and usually some visiting or on-site support/care: many commentators point out the problems with definitions. Broadly it can include:

- age-exclusive housing (i.e. designated for older people but with no specific support or care provision);
- housing with support (including sheltered housing for social rent, and retirement leasehold housing mainly for sale);
- housing with care (also known as extra care housing or assisted living), with a wider range of facilities (eg gym, restaurant) and 24/7 on-site staffing; both care and support are usually available;
- close care (usually dwellings near to a care or nursing home).

Retirement villages are usually larger, and may provide support and/or care on site (and sometimes a care or nursing home).

The New Policy Institute report for the Joseph Rowntree Foundation (JRF) and Shelter (Pannell, Aldridge and Kenway 2012) identified three broad patterns of older 'movers':

- 'lifestyle' movers: typically the younger age range (50s-60s), many of whom may stay in mainstream housing (as discussed in Briefing 1);
- 'planners': typically the middle age range (60s-70s) whose move into either housing with support or care may follow widowhood or the onset of health problems; and
- 'crisis movers': often the older age range (80s-90s) or those who are younger but with health/care needs.

These patterns are reflected in the age of residents. In specialist housing for social rent, around 60% of existing residents in 'sheltered housing' (with support) were aged 75+. In housing with care, around 70% were aged 75+ and over a third of new lettings were to residents aged 85+ (2010/11). In leasehold retirement housing, the average age has remained at around 80 for the past 20 years (data from our Evidence Review for JRF: Pannell and Blood 2012).

### **What about more tenure choice for older people?**

The recent Demos report, *The Top of the Ladder* (Wood 2013), argues that we need to build more retirement housing to attract older owner-occupiers to downsize. Demos's survey of 1,500 over 60s found that:

- more than half (58 per cent) of people over 60 were interested in moving;
- one in four over 60s interested in moving would be interested in buying a retirement property (3.5 million people); and
- although the main emphasis of the report is on owner-occupied retirement housing, one in four over 60s interested in moving would be interested in renting a retirement property as long as it was on an assured (permanent) tenancy.

The report concludes that the government needs to work in partnership with the private sector to improve supply, and to take a 'whole chain' view of the housing market, because this should benefit those on "every other step of the ladder".

Although much recent emphasis has been on building more owner-occupied retirement housing, the need for a larger private rented sector has been gathering momentum, fuelled partly by the interest in encouraging older people to downsize.

In her chapter on 'Funding structures for extra care housing' in the Get Smart Guide, *Innovative funding and delivery options in extra care sheltered housing*, Coralie Forster, a Director at PKF stated:

*"The nature of home ownership is changing within the UK by necessity due to the restriction in mortgage availability, and with that change the approach to extra care housing provision may also change.... Where private rental is an option, this raises the level of rental flow available for raising funds for development and operations."*

(Forster/Housing LIN 2012)

Furthermore, Shelter's report 'A Better Fit?' suggested the need for:

*"a significant increase in supply and a greater range of housing that is suitable for older people, including private-rented and owner-occupied housing. This will vary for different age groups and those with different preferences and care needs, but developers are not currently providing enough for this growing market and realising its potential."*

(Shelter 2012)

A Housing LIN Viewpoint on opportunities for downsizing into specialist housing suggested that there is a "sizeable market for whom rent is a better solution, yet at present there are few schemes offering market or sub market rent" (Sutherland 2011). A report for the Greater London Authority (GLA 2012) also said private rent could offer a good option for self-funders.

By extending the range of tenure choice for older people to include market rent, retirement housing could offer more options, whether people *have* to move or *choose* to move:

- older private tenants may need more suitable housing; some may be interested in downsizing;

- older owner-occupiers may switch tenure and free up capital;
- social housing may not be available – or desirable;
- people may rent for lots of reasons in later life - because of relationship breakdown, to move closer to family support, to move to a more expensive area, when returning to the UK from their “place in the sun”, and so on (see further discussion in Briefing 1).

There may also be scope for local authorities and housing associations to link up with private rented retirement and extra-care housing. For example:

- *Girtings* (see case study on page 16) have helped provide temporary accommodation when social rented housing was being upgraded or redeveloped;
- local authorities and housing associations already use private sector leasing for homeless households (see discussion in CIH/WSLaw 2013) – there may be cases where this would also offer an alternative for older people;
- although extra-care housing for market rent is likely to cost more than that for social rent (see table/discussion on page 8 below) it may be less costly than a care home, may provide a solution to ‘bed-blocking’, and the cost may be recouped (even if on a deferred basis) from owner-occupiers, and
- while not specific to retirement or extra care housing, there are examples in other forms of supported housing where local authorities and housing associations have partnered with the private rented sector to provide independent accommodation for people with low level support needs.

### **Definitions: market/ private rent**

We need to define market/ private rent/ the private rented sector (PRS) but this is easier said than done! A cross-country comparative study by LSE (Scanlon and Cochan 2011) found that the PRS is often ill-defined, with no official government definition, and frequently defined by what it is *not*: for example not owner-occupied (Denmark, United States); not owned by municipalities or housing associations (Denmark and Norway); not subsidised or regulated by specific legislation (France). Other key definitions concerned type of tenancy contract, and how households found their new home (especially whether public bodies were involved or not, e.g. with a formal needs-led allocation process).

All these factors define the PRS in England across age groups and housing models:

- landlord type: not a council - or housing association (until recently);
- not owner-occupation;
- type of tenancy (especially use of short-term Assured Shorthold tenancies);
- different (and limited) regulation of landlords (eg no restriction on who can set up as a letting agent or landlord; no requirement for qualifications or membership of professional bodies);
- fewer rights for tenants (e.g. to consultation, to mutual exchange; no recourse to the Housing Ombudsman);
- allocation methods (i.e. based on ability to pay market rent, rather than on housing/social care needs);

- very little *direct* capital subsidy to date (although of course Housing Benefit/Local Housing Allowance is also a form of subsidy; private providers can now receive public capital funding from the Homes and Communities Agency and through the new £1m Build to Rent funding discussed in the accompanying Briefing 1; and at the time of writing, the forthcoming Phase Two of the DH Care and Support Specialised Housing Fund will encourage wider market opportunities to deliver housing for older and vulnerable adults, potentially including market rental options).

## **The current supply of market rent retirement housing**

Essentially then, market rent retirement housing differs from that for social rent because there is no assessment or referral from another external agency (housing, social care, health). Nevertheless, private tenants will have to meet criteria of age, affordability and perhaps some health/care factors (eg able to live independently for retirement housing; may need some level of care need for housing with care, perhaps linked to planning permission).

In both housing with support and housing with care models, a few providers do have a direct market rent offer, either within a mixed tenure development or only for market rent.

Options include private rent from:

- Girlings Retirement Rentals, the market leader with over 2,500 properties across England, Wales and Scotland, mostly in their ownership although they also act as agents (see case study, page 16 below);
- a few housing associations or charities (especially in larger retirement village models), including Abbeyfield Girton Green (East), Belong (North West), Jewish Care (London), St Monica Trust (South West): see Belong case study, page 17 below, and indicative data on pages 8 and 9.
- a few private providers (examples from the EAC database accessed in January 2014 include retirement apartments in the grounds of care homes and a few providers with all their housing for market rent);
- an individual private landlord (usually because of inheritance, sometimes because the owner is now in a care home) where the lease allows private lets: this may be direct from the landlord, or via Girlings, a local lettings agency or a website (see examples on page 8 below, and in Briefing 1 on Homefinder UK, Leicestershire);
- there are also some examples of market rent amongst both housing associations and private developers, where market conditions have made it more difficult to sell leasehold or shared ownership extra care and retirement housing (as discussed further below).

Many providers of retirement housing for sale have offered a 'try before you buy' or 'rent until you can sell' option (Forster 2012) but, in these cases, renting is more often a means to an end for both parties, rather than a longer term intentional outcome. Because this approach has been simply a tool for increasing sales in a difficult housing market, we are not including this in our discussion.

Another example is the all-inclusive model. For example, Hawthorn Retirement Group has three schemes in England, and many more in the USA and Canada (where much retirement housing is for rent): monthly charges for an apartment are over £2,000 but include three meals a day. Their advertising challenges the British attachment to owner-occupation:

*“Whilst many residents fund this idyllic retirement lifestyle from the proceeds of the sale of their home, many others opt to rent out their own property and fund their new-found lifestyle from the rental income ... whilst home ownership may be central to our traditional aspirations, it’s not necessarily central to the great retirement dream.”*

[www.hawthornsretirement.co.uk](http://www.hawthornsretirement.co.uk)

## **Restrictions on letting in leasehold retirement developments**

Many leases for retirement housing don’t allow owners to sub-let. Some leasehold providers offer ‘buy back’ schemes, so it is easy to dispose of the property if it is no longer suitable (e.g. on death/moving into nursing care) although this is usually without any capital uplift. Some providers allow leaseholders (and their executors) to let privately - if they are unable (or prefer not) to sell. There are usually strict conditions; sometimes this is discretionary and many leases will not allow it at all. This can result in empty properties that cannot be let even where there would be demand: for example, in the London Borough of Sutton, 10% of their empty properties (around 100 units) were retirement leasehold apartments and many had been empty for over two years (GLA 2013).

Age UK’s reports *Putting retirement housing in order* (2010) and *Making it work for us: A residents’ inquiry into sheltered and retirement housing* (2012) drew attention to a number of potential issues with leasehold retirement housing, including restrictions on letting. Since then, the Office of Fair Trading has issued guidance on lease restrictions including on letting (see Annex A for precise wording). In summary, the OFT considers that where a lease states that owners cannot let, this may constitute an Unfair Term, especially for leaseholders who “may need to move out due to health issues (often to a nursing home), so subletting the property is an important means to pay service charges ... [after death] often their heirs or estate will remain liable to pay service charges, while being ineligible to reside in the property”.

There are significant problems (and expense) in changing leases so the OFT advice is that the condition does not have to be enforced. For example, Anchor’s leasehold housing has a wide range of leases (depending on when the schemes were developed). In a few schemes a number of flats are privately let. Many of the leases prohibit letting, but in the light of the OFT advice Anchor looks at cases on their merits, and often they agree not to enforce this term.

However, investors will only buy into retirement developments that have no restriction on letting: a discretionary agreement not to enforce a prohibition in the lease will not provide enough surety for an organisation such as Girlings (or any other investor) to purchase the property to let it out.

## **What about recent, current and future demand?**

There is some evidence of significant and increasing demand from older people:

- The HomeLet Rental Index (October 2013) data showed that over the previous 12 months, half of the UK’s regions saw an increase in the percentage of retired people moving into a new rented home, alongside a 7% increase in former home-owners aged 66-70 moving into a rented property.
- Girlings who let retirement apartments have seen a threefold increase in demand over recent years.
- The four extra-care provider respondents we contacted who offer market rent reported significant demand.

- As discussed above, the Demos report (Wood 2013) found that 58% of over 60s were interested in moving. Of these, an equal proportion (25%) expressed an interest in purchase and in long-term rental of a retirement apartment.

Further analysis of the Demos survey sheds more light on tenure preferences. Not surprisingly, in the overall sample there were high numbers of owner-occupiers in social grades AB (94%) and C1 (85%), and with higher-value properties, but also a wide range (14% of AB properties were worth over £500,000, but 10% less than £150,000). Although there were more social renters amongst C2s and DEs, the majority (83% and 63%) were still owner-occupiers.

Of the 58% interested in moving, across all social grades there is interest in rental as well as purchase; however, interest in purchase doesn't vary enormously (from 22% of ABs to 30% of C2s). Interest in rental varies more: 14% of ABs and 21% of C1s would consider renting, rising to 35% of C2s and 39% of DEs. There are no great differences in levels of interest (for rental or purchase) for most other characteristics (age up to 75, gender, region) although some sample sizes may be too small to be statistically significant (eg those aged over 75).

## What do older people think about market rent of retirement housing?

Private tenants living in retirement housing also reveal positive views.

*“Renting in retirement has given us greater financial freedom and the flexibility to relocate. We have saved so much in terms of moving costs. We sold our house and we have retained that capital which has given us an investment for the future. We are now committed to renting and we love the fact that we have an assured tenancy so we essentially have the same security as homeowners.”*

(Girtings tenants in a retirement apartment, quoted on their website)

In our recent housing with care research for the Joseph Rowntree Foundation, a third of our interviewees were former owner-occupiers who had moved into social rented housing with care (and in one case, a private renter).

One resident commented:

*“I think it's important to be able to buy and rent at schemes like this. If you're stuck with a house that won't sell you end up being stuck there so I think to be able to rent as well as buy is important.”*

A widower was renting privately in a leasehold scheme after his wife died:

*“I had a miserable Christmas and I wasn't well suited to living on my own in a four-bedroom house. I found an apartment here to rent ... I knew I could rent my house out, and I'd never get a better chance to try it out ... the rent I get for my house covers the costs here.”*

In this case, after a year the landlady wanted to sell so he ended up buying, but otherwise he would have been just as happy to continue renting.

A change of circumstances led another resident to rent out her apartment to an elderly man returning from abroad after suffering health problems: his daughter was delighted to find somewhere he could rent as he would not have been able to buy, given the fall in value and difficulty selling his property in Spain. Like others returning from abroad, he would also have been unlikely to qualify for social rented extra-care housing.

At a mixed-tenure development we met another couple who had worked abroad and rented for many years. They no longer had a property in the UK, and couldn't afford to buy into mainstream or extra care housing when they retired and returned to England. They were delighted to find a one-bedroom market-rent apartment in an extra care scheme. This was affordable because the rent was no more than their private rented cottage in the West Country where the stairs were becoming a problem as they aged. Again they would not have been eligible for social rented extra care housing.

(Private tenants and a landlady interviewed for housing with care research, Joseph Rowntree Foundation, Pannell, Blood and Copeman 2012)

## **Barriers to increasing demand**

### **Security of tenure**

This is likely to be a major barrier for many older people. Most private tenancies are assured shortholds of no more than six months initially. A YouGov survey (for Savills, 2013) found that for tenants aged 45+, almost half would like longer-term tenancies (in stark contrast to the view of younger cohorts who preferred the flexibility of short-term tenancies).

Girlings Retirement Rentals comments that:

*“Our tenants say that security of tenure is their number one priority because it provides the security and peace of mind that is so essential in later life. ...they don't want to have to move at the whim of a landlord. Currently, the private rental market offers very little security of tenure and this needs to change, both to accommodate the needs of older renters and to attract others.”* ([www.girlings.co.uk](http://www.girlings.co.uk))

As we said in our Housing LIN Viewpoint on housing rights (Blood and Pannell 2013), most older people are understandably wary of being taken advantage of by those seeking to make a profit, but they also want to be treated as equal citizens with housing rights (and this is likely to be even more true of the baby boomers than older cohorts). There is a strong business case here for providers – both in terms of building a good reputation as a trusted respecter of rights (think of the housing equivalent of John Lewis) and in terms of managing their housing better (because people who understand their rights are also more likely to understand their responsibilities). This suggests that both housing associations and respected private providers could offer older private tenants something better than many small private landlords.

Although security of tenure is undoubtedly important, the other factor is how far the landlord is a trusted provider in their locality. Interestingly, almshouse charities offer licences, not tenancies, in their housing for older people, as discussed in our Housing LIN report (Pannell 2013). Almshouse charities provide age-restricted, sheltered and extra care housing and many report no lack of demand because of their high quality provision and good local reputation.

### **Quality of housing management**

Many small-scale buy-to-let or inheritance landlords are not in it for the long-term. They may be ignorant of housing law and regulation (for example deposit bond schemes, or health and safety requirements such as the need to carry out annual gas safety checks). This has led to calls for greater regulation of the private rented sector to raise standards.



In contrast, housing associations and an organisation like Girlings Retirement Rentals have long experience in providing quality rented accommodation. There are bodies which aim to raise standards: for example, Girlings is a member of the Association of Residential Lettings Agents (ARLA), the Association of Retirement Housing Managers (ARHM) and the National Approved Lettings Scheme (NALS). Membership of these bodies requires that they adhere to a robust Code of Practice which includes:

- client money bonding.
- qualified staff.
- clear, written agreements.
- professional indemnity insurance.
- an approved complaints procedure.
- annually audited client accounting which complies with ARLA bylaws

### Costs of retirement housing

The New Policy Institute's UK-wide affordability study for the Joseph Rowntree Foundation and Age UK (Aldridge, Pannell and Kenway 2012) examined costs and affordability of retirement housing for older people on low to moderate incomes, and owner-occupiers with only limited equity; our Housing LIN/JRF report (Copeman and Pannell 2013) looked in more detail at affordability of housing with care.

*Table 1: Costs of retirement housing with support*

Comparative weekly costs for 1-bed property *	(Lower)	Average (or actual)	(Upper)	Notes
Housing with support social rent	£75	£97	£120	CORE data (2010-12) ie COntinuous REcording (new social lettings): lower and upper figures are quartiles
Housing with support leasehold (service/support charges)		£32-£45	£30-£49	Average: 2010-12 CORE data Upper: 2012 information from large private provider
Girlings retirement housing #	£103			Sample of lower priced areas eg Midlands/ North/ some SW
Girlings retirement housing #		£151		Average rent for new tenancies in 2012
Girlings retirement housing #			£230	Sample of more expensive areas eg SE/ upmarket coastal areas
Girlings assisted living and luxury retirement complexes #			£346	Assisted living (more facilities, eg restaurant) and Diamond Collection upmarket retirement housing (mainly 2-bed apartments)
Retirement housing market rents for RP comparison	£115		£133	South Hampshire: LHA £115

Table 2: Costs of retirement housing with care

Comparative weekly costs for 1-bed property *	(Lower)	Average (or actual)	(Upper)	Notes
Housing with care social rent	£95	£130	£170	CORE data (2010-12) lower and upper figures are quartiles; our JRF HWC affordability study found most providers towards the upper end; costs included varied (eg heating, hot water, domestic help, meals arrangements)
Housing with care leasehold (service/support charges)		£52+		NPI estimates based on CORE data (2010-12)
Housing with care Social rent (A)		£237		1-bed rates: 8 flats for social rent;
Housing with care Market rent (A)		£417		1-bed 1-person rate: 37 flats for market rent;
Housing with care Market rent (B)		£254		Includes heating, hot water, and some domestic help
Housing with care Market rent (C)	£210		£330-£430	Includes heating, hot water, and some domestic help; 2 schemes with different funding arrangements

Notes:

\*All rental figures are totals including service charges and support charges; leasehold figures are service and support charges only. Social tenants usually have to pay service charges/support charges which are specified in addition to their rent; leaseholders have to pay service charges and sometimes ground rent. For private tenants (eg Girlings), these charges are not separate because they fall to the landlord and are included in the rent and fall within the LHA limits. For market-rent tenants like the examples in Table 1, practice varies. Note that housing with care charges include 24/7 staffing, activities and facilities eg gym, swimming pool/spa, minibus.

All rents quoted for specific providers are as at February 2014 unless stated otherwise.

# All data from Girlings, January 2014

## Affordability of retirement housing

In Briefing 1, we provide detailed information on pensioner incomes and savings from the NPI study and the Housing LIN/JRF report, including income quintiles (ie 20% slices) across the income distribution from the poorest fifth to the richest fifth, as in Table 3 below.

Table 3: Weekly Pensioner Incomes (before housing costs)

Weekly net income	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	Overall mean
Single pensioner	£129	£180	£224	£280	£391	£256
Pensioner couple	£221	£313	£399	£524	£815	£497

Source: The Pensioners' Incomes Series 2010-11, DWP (Table 4.1, page 57)

It is clear that single pensioners in the bottom two-fifths of the income range would need help from Housing Benefit to afford the market rents shown in Tables 1 and 2 above, as would some of those in the middle fifth (unless their savings were high enough to exclude them). If we look at monthly rents for Girlings apartments in typical leasehold retirement developments, a one-bed apartment ranges from under £450 (in less expensive areas) up to £995 (in London/South East) or around £103 to £230 per week, with average rents for new tenancies at just under £655 (£151 per week) in 2012, rising to just under £685 (£158 per week) in 2013. This leaves the top fifth of pensioners likely to be able to afford market rents from income, as well as some of the next from top fifth. Couples are better off so the top two-fifths could probably afford market rents (but would need to think forward to whether one of them could afford the rent if widowed).

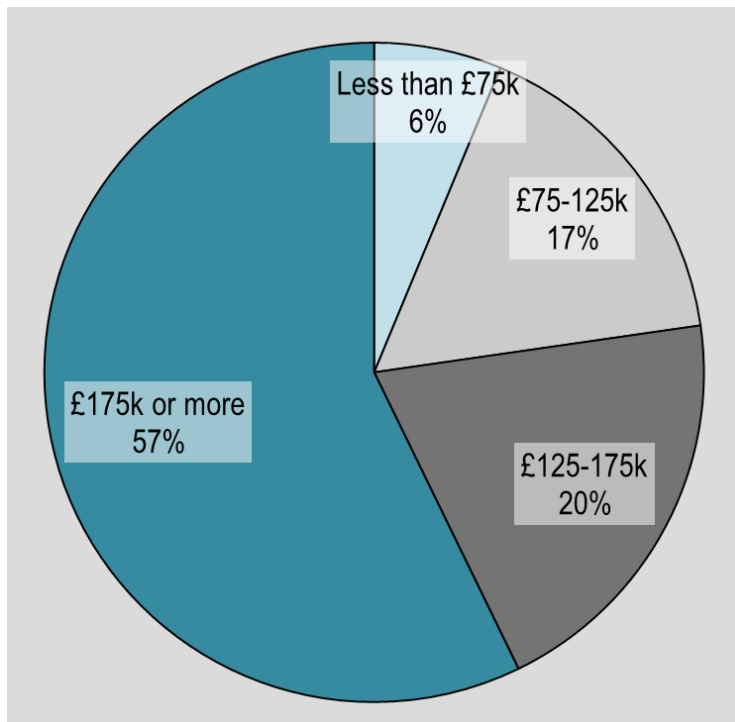
Girlings estimate that well over half of their tenants receive at least some Housing Benefit; however they also have plenty of demand for their more expensive 'Diamond Collection' and assisted living properties, where rents for 2-bed properties can reach £1,950 per month (£450 a week).

The NPI affordability study found that around half a million pensioner households have savings above £23,250 and incomes below guarantee credit plus 25% (current savings thresholds for having to pay care costs in full). A further 2.5 million owner-occupier pensioner households have incomes this low and could be in this position if by releasing equity they lifted their savings above the £23,250 limit.

Figure 1 shows that 6% of owner-occupying pensioners have less than £75,000 in equity so would be unlikely to be able to buy a retirement home; 37% had between £75,000 and £175,000 so their choice of retirement housing to buy would be limited. For many of these pensioners, selling up and renting privately could be an attractive option. This is especially the case:

- if they want (or need) to move to a more expensive area where they can't afford to buy;
- if they are thinking about housing with care as an alternative to a care home (because even market rent is likely to be less than half the cost of a care home);
- if they could afford a market rent (perhaps with help from family);
- if their age and/or health means that they have a limited life expectancy, so their capital would last (we met social renters in our JRF affordability study who were very clear that this applied to them);
- if they would be unlikely to be able to access social housing (with support or care) as in some of the examples discussed above (eg returning from abroad).

Figure 1: The amount of equity held by pensioners



Source: NPI analysis of the Wealth and Assets Survey 2006-08. The data is for Great Britain.

Figure 2 shows the spread of pensioner households across the income spectrum (in England) by the amount of equity that they have (those with more than £100,000, less than £100,000 and renters assumed to have zero equity). Although pensioners nearer to the top of the income spectrum are more likely to have over £100,000 in equity, in each income group there is a small but significant proportion of owner-occupiers with less. So we cannot assume that those with less equity will also have less income or will qualify for means-tested benefits.

Figure 2: Pensioners with more or less than £100,000 in equity by income quintile



Source: NPI analysis of the English Housing Survey 2008-09. The data is for England.

However, the report points out that pensioners need to be careful about releasing equity because of the effect on eligibility for means-tested benefits and state help with care costs.

### The impact of Attendance Allowance and Pension Credit premiums

Some private tenants in retirement housing, and many in extra care housing, are likely to have health and care needs which will entitle them to Attendance Allowance. Our Housing LIN/JRF affordability report (Copeman and Pannell 2012) showed the “escalator effect” of Pension Credit disability premium and Attendance Allowance which can almost double a single pensioner’s income, helping them to afford the costs of housing with care. An estimated £2.9 billion of Pension Credit is unclaimed each year at an average of £52 per person per week, or 1.5 million people (Housing 21, 2012). The Wise Guide (Independent Age 2012) pointed out that claiming and getting just £2 a week Guarantee Credit can increase income by up to £200 per week, plus at least £14 a week because of paying no Council Tax.

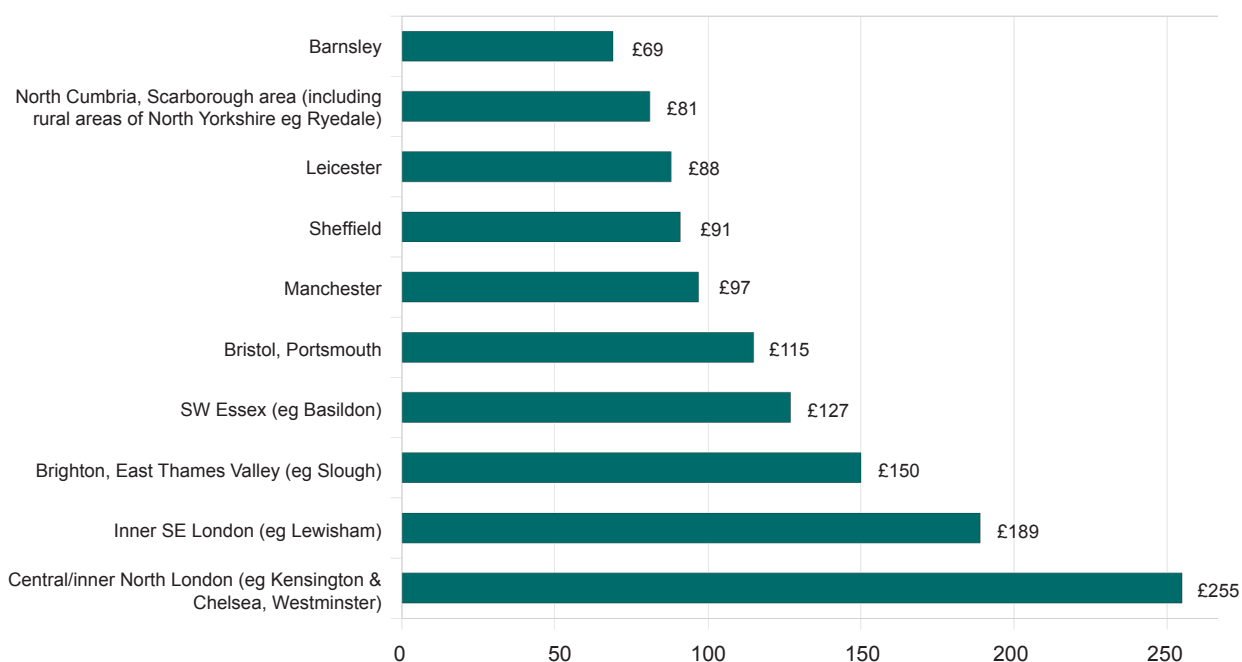
Private rents at our case study charitable provider (Belong, see page 17) vary according to location:

- £485-£620 per month, or £112-£143 per week) (1-bed);
- £585-£805 per month or £135-£186 per week (2-bed);
- plus a community fee for utilities/facilities/services including the 24-hour emergency response service.

Belong’s Customer Adviser comments that rents are affordable to an older person in receipt of the appropriate benefits: pension + Housing Benefit + higher rate attendance allowance can be used to fund the Belong rent + community fee.

### Exempt accommodation, Local Housing Allowance and Housing Benefit

Figure 3 Indicative weekly Local Housing Allowance rates (1-bed property, January 2014):



Private/market-rent tenants in specialist housing may be entitled to Housing Benefit towards their rent. However, the amount they can claim will often depend on whether they are renting from a private for-profit landlord, or from a charity or housing association and living in “exempt accommodation”. Annexe B provides more detail on LHA and exempt accommodation.

At present, high rents will still be eligible for full Housing Benefit for “private” market-rent tenants living in “exempt accommodation” and renting from housing associations and other not-for-profit providers, but not for tenants of private landlords who are limited to LHA rates. Local Housing Allowance (LHA) rent limits for a one-bedroom property vary greatly by area: see examples in Figure 3 above, but are usually less (and often a lot less) than market rents.

A Housing LIN Viewpoint (Miller 2010) on market rent and extra care housing found that:

*“A number of respondents thought that it was unlikely that the model would be affordable since rents and service charges could exceed Local Housing Allowance limits, which determine Housing Benefit payments. Most also thought that, for those just above Housing Benefit income thresholds but unable to afford to buy a property (the ‘inbetweeners’), the costs of market rents combined with service charges would be unaffordable.”*

The recent Housing LIN Briefing (Edwards *et al* 2013) examines the impact post-Dilnot on demand for extra care housing, and forecasts an increasing interest in renting:

*“Most rented extra care housing counts as ‘exempt accommodation’; meaning that (unless rent and service charges are deemed ‘unreasonably’ high by the LA) the majority of costs included in rent and service charges will be eligible to be met by HB. At the time of writing, the Government has confirmed the continuation of this policy in the medium term but longer term funding of housing costs in a range of supported housing, including ECH, remains unclear.”*

So when we look at specialist housing for market or private rent, the question of whether it is “exempt accommodation” is crucial to its affordability for lower-income groups dependent on HB (when they move in, or later as savings run down). Affordability will depend not only on the personal financial circumstances of prospective tenants, but also on the type of landlord and the level of support and care provided:

- Tenants of private for-profit landlords will usually have any HB entitlement restricted to the LHA limit for a one-bed property, regardless of the care, support or supervision provided.
- Tenants of housing associations and other not-for-profit providers are likely to be eligible for much higher levels of HB, and for 2-bed properties, as long as the landlord can show that they provide more than minimal care, support or supervision so are “exempt”.

Table 4 summarises the difference made by landlord status; see also the Belong case study (page 17) for an example of a charitable not-for-profit provider which offers market rented extra care housing and which obtained this status on appeal for some properties.

Table 4: “Private rent” or “market rent”: Do LHA limits apply?

Landlord	Eligible to be ‘Exempt Accommodation’?	HB on full rent?	LHA applies?	‘Bedroom tax’ applies?	Notes HB=Housing Benefit LHA=Local Housing Allowance
Private for-profit	NO	NO	YES	#	Working-age & pensioner households # LHA usually limited to 1-bed rate
District/unitary Local Authority (ie council housing)	NO	YES	NO	YES*	* Bedroom tax does not apply to pensioner households, but does apply to a couple if one is under pension age
Housing association	}				Working-age & pensioner households
Registered charity	} YES	YES*	NO	NO	* HB paid in full unless rent is unreasonably high compared with suitable accommodation elsewhere; even where rent is exceptionally high, HB is usually paid on full rent for pensioners/ those accepted as incapable of work by DWP, unless council can show it can find accommodation suitable for exactly that household and that it is reasonable for them to move.
Voluntary organisation	}				
Upper-tier county council	}				

Source: Adapted from EROSH briefing (2013), SITRA flowchart (2013) and Age UK (2013)

It appears that the only way that private landlord accommodation can become eligible is if the private landlord leases their housing to a third party (eg care and support provider or housing association); there are examples of this for other user groups (eg people with learning disabilities).

### The role of local authorities: Awareness of a market rent offer: the need for information and advice

Another barrier which applies especially to specialist housing is that many people will be unaware that a market rent option exists at all. Most people are aware of the existence of private rented housing when looking for mainstream housing: the barriers are more to do with finding a reputable agent and landlord, the right property, and understanding housing rights. Although these will also be important in relation to private rented retirement properties, the gap here is that most people wouldn’t even think to ask/ know that this option exists – and in some areas it doesn’t. For example, Girlings website shows availability of retirement properties in Somerset and Gloucestershire but nothing in Bristol, and availability in outer London and the South East but not in central London. However, Girlings do also offer to source properties for ‘Bespoke Rentals’ (see case study, page 16).

Research over the past decade or more has emphasised the need for better information and advice on housing choices for older people (Pannell and Blood 2003, 2007, Lister and Muir 2008) and has led to the development of the national EAC FirstStop website and advice service (Cambridge Centre for Housing & Planning Research 2010, 2012). Local authorities have increasingly developed housing options services (sometimes across age ranges, sometimes specifically for older people): some of these are local partnerships with EAC/ FirstStop (Cambridge Centre for Housing & Planning Research 2012, 2013). Housing options advisers need to be aware of market rented specialist housing as an option (where it exists).

Assured tenancies in market rented retirement housing do offer a real alternative to sheltered housing for social rent, as shown in the Girlings case study (page 16). Because they are located in developments built primarily for leasehold ownership, they are more likely to retain the attributes of a relatively homogenous community (in terms of age-range, and perhaps other characteristics). Our *Evidence Review* (Pannell and Blood 2012) discussed the impact of a much wider range of residents in (some) sheltered housing, and resident concerns about younger people moving in with different needs (see also Age UK 2012).

There is a broader issue too: will people be better off buying a leasehold apartment outright, through shared ownership, or market renting? The decision is not straightforward, and will depend on many personal factors (income, savings, entitlement to benefits, property value if selling) and on the local market.

### **The role of local authorities: Commissioning and planning issues**

In new mixed tenure schemes, there may be a role to extend the housing offer by including some units for market/private rent, especially now that new 'affordable' social rents have to be at 80% of market rent.

The NPI report for JRF and Shelter (Pannell, Aldridge and Kenway 2012) points out that Strategic Housing Market Assessments (SHMAs) could be used to negotiate delivery at specific sites with specific provision for older people, including for specialist housing: see also further discussion in Briefing 1. Two respondents (private sector and a planning officer) interviewed for NPI's report suggested that local authorities could link the provision of housing aimed at older people (specialist or non-specialist) to many planning agreements, and maybe even drive down the overall valuation of land assets. Developers, consultancies and local authorities also suggested a broader definition of 'best value' when disposing of land assets/sites; this could reduce one of the 'input' costs for developers (although this would need to be managed to ensure that the reduction was passed on to customers, rather than being absorbed as additional profit).

A local authority social services commissioner suggested:

*"... using land assets in partnership with for example private sector developers to deliver housing schemes for older people ... finding a way of developing effective private/public housing delivery partnerships is what will make the difference in terms of delivering the widest range of housing choices with the right mix of affordability."*

The Housing LIN/EAC SHOP tool, and recent Shop@ Briefing (ADASS & Housing LIN 2011; Gaul 2013):

- provide the mechanisms for calculating housing and care supply and demand figures from now until 2030 for all 350+ local authorities in England;



- provides authoritative submissions to planning frameworks and section 106 applications;
- enables completion of local plans such as Joint Strategic Needs Assessments (JSNA), Strategic Housing Market Assessments (SHMA) and Market Position Statements (MPS),

However, SHOP@, at present, only covers social housing and mixed tenure housing (shared ownership and leasehold) and not market rent: is this another development for the future?

### **Girlings Retirement rentals: lifetime private tenancies in retirement housing across England, Scotland and Wales**

The main national provider of retirement market-rented housing is Girlings Retirement Rentals. A family firm founded in 1991, they offer private properties to rent for the over 55s, most with assured (life-long) tenancy agreements. Rents include service charges and may be eligible for Housing Benefit (subject to Local Housing Allowance limits, and the tenant's income and savings). There are currently over 2,500 properties in over 500 developments in England, Scotland and Wales.

Girlings also manage a portfolio of 285 retirement properties originally owned by a large private rent company (Grainger PLC) and now owned by Places for People (see discussion in our accompanying Briefing 1), and are interested in working more closely with other housing associations and local authorities.

Over the past three years, over half (56%) of new Girlings tenants were aged over 75, and 20% were over 85; only 14% were under 65. The average age of retirement housing leasehold owners was 80, with 20% over 85 (*Evidence Review* for JRF, Pannell and Blood 2012); however, in social rented sheltered housing, 36% of new tenants were under 65, only 37% over 75, and 13% over 85. So Girlings new tenants are similar to leasehold owners, but significantly older than sheltered housing tenants.

The main reason for Girlings tenancies ending was death, or moving to a nursing home/ ill-health (40-50% over the past three years); average age at tenancy end ranged from mid-70s (for shorter tenancies up to two years) to late 80s (for tenancies over five years). This is very similar to our *Evidence Review* data from a large specialist social rent housing association, where 48% ended in death or a move to institutional care.

Market rent can also provide more flexibility than leasehold ownership: over the past three years, between 10% and 14% of new lettings have been moves from one Girlings apartment to another (compared with 20% internal transfers for the large social rent provider, where many transfers may have been into extra care housing).

In 2009/10, both Girlings and the large provider had a similar turnover rate (around 16%). Social tenants stayed longer (nearly a quarter for over 10 years) but 18% of tenancies ended within the first year. Of Girlings 'leavers' in 2010, 10% had been tenants for over 10 years.

As well as letting properties for landlords and having a stock of retirement housing they have bought over the past 20 years, Girlings also offers 'Bespoke Rentals'. An older person or couple tells them what they want, where they would like to live and which retirement development appeals. If there is a property for sale, and provided the property meets Girlings' criteria for quality and price (etc), and is in a professionally managed development, they may be able to negotiate the purchase of the property and rent it on a life time tenancy.

## **Private rent in Belong Villages, designed to include people living with dementia**

Belong community villages provide a 'home for life' through four key services:

- independent living apartments for market rent, or leasehold or shared ownership;
- 'households' for 10-12 residents, offering 24 hour personal, dementia or nursing care;
- a village centre with facilities open to the public (bistro, hair and beauty salon, exercise studio), and where Belong Experience Days (specialist day care) are provided;
- Belong at Home domiciliary care for apartment residents and the wider community.

There are currently four purpose-built villages in the North West with 110 apartments, and a fifth village on site. Belong developed their villages and their unique household model following an extensive review of the research on dementia care and design. Working with Pozzoni, leading architects in the creation of spaces for older people, the building design and layout aims to support an increasingly diverse population, including people living with dementia.

Belong is a charitable organisation, part of CLS Care Services Ltd (one of the largest providers of care homes in the North West). Belong funds developments from bank loans, with no public capital funding for the housing and no local authority nominations. Apartments are allocated based on an assessment of care and support needs and a financial assessment by Belong's Customer Adviser. She has built good professional relationships with local Housing Benefit teams so that they understand the concept of a Belong Village: eligible residents are entitled to higher levels of HB where apartments have been classed as "exempt accommodation" (see page 13 above). This was achieved by meticulous recording of services and facilities provided, and taking cases through to a tribunal appeal.

Most apartment residents have chosen private rent, although many were previously home-owners. The adviser comments that the prospect of being able to release a lump sum of equity from the sale of their homes is the main driver for this decision. She works with older people and their relatives at move-in and beyond (as circumstances change) to ensure they are maximising their income through claiming benefits and other funding. Many previous home-owners become eligible for Housing Benefit whilst they are trying to sell their home, although after the sale, the lump sum may then take them over capital limits. Others are advised to part-buy in order to free up a lump sum, but still be eligible for some Housing Benefit.

Apartment sale prices are currently £95,000-£135,000 (1-bed) and £125,000- £175,000 (2-bed) according to location. Where people choose to buy, Belong offers a guaranteed 'Buy back' (at the sale price).

Apartment residents live independently: flexible support and personal/nursing care can be provided to meet changing needs at an additional charge. All support/nursing staff are experienced in dementia care, and supported by specialist posts/initiatives (Belong Admiral Nurse®, who supports the carers and families of any Belong customers who have a dementia diagnosis; learning agreements with the Royal College of Nursing; Practice Development Facilitators).

## Concluding reflections

So where do we go from here?

The need for greater tenure choice for older people in retirement/extra care housing will grow, as it becomes harder for many (especially owner-occupiers) to access social rented retirement/extra care housing. The contraction of capital funding is likely to make it even more difficult for non-social housing tenants to access housing with care, but this may also force (or create opportunities for) different mixed tenure/ mixed partnership models.

We had some interesting discussions at the Association of Retirement Housing Managers 2013 conference about the role of market rent: some thought that renting provided the opportunity to separate your housing from your investments in older age and this could both maximise your chances of living in housing that meets your needs, and protect your investments. Retirement housing for market rent can offer more flexibility, and may be more of a 'consumption good' than an 'investment good'.

Finally, the HAPPI panel (HCA 2009) visited housing options for older people in Europe to find examples of desirable accommodation that made an attractive 'offer'. We note that longer-term renting has always been more acceptable to a broader range in Europe than in the UK, as discussed in the LSE report:

"There are countries where private renting is seen as a suitable and practical tenure choice even for middle-income families [because of] two main factors. The first is security of tenure: households are unlikely to prefer a private rented dwelling as a long-term family home, or a place to live in retirement, if they are on a short lease ... The second may be 'cultural'. Since the 1970s ... the UK has a tradition of climbing the 'housing ladder'... This is not the pattern elsewhere; nor is it likely to be the case in the UK at least for the next few years. ... There are many reasons why households may prefer private renting in addition to the flexibility it offers ... especially for elderly and handicapped people [another reason] is better access to support and assistance from managers, neighbours and the community." (Scanlon and Kochan, pages 143, 145)

To achieve a better PRS market rent offer for older people in specialist housing, we suggest the following as a start:

### Central government and opposition:

- that the Coalition Government and their PRS Taskforce considers the opportunities presented within the specialist older people's housing sector as well as in mainstream housing for private renting;
- that consideration be given to flexibility over LHA if there are opportunities to release family social housing by use of PRS mainstream and retirement housing;
- that the uncertainty over the future of Exempt Accommodation and benefits entitlement is resolved;
- that both the Coalition Government and the Shadow Cabinet include a reformed PRS and market rent for older people in their plans for future housing policy, including the opportunity to encourage a better use of existing housing stock and housing equity.

**For local government:**

- that planners consider within new developments of specialist housing for older people the role for market rented housing, including the scope for encouraging the release of larger family housing;
- that older people's housing strategies consider the place for market rent, in addition to owner-occupation, shared ownership and social rent;

**For housing providers, developers and investors:**

- that housing associations bear in mind the potential demand for market rent in older people's specialist housing and explore ways of stimulating and marketing this option within their schemes
- that developers and providers of leasehold retirement housing explore ways of providing longer term options to rent as well as buy within their schemes, e.g. through ensuring that the terms of the lease allow sub-letting by individual owners in certain circumstances, and by working in partnership with organisations such as Giralings and larger private landlords;
- that investors (eg pension funds) consider the market for older people's specialist housing as well as other PRS options;
- that both private sector and not-for-profit housing providers and developers consider the scope to offer specialist housing for market rent when:
  - discussing potential schemes with local authorities;
  - discussing potential schemes with funders (including government) and partners;
  - considering the development and marketing of new PRS initiatives;
- that the Housing LIN / EAC explores how to develop the SHOP@ tool to include PRS housing as well as social rented, shared ownership and leasehold retirement and extra-care housing.

## **ANNEXE A: LETTING RETIREMENT PROPERTIES: OFT ADVICE**

We reproduce here the contents of a letter which was sent in January 2013 by the OFT to Age UK.

### **Prohibition on sub-letting**

In relation to sub-letting, we still take the view that terms in long leases preventing sub-letting have potential for unfairness under the Unfair Terms in Consumer Contract Regulations (UTCCRs). In our view a consumer should be able to seek permission to assign (by means of a sublet) and that permission should not be unreasonably withheld.

We would see this as being particularly important in relation to leases in retirement properties. In some instances tenants may need to move out due to health issues (often to a nursing home), so subletting the property is an important means to pay service charges, and otherwise maintain the tenant's investment in the property. Further, where the original tenant has died, often their heirs or estate will remain liable to pay service charges, while being ineligible to reside in the property themselves because of minimum age restrictions. In such circumstances, subletting may be the only means by which the property can provide any economic benefit to the owner. Further in circumstances where the market value of the property has fallen since the tenant purchased it, being obliged to sell rather than sublet is likely to cause significant hardship to the tenant.

### **Variation of leases**

Our current view remains the same – that is, in the case of an existing lease where a term or terms within it are to be changed due to potential unfairness, there would be no requirement to carry out lease variations – the term(s) can instead be disregarded.

The OFT does not generally take steps formally to remove or vary terms in contracts, since undertakings or orders requiring changes to enforcement of the terms is usually sufficient to deal with any unfairness. Further, the effect of a finding of unfairness is not that the term ceases to exist, but that it does not bind the consumer.

However, it should be noted that where a lease term is simply not enforced by the landlord rather than being varied issues can arise in circumstances where the freehold interest in the retirement properties are sold on by a landlord. Leaseholders therefore need to be mindful of the potential risks of a new landlord relying on the original term in the lease against the costs of having the lease and/or term amended.

You will appreciate that the OFT can only provide its view on whether a term in a contract or lease is unfair. Ultimately, only a court can determine whether terms are fair. The fact that some leaseholders might object to sub-letting would not prevent an individual consumer who wishes to sub-let seeking a declaration in the courts that terms preventing sub-letting are unfair under the UTCCRs.

## **ANNEXE B: LOCAL HOUSING ALLOWANCE AND EXEMPT ACCOMMODATION: FURTHER INFORMATION**

For tenants of private landlords, their HB calculation will usually be based on the Local Housing Allowance (LHA) rules. Local Housing Allowance (LHA) applies to most private tenants who have moved or made a new claim for HB since April 2008, including people over pension age; different rules apply to private tenancies that started before this date, and in certain other circumstances. Under LHA rules, the maximum eligible rent is a standard amount based on the number of adults and children in the household: for a single person and for a couple, this is a 1-bed property (even if a couple need or choose to sleep in separate bedrooms).

Schedule 1.1 (b) of the Universal Credit regulations (April 2013) defines exempt accommodation as:

*“accommodation provided to a claimant by any of the following bodies, where the body providing the accommodation, or a person acting on its behalf, also provides the claimant with care, support or supervision:*

- (i) an upper-tier county council,*
- (ii) a housing association,*
- (iii) a registered charity, or*
- (iv) a voluntary organisation”*

This means that accommodation provided by a private for-profit landlord cannot be defined as “exempt”. Private tenants will only be entitled to Housing Benefit up to Local Housing Allowance limits. A single person under state pension age, or a couple with one person under state pension age, will also be subject to other restrictions (ie ‘bedroom tax’ and household benefit cap).

Key features of “exempt accommodation”:

- Generally councils can only refuse to pay Housing Benefit on the full rent if they can show that the rent is unreasonably high as compared with suitable accommodation elsewhere.
- Even where the rent is exceptionally high, councils will generally pay HB on the full rent for tenants aged over (women’s) state pension age, or accepted as incapable of work by the Department of Work and Pensions, unless the council can show it can find accommodation suitable for exactly that household and that it is reasonable for them to move.
- Exempt accommodation status provides working age tenants of social landlords) with exemption from the ‘bedroom tax’ and the household benefit cap.

From October 2013, supported/sheltered/extra care social housing tenants have continued to have their housing costs met through Housing Benefit, i.e. outside the Universal Credit (UC) system. However, this is an interim measure until HB for these tenants is restructured and probably assessed on a more local basis.

Supported/sheltered and extra care housing can be deemed “exempt” accommodation (from the rule limiting HB to market rent) provided the organisation provides more than “minimal” (not defined) “care, support or supervision” i.e. which would not normally be provided in general needs accommodation. Features such as individual adaptations, assistive technology, scheme manager call system, or a daily, pro-active well-being ‘check’ etc may be enough to qualify the accommodation as exempt as long as these are provided by the landlord.

However, this is more complicated if the landlord is a private for-profit organisation. Some private landlords lease accommodation for a specific period of time to a third party (for example, a care and support provider); there are examples in services for people with learning disabilities. The third party then becomes the direct manager of the sheltered/supported housing and it can be classified as exempt accommodation.

Source: Adapted from EROSH briefing (2013), SITRA flowchart (2013) and Age UK (2013)

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## Note

The views expressed in this paper are those of the authors and not necessarily those of the Housing Learning and Improvement Network.

Nothing in these two Briefings should be construed as the giving of specific advice and they should not be relied on as a basis for any decision or action. The Housing LIN and Imogen Blood & Associates do not accept any liability arising from their use. We have consulted widely and have aimed to ensure the information is as up to date and accurate as possible, but please be warned that certain areas are very complex and subject to change.

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## About the Housing LIN

Previously responsible for managing the Department of Health's Extra Care Housing Fund, the Housing Learning and Improvement Network (LIN) is the leading 'learning lab' for a growing network of housing, health and social care professionals in England involved in planning, commissioning, designing, funding, building and managing housing, care and support services for older people and vulnerable adults with long term conditions.

The Housing LIN welcomes contributions on a range of innovative issues pertinent to housing with care for older and vulnerable adults. If there is a subject that you feel should be addressed, please contact us.

For further information about the Housing LIN's comprehensive list of online resources and to participate in our shared learning and service improvement networking opportunities, including 'look and learn' site visits and network meetings in your region, visit: [www.housinglin.org.uk](http://www.housinglin.org.uk)

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