



## A changing housing market for providers

The market for housing providers is going through a traumatic time. Changes to the economy and funding make for provocative and emotive headlines, particularly where this relates to meeting the needs of an ageing society.

In order to meet the challenges of this demographic shift, 'major changes' are needed in attitudes to ageing, employment and savings amongst other things. A major shift, and one that is likely to happen sooner rather than later, are attitudes towards housing and the wealth tied up in bricks and mortar. But there is much spin when it comes to talking about housing, in particular, the extent to which housing wealth can support care costs in later life. So, whilst there is no doubt times are challenging, this changing context and nature of housing wealth may also provide the opportunities for positive change for the housing sector.

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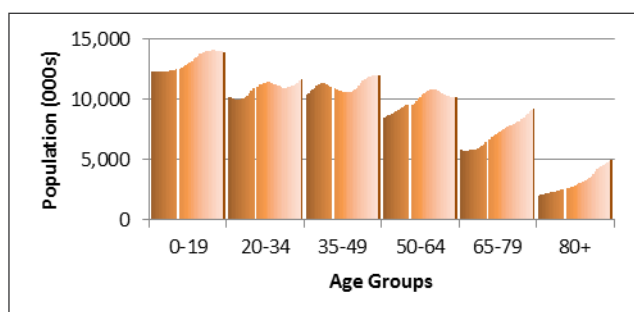
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## Introduction

The population of England is growing. A recent House of Lords Select Committee report 'Ready for Ageing'<sup>1</sup> concluded that the UK are "woefully unprepared" in meeting the demands of a rapidly increasing elderly population. Concerns about people having inadequate retirement incomes coupled with rising costs of elderly care are proving to be more of a migraine than a standard headache.

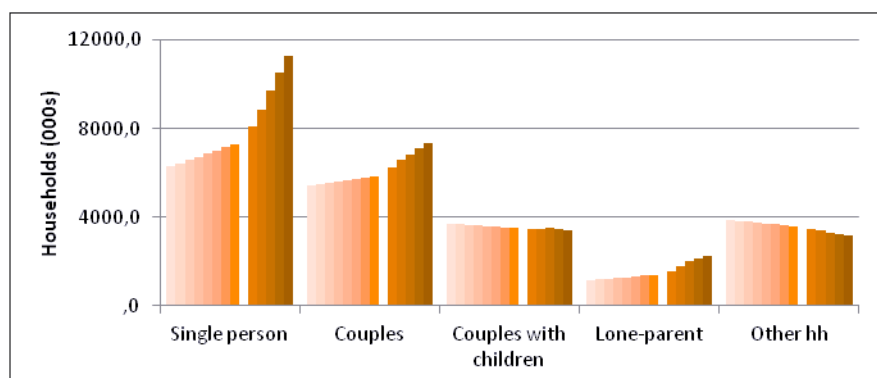
Growth, however, is disproportionate across age groups. Older people, in particular the oldest old, are growing at a faster rate than other age groups. Data from the Office for National Statistics (ONS) (Figure 1 below) predicts that the number of people aged 65-79 will rise 42% from 6.5m people in 2012 to 9.3m in 2035. The number aged 80 and over will nearly double over the same period, from 2.6m to 4.9m people. Changes in the population are reflected in changing household structures. The predictions are that people are increasingly likely to live in single person households (Figure 2), and that these are more likely to be single female households amongst the oldest age groups.

**Figure 1: Population growth in England 2000-2035**



Source: ONS Population Projections

**Figure 2 Household growth in England 2001-2033**



Source: DCLG: Live Table 401

This changing demographic landscape is coming head to head with a shrinking economy, particularly in respect of Government spend on housing provision and services. This raises key challenges in respect of housing. First, where will all these people be housed? We already have an inadequate supply of dwellings, which is a key contributing factor to the high cost of housing. The fall in starts and completions since the economic downturn are a clear indicator

<sup>1</sup> [www.parliament.uk/business/committees/committees-a-z/lords-select/public-services-committee/report-ready-for-ageing/](http://www.parliament.uk/business/committees/committees-a-z/lords-select/public-services-committee/report-ready-for-ageing/)

that this shortfall is not going to be rectified any time soon. Second, we also need to think about the type of housing that is being built. Will this meet the needs of our growing and changing population? (see Housing LIN Viewpoints 46 and 47 and planners and/or commissioners forecast for older people's housing).<sup>2 3 4</sup>

But these changes in house provision are not going to happen overnight, and there is a more immediate challenge of how to help current older people live comfortable lives in appropriate housing as well as meeting the financial costs of care and support in later life.<sup>5</sup> One solution that is being seriously considered is to tap into existing housing wealth.

Although house prices have had a bumpy ride, overall many homes have increased in value and we have experienced some very significant periods of house price rises. It is due to this potential for housing to increase in value that our homes have become repositioned as an investment opportunity, and more importantly from a Government perspective, as an asset-base for welfare. Given that the majority of older people live in a home that they own (71% of people aged 65 and over are owner-occupiers), it is perhaps not surprising that the Government have their eye on this potential wealth repository as an alternative funding source to state provided assistance in later life.

As noted in a Government progress report on funding reform for long term care: *“As rates of home ownership among older people are increasing, we would expect a greater proportion to be funding their own care in the future.”*<sup>6</sup> Although reassurances are given through the introduction of deferred payments from April 2015 - which means ‘no-one will be forced to sell their house in their lifetime to pay for care’, it does not rule out releasing equity from property through other means, nor indeed selling the family home once the care receiver has passed on.

Whilst in theory tapping into housing wealth may seem like a solution to the potential rising welfare costs of an ageing society, it should be noted that home ownership is no guarantee of housing wealth. Depending on when and where a home was bought, owners will have seen different returns on their investment. Analysis of the historical Halifax House Price data for England shows that the greatest returns on housing have been in London and the South East, where 42% of all the nation's housing wealth is now located. This compares to 18% in the whole of the North East, North West and Yorkshire & Humberside.

Despite the tabloid headlines, older owners generally are not ‘asset rich and income poor’ – they are not hoarding the nation's housing wealth. Data from the English House Survey shows that over a quarter of housing wealth is owned by people under the age of 65 who are in the top 20% of the population in terms of their income (Figure 3). There are also huge disparities of housing wealth within age groups. Among those aged 65 and over, the value of housing wealth can range from negative equity of £20,000 through to homes valued at £1m or more. Furthermore, there are around 1.4m older people renting and who therefore do not have access to any housing wealth.<sup>7</sup>

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<sup>2</sup> Coleing P (2013), *An older person's perspective on the housing landscape in England*. Housing LIN

<sup>3</sup> Shanks D (2013), *Older People: New kids on the block*. Housing LIN

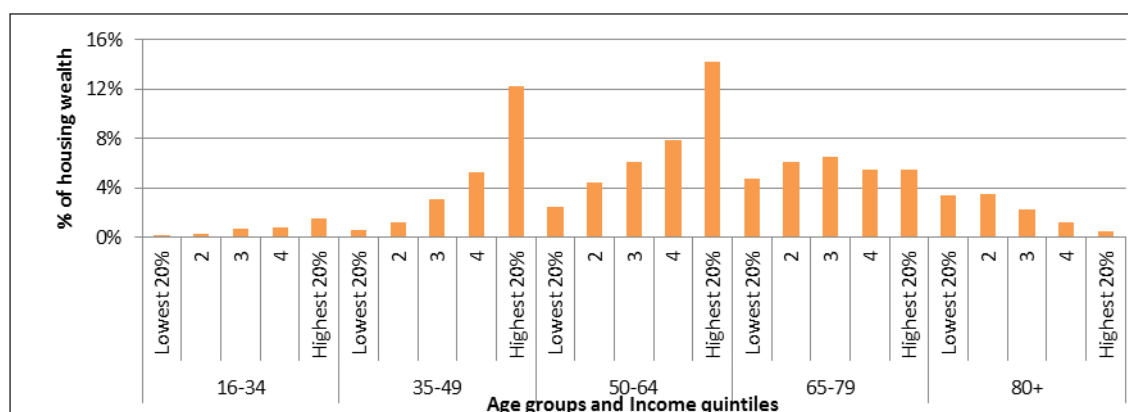
<sup>4</sup> [www.housinglin.org.uk/Topics/browse/HousingExtraCare/ExtraCareStrategy/SHOP/SHOPAT/](http://www.housinglin.org.uk/Topics/browse/HousingExtraCare/ExtraCareStrategy/SHOP/SHOPAT/)

<sup>5</sup> Searle BA (2013), *Who owns all the housing wealth? Patterns of Inequality in England*, Mind the (Housing) Wealth Gap Project Briefing No 3, (available at: <http://wealthgap.wp.st-andrews.ac.uk/publications/>)

<sup>6</sup> Department of Health (2012), *Caring for our future: progress report on funding report*, Cm 8381. London: The Stationery Office Limited

<sup>7</sup> See note 5 above

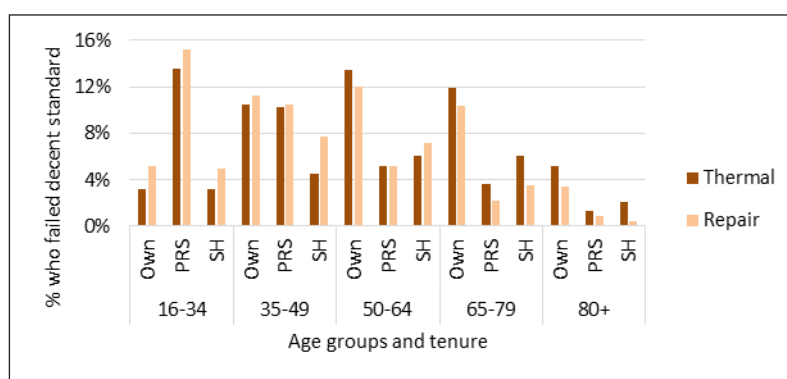
**Figure 3: Distribution of housing wealth in England**



Source: English Housing Survey

Some of this variation in value is related to the quality and condition of the houses that people live in. The majority of older people, understandably, wish to remain in their own homes – currently 90% of older people live independently.<sup>8</sup> But as they age in place this raises questions about the ability of older people to maintain their homes, and pay for any necessary adaptations. Figure 4 shows the distribution of houses that fail to meet the Government’s decent homes standard in terms of repair and thermal condition (heating systems and insulation). Although a great deal of poor quality housing is occupied by younger people located in the private rented sector, the vast majority of poor quality housing in England is owned by people aged 50 years or above. For example, 12% of housing stock that fails to meet thermal standards and 10% that fails to meet repair standards is owned by people aged 65-79. So whilst more older people own their homes than rent, this also means that more older people live in poor condition housing. With the predicted increase in single elderly households noted above, this looks likely to become an increasing problem.

**Figure 4: Quality of housing stock in England**



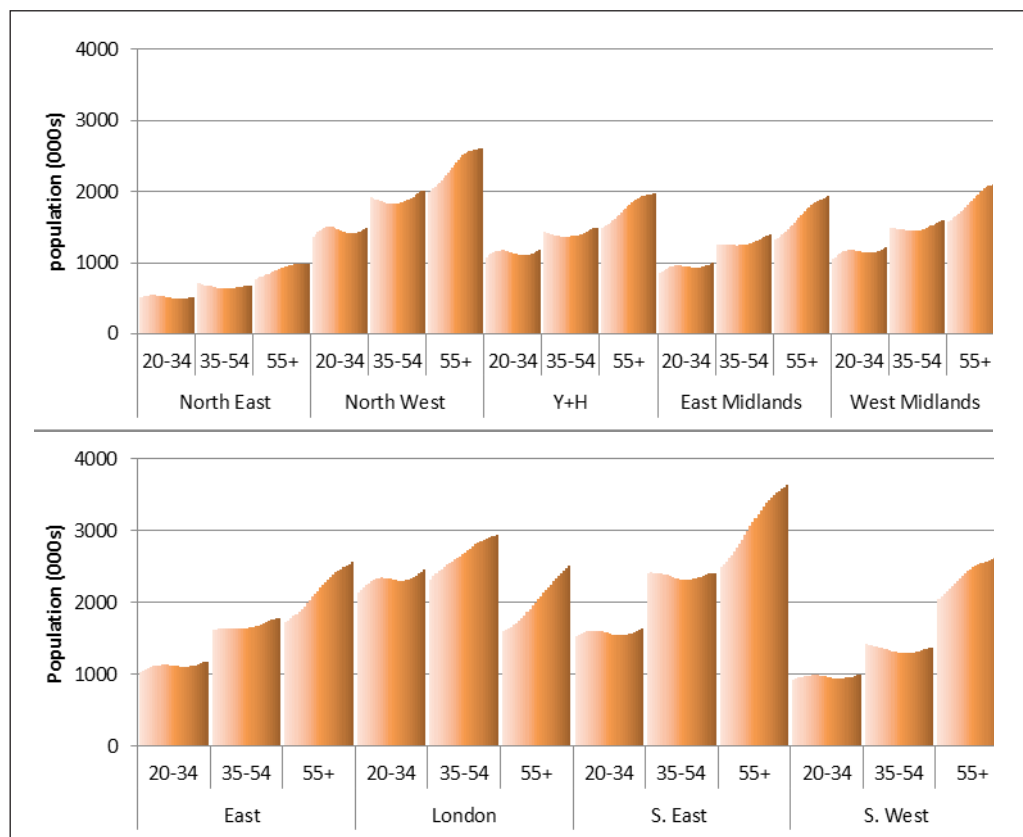
Source: English Housing Survey

<sup>8</sup> Adams S (2009), No Place like home? Housing Inequality in later life. In Paul Cann and Malcolm Dean (eds) *Unequal Ageing: the untold story of exclusion in old age*. Bristol: Policy Press

All this points towards inequalities in housing wealth and in the amount of equity that older owners are able to release. According to analysis conducted by Savills,<sup>9</sup> the average amount of equity that could be released by moving from a 3-bedroom to a 2-bedroom property in London is £189,174, this is more than four times the amount that could be released by someone living in the North East of England (£42,627). Savills also identify different regions of England as being potential 'downsizing hotspots'. They base this on the location of where people aged 55 or older are living and the average amount that could be released by moving to a smaller property, with areas along the South Coast, North East and the Cotswolds highlighted.

But the changing market is not just about current generations of older people, it also needs to take into account younger generations. The argument is that older owners in large family homes should be downsizing to smaller (and it is assumed cheaper) properties. Notwithstanding that not all older owners will have sufficient equity in their homes to make this a worthwhile transaction, downsizing is dependent just as much on the location and needs of younger buyers as older sellers. Figure 5 below shows the predicted changes across the regions of England in the number of people in different age groups. It is clear that with the exception of London, the rise in the number of people aged 55 and over, those who would be looking to downsize, is increasing far quicker than the numbers of people aged 35-54 who would potentially be looking to buy family sized homes.<sup>10</sup> There is also the issue of people who are downsizing competing for the same size properties that younger first time buyers (20-34 years) would be looking for.

**Figure 5: Regional differences in population ageing**



Source: ONS Population Projections

<sup>9</sup> *Family Values: What the genealogy of the housing market means for different buyer types*. Residential Property Focus Q1 2013

<sup>10</sup> [www.demos.co.uk/projects/topoftheladder](http://www.demos.co.uk/projects/topoftheladder)

This demographic shift raises some taxing issues about the location of properties, buyers and sellers. But, importantly from an asset-based welfare perspective, there are some key challenges and potential opportunities for the housing sector. Housing based welfare is not sustainable where the next generation have trouble getting on to the bottom step of the housing/welfare ladder. It may also not be sustainable where older owners, who naturally will seek to maximise the sale price, struggle to sell properties to a priced out, and shrinking, younger generation. Perhaps most importantly, where older owners seek to remain in the family home, they may need to look for alternative means of accessing their housing wealth. Equity release products have existed for some time, but are mainly located in the private sector. This presents challenges to owners as the amount of equity that can be released is limited.<sup>11</sup> A fellow academic has calculated that in order to realise £75,000 through equity release (the Government's current proposed cap on individual care costs), a single person aged 75 would need to own a property valued in the region of £200,000.<sup>12</sup>

Placing the future of welfare into the private market, particularly the housing market is a risky strategy. Owners are exposed to the uncertainties of regional variations, economic turmoil, demographic shifts and financial transactions underpinned by profit motives. The housing sector has the financial skills, care expertise, means of carrying out repairs and maintenance, and an awareness of housing needs of people as they grow older. There is a looming gap in the market. Whilst this presents challenges, it could also provide the opportunities for a shift to a more socially enterprising 'welfare' market. If the social sector choose to ignore it, the private sector is certain to step in.

### **Key points for meeting the challenge:**

- Know your market. Using population profiles and predictions to understand how the people in your area, and the surrounding areas, will change. Who are they and what are their housing needs likely to be?
- Look beyond your traditional client base. There is not enough state funding to support all the needs of older owners, but most cannot afford private fees. This intermediate market for 'care and repair' could provide a reasonable income stream and cross-subsidise other service provision.
- Look beyond your traditional services. For those who have limited housing wealth, current equity release products are not cost effective. There is the potential for new financial products and services which bring care provision and the means to pay for it together.
- Challenge the language of government and media. This is not about one greedy generation competing against another. It is about in-depth, entrenched inequalities between rich and poor.

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<sup>11</sup> Overton L (2013), *Equity release customers: who are they and why do they use the products*. Mind the (Housing) Wealth Gap: Project Briefing No 2, (available at: <http://wealthgap.wp.st-andrews.ac.uk/publications/>)

<sup>12</sup> Fox O'Mahony L (2013), *Paying for care: what matters is how you get there*, (available at: <http://wealthgap.wp.st-andrews.ac.uk/paying-for-care/>)

## Note

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

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[www.foundations.uk.com/media/209271/Beverley%20Searle.pdf](http://www.foundations.uk.com/media/209271/Beverley%20Searle.pdf)

## 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 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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