

How a greater focus on ‘last time buyers’ and meeting the housing needs of older people can help solve the housing crisis¹.



Future of the welfare state

thinkpiece

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Introduction

As one of the key challenges facing the nation, successfully tackling the housing crisis is a critical litmus test for politicians and policy makers. The consequences of failing to build enough homes for decades are already keenly felt by millions of people.

The effect of the crisis is felt most heavily by the young and, without a change in course in house building, will become increasingly severe for future generations. The cost and scarcity of housing means many young adults are unable to establish independent households of their own. One in four adults between the ages of 20 and 34 are still living with their parents. This is hardly surprising when the typical first time buyer needs a deposit equal to 65% of their income and the average household spends 40% of their income on rent.⁵ We have the bizarre situation in which a generation of graduates who have benefited from the significant investment in high quality student housing that has taken place in recent years, now find themselves forced into lower quality accommodation and living conditions as they begin their working lives as a result of the high cost of housing and substantial student debts.

All this explains why the Government and indeed the opposition have been focused on helping ‘first time buyers’. However, perverse as it may seem, we might make faster progress in helping these younger generations if we devote as much of our energies to meeting the housing needs and aspirations of their parents and grandparents.

The key themes we explore in this chapter are how a greater focus on meeting the housing aspirations and needs of older generations will directly increase the overall supply of housing. This can make a contribution in three ways: by releasing capital tied up in existing homes unlocking new market demand; by increasing the range of tenures and type of homes so not competing with existing developer models; and by releasing much needed family homes, increase movement in the whole housing chain. In addition, it would deliver significant value to the public purse by helping people to remain independent for longer, therefore improving health and wellbeing.

To meet the housing needs of current and future generations the country we will simply have to build

¹ This contribution build on the findings of the Lyons Housing Review (2014): Mobilising across the nation to build the homes our children need: http://www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf

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⁵ ONS, Young Adults living with parents, 2013; of Mortgage Lenders, Helping the Bank of Mum and Dad, 2013; English Housing Survey, 2012/13

many more homes of all types and tenures and in all locations. However that will not be achieved by relying solely on the existing building industry. We will need to increase the number of organisations commissioning and building new homes. We will also need to build confidence that the uplift in supply will be sustained in the long term to provide certainty needed to increase capacity in the skills and material supply chain of the house building industry.

The political and policy focus on first time buyers is a legitimate response to the expressed ambitions of younger generations, however the major drawback is that it concentrates on a part of the population with weakest effective demand.

Older home owners, by comparison have much higher levels of housing wealth and therefore represent a much more reliable source of effective demand for new homes provided those homes meet their aspirations. Many are also less likely than younger generations to need public support in the form of Rent to Buy or publically subsidised discounts.

Focusing on the housing needs and aspirations of older people, whether home owners or tenants, makes a direct contribution to meeting the housing needs of other parts of the population. It does this most directly through releasing larger, currently under-utilised homes that are needed for family homes. The London Assembly illustrated the point that releasing one new 6 bedroom home for an overcrowded family in London could solve the overcrowding problems of 36 Londoners through unlocking homes further down the chain⁶.

A focus on older people's housing also offers the opportunity to release capital tied up in larger family homes to provide support for children and grandchildren who cannot currently access their own home. Clearly it would be wrong to compel people to sell their homes and the opportunity for equity release does not exist for all families or areas of the country. However the imbalance of housing wealth between generations means that more families may look to solutions that enable some of that housing wealth to be shared with children or grandchildren.

Unlocking these benefits will require a better housing offer for those 'last time buyers' looking to downsize to a home that better suits their needs and aspirations and releases capital tied up in larger homes. 'Last time buyers' was a working term we used during the Lyons review to refer to the group of people who want, need and aspire to buy a different type of home suitable for later stages in life. Whilst we never felt quite comfortable with some of the connotations of the phrase, we never found an alternative that could succinctly capture the issue and so the phrase has stuck.

However, the solution is not just about home ownership. We will also need a wider array of homes for rent in purpose built and well managed settings with secure tenancies, recognising the unmet housing need for a growing elderly population without capital or access to mortgages. There is unmet housing need among the elderly and improving housing standards for many older people will improve health and well being for many older people reducing public spending elsewhere. The opportunity to free up family homes currently occupied by one or two residents who no longer need a larger home exists in the social and affordable rent sector as well as the private market. Local authorities and housing associations will need to be focused on building to meet that need as well as refurbishing existing stock.

A better rental offer with secure tenancies and confidence of rent stability might also provide an attractive offer for home owners looking to release capital to provide an income in later years and to help fund housing for their children and grandchildren. Crucially, stimulating the market for rented homes will deliver a faster increase in housing supply. This is because building homes to rent offers the opportunities for quicker build out, bringing in a wider range of commissioners of housebuilding, enabling greater density of development and greater scope for the use of modern manufacturing methods which can enable faster build and address constraints on materials supply to increase capacity for house building.

The need for greater focus on housing for older age groups was one of the key issues identified by the Lyons Housing Commission⁷. The report, published in autumn 2014, set out the stark consequences

⁶ London Assembly Planning and Housing Committee, Crowded houses Overcrowding in London's social rented housing, 2011

⁷ The Lyons Housing Review, 2014 http://www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf

for our economy and quality of life of decades of failure to build enough homes. Latest housebuilding figures indicate that we built in the region of 155,000 homes in 2014-15⁸. While that is an improvement on the darkest years of the recession it is clear that there is a long way to go to increase housebuilding to somewhere near 240,000 homes per year needed to meet the Government's target of 1 million more homes by 2020. We have not achieved that level of housebuilding since the mid-1970s. That was a period when a large number of new homes were delivered by local authorities, a role that has never been filled since. Increasing housing supply to those levels will require extreme elasticity in the capacity of the existing house building industry. This includes the skills and materials supply chain as well as rapid and significant increases in investment and development activity from housing associations, local authorities and new entrants into the market.

This call was repeated in February 2016 when the Commission reconvened to assess progress since the publication of the report and what more is needed to meet the Government's target⁹. The Commissioners recognised and welcomed the leadership and priority that the Conservative Government has placed on increasing house building. However their key conclusion was that to effectively tackle the housing crisis, Government will need to develop a more comprehensive strategy that goes beyond the current focus on supporting more people into home ownership and reliance on a narrow model of volume house builders building homes for private sale. An effective strategy will need to increase supply across a range of housing types and tenures, including providing more options for homes that suit peoples' needs at different stages of life.

As Kate Barker's work on housing supply has demonstrated, the lack of new housing supply has contributed to the rampant increase in house prices in recent decades¹⁰. This in turn has resulted in housing wealth becoming the principal driver of inequality in the UK. Following the credit crunch access to capital, particularly housing equity, has become the most important factor in being able to buy a home. Since a significant proportion of housing wealth is held by those who bought homes early enough to benefit from rapidly rising house prices in the 1990s and 2000s, we are left with a housing market that is deeply unequal. This has created the scenario where a young adult's access to homeownership is dictated by the wealth of their parents (or even grandparents); and those with insufficient housing equity facing increasing difficulties in accessing the homes they want. Whilst a focus on opportunities to release the housing equity of older generations will not solve the wider problem of inequality between rich and poor families, it does offer a means to improve access to housing for a greater number of younger people.

Against this background, the Lyon's Commission identified a distinct and urgent need for better provision and increased choice of homes for older generations. This is not a single solution to the housing crisis, but is one part of a comprehensive strategy for increasing supply and meeting the housing needs of all parts of the community. Crucially we also recognised that a greater focus on the aspirations of these older age groups, as well as the traditional focus on their needs, would provide scope to make a much bigger contribution to tackling the nation's housing crisis. At the same time, it would deliver significant value to the public purse by reducing the rising costs of meeting the needs of an ageing population.

⁸ Net supply of housing: 2014-15, England, DCLG Housing statistical release November 2015 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475832/Net_Supply_of_Housing_England_2014-15.pdf

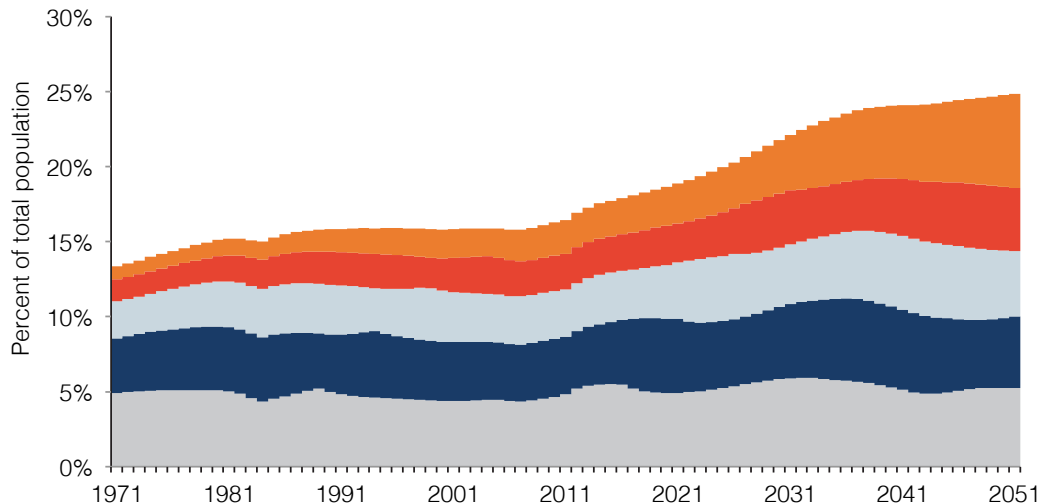
⁹ <http://www.housing.org.uk/resource-library/browse/lyons-housing-commission-update-report/>

¹⁰ Barker Review of Housing Supply, 2004

The challenges of an ageing society

The effects of the 20th century baby boom combined with the fact that we are living longer means that our society is ageing. By 2030 there will be 50% more people over the age of 65 than in 2010¹¹ and by 2037, almost a quarter of our population will be aged 65 or over.¹²

Figure 1: Proportion of the population aged 65 and above, England (updated to 2014 projections)



Source: ONS Population Estimates & 2014 Projections

The strides in prolonging life expectancy are of course welcome, but have yet to be matched by increases in healthy life expectancy. At 65 men have a 47 per cent chance of remaining disability free, compared to 42 per cent for women and by 2021, over one million people in the country will be living with dementia. As a result, there is more pressure on public services, particularly social care and health services. The over 65s currently account for 37 per cent of primary care spend and 46 per cent of acute care, whilst demographic changes cost £400 million annually¹³. At the same time, local authorities are under increasing pressure to house those most in need and facing increased demand for adult social care services. This is at a time of further public sector spending cuts and increases in the costs of care, due to the minimum wage.

This has fundamental implications for the national economy. A proportionately smaller number of wage earners and tax payers will be supporting a greater number of people with increasing care and health needs that could cost the state billions of pounds. Dealing with the rising costs of health and social care is perhaps the biggest challenge facing our economy and society. It will be a priority for governments in years to come. Part of the solution lies in delivering housing of the right types, sizes and tenures and with access to a range of services to meet the changing housing and health needs of the ageing population.

The public value of investing in housing for older people

The financial case for investing in housing that meets the needs of older people has been well documented in numerous research reports. Homes that are warm, safe, accessible and affordable in environments that support improved quality of life can enhance independence and wellbeing of older people. This can reduce dependency on high cost acute health and care services. Newly built homes have much higher insulation standards which not only make it easier for residents to stay warm but also reduce energy costs for those on fixed or declining incomes.

¹¹ Demos, Top of the Ladder, 2013

¹² ONS population Estimates and Projections, 2012 based Statistical Bulletin

¹³ CIH, New Approaches to Delivering Better Housing Options for Older people, 2013

Examples from recent studies include:

- The net benefit of investment in specialist housing for older people is £219 million or £444 per person, per year as a result of the reduction in the use of public services¹⁴;
- Aston University demonstrated that residents living in properties run by the Extra Care Charitable Trust cost the NHS £1,115 less per person, per year compared to costs incurred by comparable residents in the surrounding area. This represented an NHS spend reduction of 38%.¹⁵
- Injuries due to falls among older people have been estimated to cost the state over £1 billion a year – 1 in 4 falls involve stairs and the majority take place in the home¹⁶;
- Postponing entry into residential care by one year could reduce non-care costs by £26,000 per person.¹⁷
- With cuts to supporting people funding which provides housing support services to older people and other vulnerable groups¹⁸ councils are increasingly having to look for ways to reduce dependency on housing related services. In addition, the Care Act 2014 is intended to drive greater integration between housing and care, with a view to helping older people remain healthy and independent at home. Under the Act, housing must be considered in the delivery of care and forms part of the definition of ‘well-being’. This will require greater attention to ensuring homes for older people that offer increased, mobility, accessibility and comfort.

Diversity of aspiration and need

It is important to recognise that when we talk about people over the age of 65, we are talking about a group of people which is far from homogenous. There is a range of income groups, and a diversity of aspirations, lifestyles and cultures and a spectrum of care needs. In delivering homes for older people, whether for sale or for rent, it is critical that we recognise people’s aspirations as well as their needs. Older people are just as interested as their children and grandchildren in the choice of location and lifestyle that their home offers. Some will be interested in a self-commissioned new home with lower running costs and designed to be adaptable as their needs and lifestyles change whilst others will be looking for an extra care setting with a strong community and support offer.

Whilst many within this group have accumulated housing wealth, many are asset rich but income poor and as is well documented, poverty remains a significant issue for a large number of older people. 1 in 6 pensioners (1.8 million or 16% of pensioners in the UK) live in poverty (defined as 60% of median income after housing costs).¹⁹ This issue is likely to be an increasing problem in future, as illustrated by Demos in their 2013 Top of the Ladder report which estimated that 10.7 million people in Great Britain can currently expect inadequate retirement incomes.²⁰

There is also the question of when we consider ourselves to be old or elderly. This of course varies according to individual perceptions, health and circumstances, but many of those in their 60s and 70s and even their 80s will be still be active, fit and healthy, and interested in new opportunities for the later stages of their life. Many will be continuing to work, care for their parents and grandchildren, and interested in volunteering, education, travel and other interests. As such, they will not consider themselves as old and will have very different expectations and aspirations for housing than that traditionally associated with the elderly. Encouraging this group to downsize and plan earlier for a longer old age will not be achieved by trying to attract them to chair lifts and handrails when they are feeling ready for their post-retirement gap year of world travel.

On the other hand, of the older population, the ‘very old’ are increasing in number more rapidly than

¹⁴ Frontier Economics, Financial benefits of investment in specialist housing for vulnerable and older people. Report for the HCA, 2010

¹⁵ Extra Care Charitable Trust, Key findings 2015

¹⁶ Help the Aged, Preventing Falls, 2007

¹⁷ Adams, S. Small things matter: the key role of handyman services. Care & Repair England, 2006

¹⁸ Supporting people funding was reduced by £46 million between 2010 and 2014/15 (2010 Spending Review), and subsequently rolled into general funding to councils which has been cut by 40% since 2010 and set to decrease in 28% in 2016/17 (LGA briefing on Local Government Finance Settlement, Feb 2016.)

¹⁹ Age UK, Living on a low income in later life, 2011

²⁰ Demos, Top of the Ladder 2013

other segments of the population. The number of people aged 75 and over has increased by 89% since 1974 and now makes up 8% of the population²¹. Many of these people will be interested in retirement communities that might offer homes that are easier to manage and adapt as they grow older. 69 per cent of over 85s currently have a long-term illness or disability, compared with 34 per cent of 65 to 74s. This increasingly old population may well need housing that offers care and support services on site. The need for better provision of housing for the older age band within this group is already pressing, and requires housing that offers varying degrees of care and support services to free up hospital beds and reduce the cost to the NHS.

A strategy for housing older generations must therefore recognise and respond to this range of aspirations and needs.

Downsizing and the constraints

Providing a better choice of options for older people looking to downsize would unlock substantial equity that could be made available invest in new homes whilst releasing existing family homes into the market. Many of those aged 65 and over have benefited from house price growth and low interest rates. Home ownership among the over 65s is 78% compared to 64% across all age groups and 30% for those under 35. The over 65s have benefitted from house price growth and low interest rates and 67% own their home outright with no mortgage²². The growth in housing wealth has enabled ownership of bigger or multiple homes with holiday homes, city centre crash pads and buy-to-let portfolios becoming increasingly popular. Combined this age group are sitting on over £1 trillion worth of housing equity²³. There is evidence of a growing appetite amongst this generation to release this equity. According to the Equity Release Council, a record amount of housing wealth was unlocked by homeowners aged 55 and over in 2015. Lending was up 16 per cent on 2014 with £1.61bn withdrawn through specialist equity release plans²⁴.

This is accompanied by an inefficient use of housing, with increasing numbers of older people living alone in their family homes with more space than they actually need. The English Housing Survey estimates that around 50 per cent of households headed by someone over 65 are under-occupying their present home, that is 3 million homes. This is important because the housing crisis is not just a question of a shortage of homes for first time buyers. It is a shortage and lack of affordability across the whole system which is preventing families from moving into larger homes and out of smaller homes that would be suitable for first time buyers.

As the chart below illustrates, the though the supply of family homes has increased since the low point during the recession, it is still far lower that numbers built in previous decades. This points to the need, not only to be building more family homes but also the need to unlock existing stock that could be available to meet the growing need for larger homes.

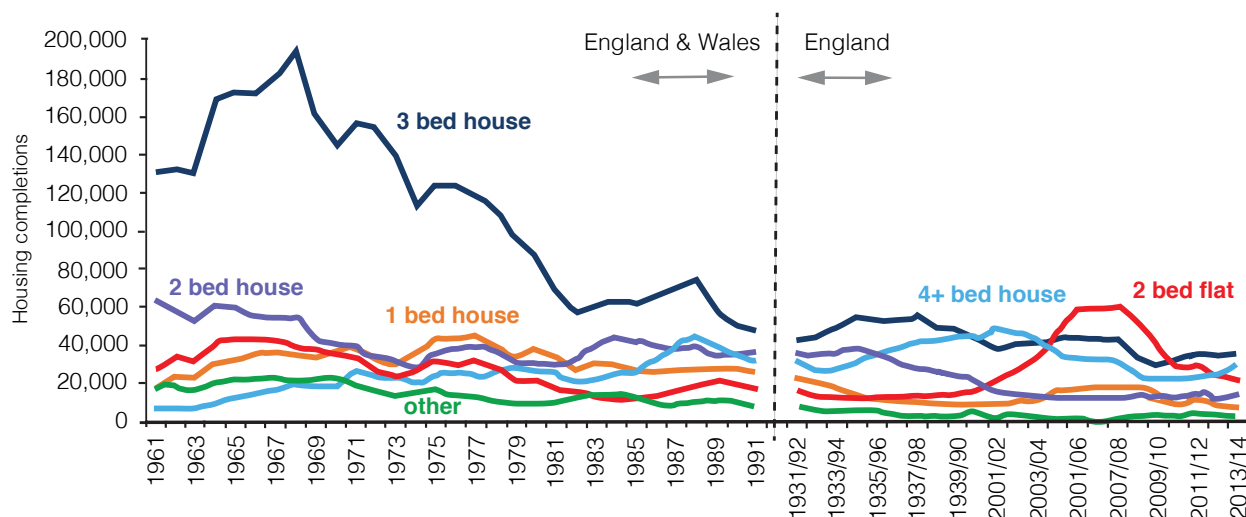
²¹ ONS, Ageing of the UK population, June 2015

²² Savills, Spotlight Housing and Ageing Population, 2015

²³ *ibid*

²⁴ <http://www.theguardian.com/money/2016/jan/25/equity-release-levels-record-high-2015-over-55s>

Figure 2: Completions by type and number of bedrooms²⁵



Source: DCLG Tables 209/254, CCHPR AE Holmans 2005 (Other is 1 bed houses and 3+ bed flats)

Providing an attractive choice of homes for older people will free up larger homes for families, with knock on benefits of making smaller homes available for first and second time buyers back down the chain. Finding ways to unlock this equity will help stimulate increased supply whilst making more efficient use of the housing stock to meet housing need.

Downsizing also offers financial advantages for older people on fixed or declining income in terms of better heating and insulation standards of newly built homes that can reduce running costs, or from reduced council tax bills from moving to a smaller home. Delivering these benefits and ensuring new homes are attractive, well designed in attractive places offer a means of overcoming the perceived British antipathy to newly built homes.

The retirement housing market has been traditionally focused on ‘needs’ based demand and both the image and reality of traditional retirement homes; a lack of choice of alternative homes; and attachment to family homes has led to moving being a last resort for those who would prefer to remain independent and part of a wider community. However, in recent years we have begun to see the emergence of an appetite for “downsizing” as people look for a home that is better suited to their new stages of life.

Research conducted by Demos in 2013²⁶ illustrated the appetite and potential demand for downsizing or moving to retirement homes:



More than half (58 per cent) of people **over 60** were **interested in moving.**



More than half (57 per cent) of those interested in moving wanted to downsize by at least **one bedroom**, rising to **76 per cent among older people** currently occupying **three-, four- and five-bedroom homes.**



One in four (25 per cent) over 60s would be interested in **buying a retirement property – equating to 3.5 million people nationally.**

²⁵ Provided by Savills

²⁶ Demos, Top of the Ladder, 2013

The report also illustrated the potential this could have for freeing up larger properties:

- If just half of the 58 per cent of over 60s interested in moving (downsizing and otherwise) were able to move, this would release around £356 billion worth of (mainly family-sized) property – with nearly half being three-bedroom and 20 per cent being four-bedroom homes.
- If all those interested in buying retirement property were able to do so, 3.5 million older people would be able to move, freeing up 3.29 million properties, including nearly million three-bedroom homes.
- These potential movers and downsizers are likely to be motivated by different needs, interests and aspirations, and therefore looking for different options for a new home. These include:
- Needs based downsizing – driven by the need to move to a smaller home as a result of bereavement, isolation, inability to manage and maintain a large family home, or poor health, mobility or care requirements that require adapted properties of a greater level of home based support.
- Economic based downsizing - older people with fixed or declining incomes have an interest and an incentive in reducing housing running costs from moving to a smaller or more efficient home, or those looking to free up equity in order to afford a better standard of care or to support their children in accessing a home.
- Aspirational downsizing – typically at the younger end of the age range in 60s or 70s whose children have left home and who may be looking to free up equity and have an easier to manage home that allows them to pursue “new life adventures” such as travel, education and leisure activities.

Work by the JRF, Demos and others have demonstrated that people’s emotional attachment to their homes, proximity to friends and family and the physical difficulty, stress and expense of moving are all major reasons why older people are reluctant to move. They also highlighted psychological barriers to moving to homes specifically designed for older people: research by Demos for Hanover Housing found an aversion to ‘age segregated’ housing and communities among the over 60s living in mainstream housing, and an association between this form of housing with ‘ghettoisation’.²⁷ These studies have also highlighted a lack of suitable properties, and the difficulty of looking for properties as major obstacles for those who would otherwise like to move. Older people’s desire to remain property owners for a greater sense of stability is noteworthy, particularly given that 83% of over 60s living in England, and 91% of 76-80 year olds are currently owner occupiers. Given that only 23% of retirement housing is for sale, this could also be a factor in the reluctance for many to move.

Financial concerns are a significant barrier to considering moving for some older people. In some parts of the UK, ‘downsizing’ to retirement housing can actually be a more expensive option than staying in a larger home. The Parliamentary briefing paper on Housing an ageing population gives the example of Barnsley, where a 3 bedroom ex-council house was worth £70,000 compared to £120,000 for a 1 – 2 bedroom bungalow²⁸. The report also provides a good summary of the incentives and penalties have been suggested to mitigate financial concerns, including scrapping or reducing Stamp Duty Tax and of Council Tax for downsizers or buyers of specialist retirement housing²⁹.

The Institute for Public Care has also suggested providing financial support for legal and conveyancing fees to address concerns around the expressed fear of stress caused by moving in mind) as well as an extension of Help to Buy for older buyers who are downsizing / moving to retirement housing.

Penalties have also been proposed, including the extension of the removal of the Spare Room Subsidy or ‘bedroom tax’ to older people in social housing; and the withdrawal of the Council Tax discount for single occupation. However, others have raised concerns that such measures would simply exacerbate pensioner poverty that induce people to downsize and that the resulting impacts on their health and well being would be likely to outweigh any benefits to the housing chain³⁰.

²⁷ J Hill, L Sutton and L Cox, *Managing Resources in Later Life: Older people’s experience of change and continuity*, Joseph Rowntree Foundation, 2009; L Bazalgette and J Salter, *Sociable Housing in Later Life*, Demos, 2013

²⁸ Parliamentary Briefing Paper Housing an Ageing Population, 2015

²⁹ Proposed by The Intergenerational Foundation, RICS Housing Commission, Institute for Public Care

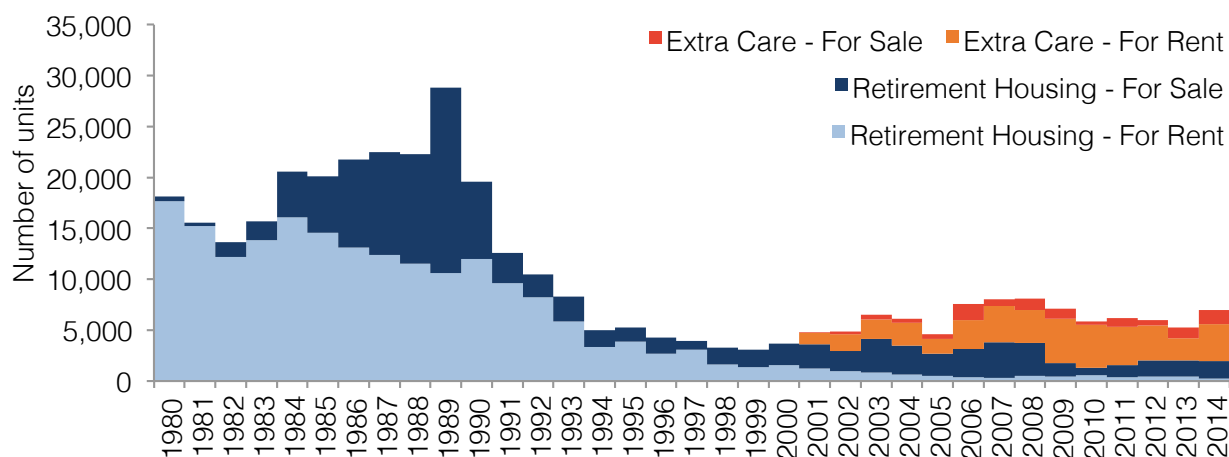
³⁰ Demos, Top of the Ladder 2013

All this points to the need for greater range of choice of homes that are attractive for older people, well designed and located in close proximity to good public transport links, shops and services and where they can maintain links to family and friends and ties to the local community.

How many homes are needed?

There are around 515,000 specialist retirement and extra care homes in England³¹. The supply of new homes specifically for older people has averaged around 7,000 units per year over the last decade. This equates to a 1.4% increase in existing stock around double the level being achieved by the general new build housing market, though supply remains significantly below levels achieved in past decades.

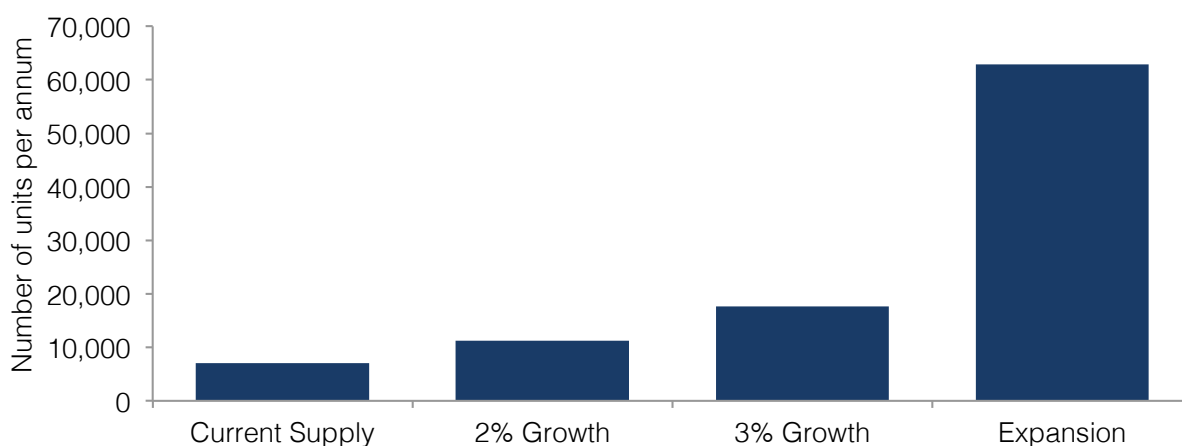
Figure 3: Delivery of housing for older people



Source: Elderly Accommodation Council

It is clear that current supply is inadequate to meet both current and projected needs. The JRF have identified that there is only enough specialist housing to accommodate 5% of the over-65 population.³² Looking to the future, Housing LIN and the Elderly Accommodation Council (EAC) forecast a deficit of 240,000 of such bespoke homes by 2030. Analysis by Savills suggests that in terms of housing need, the projected 2% annual increase in the number of people over 65 between 2015-2020 and the 3.2% increase in the number of people over 75 would suggest a target of 18,000 homes per annum are needed to maintain existing provision. Increasing the provision of retirement homes to 10% of older people would require an additional 60,000 homes per year above these levels³³. By any of these measures, it is clear that a significant increase in the number of homes suitable for older people is needed.

Figure 4: Future housing requirement



Source: Savills Research

³¹ Savills, Spotlight Housing and Ageing Population, 2015

³² Joseph Rowntree Foundation, Supported housing for older people in the UK: an evidence review, 2012

³³ Savills Spotlight Housing and Ageing Population, 2015

What sort of homes?

The demand for and mix of housing will vary in each area and will be influenced not only by demographic trends but also levels of economic and housing growth in an area (which influence migration) and concentration of housing equity. However in almost all local communities there is a need for more housing of a range of types for older people.

Local authorities assess and plan for future needs of housing for older people through their local planning policies and Strategic Housing Market Assessments (as is required under by the National Planning Policy Framework) with increasing recognition of the need for greater choice of tenures, adaptability and higher standards of housing. A number of reports have cited developers concerns that local policies do not pay adequate attention to the demand for privately built bespoke homes for older people, though they acknowledge this varies between authorities.³⁴ Government's emphasis on ensuring local plans are in place across by 2017 should help ensure that planning policies are compliant with the NPPF including making adequate provision for older people.

Traditional retirement housing makes up the majority of housing specifically provided for older people, with the majority (75 %) built and owned by local authorities and housing associations. Whilst they play an important role in meeting housing needs, large numbers were built in the 1970s, 80s and 90s with grant funding that encouraged volume rather than quality or space. This dated housing can reinforce the negative perceptions of retirement homes. Many local authorities and housing associations are undertaking extensive refurbishment, replacement and re-modelling of existing traditional schemes as well as new developments to provide greater choice more attractive options and increased provision.

Private developers and operators form the other side of the retirement housing market with around 130,000 units. These range from the converted country house market of the 1970s and 80s to the purpose-built market dominated by the likes of McCarthy and Stone (who had around a 70% share of the for-sale market in 2014)³⁵. These homes offer a solution for people who don't qualify for social housing-based care with products, largely for sale that offer the safety and security of retirement living to those in need.

Extra care housing provides an alternative to traditional retirement and care homes by offering property for sale, rent or shared ownership with leisure facilities and care options that can respond flexibly to increasing need while helping individuals to retain independence and control of their lifestyles. The benefits of extra care housing are well documented, both in terms of resident's satisfaction, greater social support and reducing health and social care costs.³⁶ Aston University demonstrated that residents living in properties run by the Extra Care Charitable Trust cost the NHS £1,115 less per person, per year compared to costs incurred by comparable residents in the surrounding area. This represented an NHS spend reduction of 38%.³⁷

Yet despite increasing recognition of the benefits and the expansion of private schemes, there remains a woeful under provision of extra care housing compared to other countries such as Australia, New Zealand and the USA, where the supply of extra care/assisted living housing is many times as great as that of the UK³⁸. An example provided by the Housing LIN / EAC, shows that within the M25 there are less than 10 existing private extra care housing developments, which is incredibly low given the size of the demographic that needs to be serviced and the strength of the housing market in the South East.

Despite strong demand, the expansion of extra care homes is constrained by the significant upfront costs of the provision of communal services and facilities, difficulties of accessing finance and the high service charge costs which are off-putting to potential buyers. In addition, competition for sites which are suitable for extra care housing developments (located close to town centres in areas which would appeal to the elderly target market) mean that developers have to compete with traditional residential and other property

³⁴ Demos, Top of the Ladder, 2013

³⁵ Savills Spotlight Housing an Ageing Population, 2015

³⁶ Extracare: does it promote resident satisfaction compared to residential and home care? British Journal of Social Work, 2015

³⁷ Extra Care Charitable Trust, Key findings 2015

³⁸ Housing LIN, Will the Private Extra Care Housing Market take off in 2014?, 2014

type developers for the best sites where land availability may be sparse and viability a real issue³⁹.

Many local authorities and housing associations are working in partnership to support the development of extra care schemes, recognising that the costs of these schemes often require some public land subsidy⁴⁰.

Government has gone some way in recent years to support investment in specialist housing for older people. The HCA invested £1bn in supported housing and housing for older people through the National Affordable Housing Programme 2008–2011 – delivering 18,500 new homes. The Care and Support Specialist Housing Fund will make £300m capital funding available over 5 years from 2013/14 for the development of specialist housing to meet the needs of older people and adults with disabilities. The Autumn Statement 2015 confirmed Government's commitment to deliver 400,000 affordable home starts by 2020-21 with a focus on low cost home ownership to include 'at least 8,000 specialist homes for older people and people with disabilities.'⁴¹ This support is welcome, and will encourage both social and private sector providers to develop new and innovative specialist housing for older people. However, as we discuss below, delivering the uplift in supply of specialist homes that is urgently needed will require much greater commissioning from councils, housing associations and the HCA.

As a report from the CIH in 2013 illustrated, a new model is emerging that is focused on providing high quality accommodation but without the support traditionally associated with retirement housing⁴². This is partly in response to reduced funding and the high costs and difficulties extra care developments set out above, but also in recognition that a more attractive offer would encourage more people to actively plan for their future housing needs.

These new emerging models have been strongly informed by the work of the Housing our Ageing Population Panel for Innovation (HAPPI) which has been highly influential in highlighting the importance of ensuring housing for older people meets their needs and aspirations and in championing the case for higher quality, sustainable homes. Learning from examples of innovative housing across Europe, the panel established a framework of 10 key design principles to raise the quality of bespoke housing. The standards emphasise the importance of generous internal space and adequate storage space, design that maximises ventilation and light and that works well with the street and neighbourhood, shared spaces that remove an institutional feel, homes that are energy efficient and well insulated and that are adaptable to new technologies and to meeting future care needs.

A clear example of this new model, cited by the CIH is Hanover Housing Association who have developed a new model of bespoke housing for older people. Targeted at a younger spectrum of older people, these are intended to encourage people to downsize from family housing to high quality apartments. Key to this is the quality of the accommodation offered, incorporating HAPPI standards. The model provides the additional security often appreciated by older people, but without the additional support that falls outside housing benefit, avoiding the difficulty of support revenue funding. Capital costs are lower due to the lack of communal facilities on site.

The focus on the individual units of accommodation and less emphasis on communal facilities supports increased viability and makes this a model that can be adapted to regional and local variations. The lack of communal facilities means it is limited in providing the opportunities for development of local community, and social activities. Its location in relation to other facilities and activities in the locality and good transport links is therefore highly important, in the light of the growth of single person older households, and the increasingly well recognised impacts of social isolation.

Many private developers and investors are now looking to expand into the aspirational market, recognising that the older home owner, with substantial equity, could be a more reliable customer for a newly built home than younger people or families who might need support finance a new home (for example through Help to Buy). In doing so they have recognised the importance of building appropriately sized and attractive homes that people will want to move into. Many of these residents will be leading active lives

³⁹ For more extensive discussion of barriers to extra care provision see Housing LIN, Will the Private Extra Care Housing Market take off in 2014?, 2014

⁴⁰ See for example, Pannel Croft retirement village supported by Birmingham City Council as illustrated in the Lyons Housing Review; and Beacon Park in Lichfield, delivered in partnership by Lichfield District Council and HomeZone Housing Association cited in LGA, Good Homes in which to grow old, 2010.

⁴¹ Gov.uk, Spending review and autumn statement 2015

⁴² CIH, New approaches to delivering better housing options for older people, 2015

and will be looking for space for their car and for their belongings. The biggest challenge and opportunity is in delivering an aspirational product that encourages people to downsize at a price that people can afford within a model that works for house builders, developers and investors.

Meeting this challenge will require us to think more creatively about homes for older people. Bungalows are the typically the most popular home among older people and often the solution that politicians and policy makers turn to when thinking about homes for older people. However, they are grossly inefficient in terms of land use and the values they achieve reflect the underlying development value of the land rather than the bungalow, making them an expensive option. It will be important therefore to find ways of translating the features that make them attractive, such as plenty of space, storage, and access to outside space, to new developments that make more efficient use of land. Increased competition in this area, with an emphasis on higher density developments and with greater attention to the quality of build and place might help to bring costs down, increasing viability of such developments. In view of the fact that older people tend to favour living as part of wider communities rather than segregated retirement settlements, there are opportunities to ensure that new communities, for example Garden Villages and urban extensions include the type of development that will be attractive to older people.

Recent government initiatives aimed at increasing home ownership provide opportunities to attract older people to the option of downsizing. The increased opportunities for self build, of self commissioning that government is promoting could be an attractive option for those who have equity but feel there is a lack of choice to meet their aspirations or those for whom retirement settings do not appeal. The opportunity to design and specify their own home offers a means by which people can cater for current lifestyle choices and potential longer term needs.

Shared ownership schemes offer a means to encourage downsizing for older people who cannot afford the full market price of a new home or wish to free up capital with the attraction of continuing to own their home. Many Housing Associations offer schemes specifically designed for the over 55s providing a means for them to buy a stake in a new retirement home without overstressing themselves financially or tying up all their money in their home. Government's recent announcement of the expansion of support for shared ownership schemes offers potential to promote this as an option more widely to older people and stimulate demand.

In addition, there is a need for much greater attention to thinking about choice for older people in general housing supply and the opportunities this provides for downsizing and increasing supply. Currently only 3.4% of homes have the four basic recommended features to enable someone with mobility problems to visit (level access, flush threshold, WC at entry level and circulation space). A greater focus on future proofing new build housing to lifetime homes standards so that it can be adapted as lifestyles, mobility and support needs change would provide additional choice to bespoke housing for older people and increase attraction for those looking to downsize.

Who will build?

There is clearly an appetite and opportunity to increase the contribution of private providers make to the supply of homes that are attractive and suitable for older people, whether in bespoke settings or by ensuring new build homes are adaptable to later stages of life. Promoting a greater understanding and assessment of market opportunities and finding ways of supporting demand will help to drive up supply and mobilise the emerging interest from private developers in developing homes for the burgeoning aspirational downsizer market. However, we will not build the number or mix of homes we need if we rely on the existing industry alone to build them. For that, we will need a range of organisations including housing associations, local authorities and regeneration agents to play a much greater role in commissioning housing. This would facilitate a significant increase in house building, tap into additional building capacity that exists in the construction industry, and deliver a broader range of housing tenures and types. This was a key conclusion about housing supply from our work on the Lyon's Housing review, and applies even more so to building homes to meet the needs and aspirations of older generations.

The traditional model of the volume housebuilders is focused on building homes for sale and, despite

the benign conditions being created for the industry and the corresponding increase in output, the Commission's analysis showed that there are limits on the rates at which house builders build out their sites. Although some house builders are committed to continuing growth, the rate of housebuilding is dictated by demand for the finished houses being at a level that meets the return on capital that the volume house building model requires. The history of the last 30 years has shown that industry output closely follows the economic cycle with capacity contracting with each down turn and peak.

Investment in homes for rent, both at market and sub-market rent in addition to support for homeownership can play an important role not only in meeting local needs, but also in driving up overall build rates and providing some insulation in counter-cyclical periods. The fact that homes built specifically for rent do not compete with the traditional developer business core model of building homes for individual buyers, means there is a significant opportunity to increase the number of homes built. There is evidence of untapped potential for large scale institutional investment in the private rented market as can be seen from Legal and General's recent decision to invest £600 million in building over 3,000 apartments for rent⁴³. Stimulating the market for rented homes offers the opportunities for quicker build out, bringing in a wider range of commissioners of housebuilding, enabling greater density of development and greater scope for the use of modern manufacturing methods which can enable faster build and address constraints on materials supply. In addition to driving up supply, investment in private rent will unlock wider development and regeneration opportunities. It will also improve the quality of private rented homes and the opportunity of building to lifetime homes standards. If accompanied by secure tenancies, this could provide a rental offer that is much more attractive for older people interested in downsizing.

L&G have also identified capacity for greater investment in retirement homes for sale in recognition of opportunities for equity release if demand could be mobilised.⁴⁴ As discussed above, RICS Housing Commission among others have recommended that incentives such as stamp duty exemptions for downsizers could play a key role in encouraging more older people to move⁴⁵.

We will need local authorities and housing associations to greatly expand the role they play in commissioning homes bespoke for older people to provide more attractive developments for retirement properties for rent, sale and shared ownership including extra care facilities. There are significant challenges arising from government social housing policies which will need to be overcome, including the impact of the reduction in social rents and the extension of Right to Buy which are impacting on councils' and housing associations' plans for investment in housing⁴⁶. The government have now announced a 1 year exemption for supported housing from the social rent reduction, recognising the significant impact it would have on the provision of new retirement housing schemes. However the on-going uncertainty about what will happen in future years will continue to impact on investment plans⁴⁷. In addition to the overall impact on council housing stock, the requirement for councils to sell high value council homes to pay a levy to fund the extension of the Right to Buy could have a disproportionate effect on homes for older people. Analysis from the JRF concluded that bungalows could be disproportionately sold under the policy. According to the report bungalows make up 9% of council-owned housing, but are likely to make up 25% of high value property sales due to both their higher cost and more frequent vacancies. This could result in the sale of 15,300 of these properties, which would also be difficult for councils to replace due to the higher cost of building new one-storey homes and the extra land needed.⁴⁸

Government needs to ensure the important contribution that both local authorities and housing associations can play alongside private sector is reflected in their policies. As a country we have only ever managed to build the number of homes we now need when the public sector has funded a significant number of them and in recent years housing associations have been key delivery agents. Finding ways in which local authorities can promote, support, finance and commission new homes and giving housing associations the certainty they need and the ability to plan long term will be critical to achieve the

⁴³ <http://www.theguardian.com/business/2016/jan/27/legal-general-to-build-and-rent-out-3000-new-uk-homes>

⁴⁴ L&G Let's House Britain, 2014

⁴⁵ <http://www.rics.org/Global/RICS%20Housing%20Commission%20Report%20-%20June%202013.pdf>

⁴⁶ The LGA estimates that the Government's housing policies could result in the loss of 80,000 council homes http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7668062/NEWS

⁴⁷ Inside Housing January 2016 <http://www.insidehousing.co.uk/supported-housing-wins-one-year-rent-cut-exemption/7013708.article>

⁴⁸ JRF, Great British Bungalow self off 2016 <https://www.jrf.org.uk/press/great-british-bungalow-sell-1-4-forced-council-house-sales-could-be-bungalows>

Government's housebuilding targets and in ensuring greater commissioning of homes suitable for older people.

Government's renewed determination to releasing surplus public land, most recently highlighted in the Chancellor's 2016 Budget Statement⁴⁹ provides an important opportunity for a great deal more housing of a range of types that are suitable and adaptable for older people could be brought forward as part of inclusive communities. It is crucial therefore that in implementing its public land policies, Government allows these opportunities to be captured rather than simply releasing land for private house builders. Government has taken initial steps towards this with announcement of pilots for direct commissioning on public land. An expanded and more ambitious approach to greater direct commissioning would allow councils and housing associations to specify the type and standard of homes to increase supply of homes with older people and downsizers in mind.

Conclusion

Tackling our housing crisis will require an even greater national effort to bring about and sustain a step change in housing supply. This will not be achieved through a focus on first time buyers alone. Meeting our housing needs will require us to build more homes of all tenures for people at different stages of life.

To increase housing supply to the level that is needed and to sustain that increase we will need to increase capacity across the house building industry and its supply chain. The existing house building industry has an important contribution to make and we need to set the conditions that will enable it to build more. However, we will not deliver the number, nor the type of new homes needed if we rely solely on the traditional model of volume house builders. Rather we will need to address all areas of housing need and tap into all areas of potential housing investment. This includes encouraging encourage a wider range of commissioners of housing including housing associations, regeneration agents and local authorities to commission build and invest in a wider range of housing that reflect people's ability to pay and the different stages in their lives. This in turn will help exploit untapped capacity in the wider construction industry.

A new and increased emphasis on meeting the housing needs and aspirations of the older house buyers offers the opportunity to unlock a bigger and more secure market for newly built homes and can make a direct contribution to meeting the housing needs of younger generations. It would free up much needed family homes and stimulate movement across the housing chain. It would also offer a means of addressing the imbalance of housing wealth between the generations by enabling parents and grandparents to release capital to help their children and grandchildren to access their own home. In addition, providing new homes that can better address the housing needs of the elderly would reduce the burden on health and care services and help people to remain independent and in good health in their own homes. Unlocking these benefits will require a better housing offer for older people that provides homes that better suit their lifestyle, needs and aspirations.

Our core conclusion then is that a greater focus on policy solutions to housing for older age groups should form a key part of a comprehensive housing strategy needed to deliver the step change in housing the country needs.

⁴⁹The 2016 Budget announced that Local Authorities will collaborate with central government and partners to release land with the for at least 160,000 homes. HM Treasury Budget 2016

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