

Housing markets and independence in old age: expanding the opportunities

Executive Summary | May 2011 | Professor Michael Ball

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

Introduction – why OORH matters

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

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

Personal

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

Environment and neighbourhood

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

Government/social

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

Communities

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

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

Why the supply of OORH needs to increase

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

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

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

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

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

The benefits of OORH

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

The report outlines the following benefits of OORH:

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

How public policy constrains the delivery of OORH

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

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

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

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

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

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

Conclusion

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

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

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

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

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

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