

HOUSING
FUTURES

PLATINUM GENERATION

VOLUME V



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Details about the
Platinum Generation survey

The *Platinum Generation* survey was conducted by OnePoll from 16 January to 31 January 2017. The 1,000 respondents comprise a general UK population sample of 65 years of age or older. In addition, the *Strutt & Parker Housing Futures* historical survey results were used. These are a combination of Strutt & Parker registered buyers, sellers, tenants and lettings applicants and a balanced general UK population sample conducted by OnePoll from 2013 to 2016, and were analysed for those aged 65 or older, resulting in a sample of nearly 1,200 respondents. Due to rounding, not all figures may add up to 100%.

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“For the property industry, there are compelling reasons to deliver retirement housing”

Platinum Generation is the fifth publication in our *Housing Futures* series and the most challenging to date, as age-defined accommodation is a highly fragmented and emotive sector. For the property industry, there are compelling reasons to deliver retirement housing: the demographics are supportive, the market is undersupplied and there is a pressing need for well-designed, well-located stock.

Age-restricted housing in the UK is usually designated for those aged 55-plus. However, the average age for moving into care is mid-70s, with life expectancy estimates of between 83 and 86 depending on gender, so accommodation has to suit the wide-ranging needs of this diverse customer profile. As a result, the sector remains relatively niche compared to other property asset classes, but we have identified a potential solution called Platinum Places that responds to the changing demands of a growing demographic.

For this edition of *Housing Futures*, we are delighted to collaborate with Octopus Healthcare, a long-term investor, developer and innovator in the healthcare market. The research outlines the UK retirement environment, motivations around private-sector retirement, property and neighbourhood solutions, later-life funding intentions and global best practice.

The report is of relevance to potential residents of retirement housing and their families, as well as developers, investors and operators. We hope that you find it interesting and invite you to contact us with your thoughts and comments.

Stephanie McMahon
Head of Research

THE PLATINUM GENERATION

An ageing population with high expectations of life in retirement presents challenges and opportunities for the property sector

The United Kingdom has an ageing population and is seeing the start of a large, 20-year 'bump' moving into retirement. This generation has high expectations when it comes to the quality of life and standard of accommodation it will enjoy as it ages.

However, there is a shortfall of housing for this growing demographic. Only 2% of the UK's stock is designated as retirement accommodation and it houses just 1% of Britons in their 60s. This compares with 17% of Americans, and 13% of Australians and New Zealanders, who live in retirement housing.

The lack of supply is part of a long-term trend. In an echo of the overall housing market, the number of retirement homes being developed has decreased over time, from about 30,000 per annum in the 1980s to 8,000 per annum today. This is significantly under-delivering for the level

of demand, with Age UK estimating that 25% of over-65s would be interested in buying a retirement property.

The current lack of suitable accommodation is having a negative impact on the wider housing market. With empty-nesters lacking an incentive to downsize and deciding to stay in their existing homes, there is less housing stock available for younger buyers. According to Age UK, if just half of the 58% of over-60s who are interested in moving were able to do so, it would release £356 billion-worth of property into the market, of which nearly half would be three-bedroom homes.

To effect change, developers must meet the aspirations of a new generation of retirement residents. While a minority are financially footloose and able to make use of their increased spare time with travel and

leisure activities, the majority are concerned about the affordability of future health and care needs, their ability to stay independent and their access to friends, family and companionship. It is these factors that will determine much of their decision-making. Consequently, retirement developments that incorporate good public transport, a sense of community and access to health and leisure activities are most likely to succeed.

Accommodation will have to match the high expectations of older buyers with homes that are spacious, accessible, manageable and inexpensive to run. As older residents find themselves becoming less physically robust, housing that assists with ageing well is important. Isolation and loneliness may also increase with age, and an ability to live within a community is fundamental to ongoing mental and physical health.

Defining the retirement sector

Mainstream housing

Individual homes to buy or rent that are not designated for any user group but can include age-friendly features.

Specialised housing

Groups of homes, usually flats, to buy or rent for older people, typically aged 55-plus.

Care homes

Offering residential care rather than independent living.

Topline results

The *Platinum Generation* research revealed four key insights into retirement accommodation

73%

currently have no plans in place for their retirement accommodation or their care provision.

42%

believe there is a lack of suitable properties in the UK to downsize into.

41%

would like a six-month trial before permanently moving into a retirement community.

17%

would consider living in a professionally managed rental product - in other words, a Build to Rent model.



RETIREMENT TRIBES

Our research revealed six distinct groups who are considering a move into retirement housing



Blitz Kidz

Aged over 70, Blitz Kidz tend to be single (possibly widowed or divorced), without access to private pensions or income from investments, and are looking for a retirement product that they can rent. They tend to be lifelong renters, but if they currently own their home they are not likely to benefit from a large equity release when the property is sold, resulting in a higher possibility of renting. This tribe holds traditional values, will often have the approach of 'make-do-and-mend' and is seen as self-sufficient.

55%*

agree that retirement housing in the UK is not affordable



Peter Pans

Peter Pans are aged 60-65 and 'kept up with the Joneses' when they were working, but realise that retiring from high-income jobs will restrict their accustomed lifestyle. While they have private pensions and investments, these are unlikely to fully fund their retirement, especially as they have a desire to give financial help to their children and grandchildren, and to leave an inheritance. Members of this group who have lived abroad now want to return to the UK, but are finding the move financially challenging.

71%

believe they will continue to travel, including taking holidays abroad



Sundowners

Likely to be aged over 65, Sundowners are probably retired but enjoyed a high household income while working and now have income from both pensions and investments. They also own their home outright. They have enjoyed spending on recreational goods, services and family members but haven't planned for their housing and care provision in retirement. It is possible that they may need advice as to what opportunities may be available to them as they enter their later years.

54%

agree they need to plan how they obtain care and support in later life



Instagrammas

The Instagrammas (and Intragrampas) are socially outgoing and health conscious, not just concerning food but also when it comes to physical and mental fitness. They are attracted to technology and its benefits and would be considered the early adopters of their cohort. They are likely to be seeking a 'new-me' moment, whether by gaining a degree or learning a new skill, such as a language or playing an instrument, or travelling the world to experience new cultures. They are open to improving themselves.

69%

say they participate in leisure activities inside and outside their home



Savvy Shrinkers

Aged over 70, Savvy Shrinkers are the true downsizers of the retirement group. They are practical, constantly in a state of decluttering and have always planned to move to appropriately sized accommodation as their circumstances change. They are seeking a safe community, with possibly either a low-maintenance garden or a balcony; the chance to enjoy an entirely hassle-free home; and ideally the companionship of others who are similar to themselves so that they can socialise in their spare time.

54%

would like to live in a home that requires less garden maintenance



Escalators

Likely to be single individuals, Escalators are over the age of 75 and seeking a retirement village because of the services that it can offer. Whether it is weekly help with the grocery shop, or more personal needs, members of this group are beginning to require additional assistance, or recognise that they are likely to need extra support in the not too distant future. They may have family members who are not in a position to provide these services on a regular basis, due to distance or other commitments on their time.

70%

believe it would be nice to have help as they become less able to manage

46%
enjoy physical
activity (e.g. golf,
bowls, cycling)

26%
would like to have
access to an on-site
swimming pool

45%
are looking for
attractive buildings
and grounds, with
modern facilities

37%
need storage
that's easily
accessible

38%
think communal
gardens are
a key feature

73%
want the freedom
to come and go
as they please

48%
would like an
on-site café

71%
would like to live
where people help
their neighbours
and have shared
tastes and interests

51%
will require
allocated parking

PLATINUM PLACES

Bespoke developments can respond to the changing needs of a new generation moving into retirement

Baby Boomers, born in the years following the Second World War, have voiced objections to living the same way as their parents did in retirement. Often in good health and with active lifestyles, they want accommodation that suits their existing needs and gives easy access to local culture and recreational facilities, but also has the flexibility to meet future care requirements.

Based on our research, we have created Platinum Places (shown right and on the following page) that bring to life their requirements, both in terms

of the services they would like to access and the type of accommodation they would like to live in. The overarching desire of the Platinum Generation is to be able to live as independently as possible in safe, well-designed homes that are part of a wider community.

The appeal of moving to this type of bespoke development is financial as well as practical. Rightsizing into retirement accommodation often enables households to convert property wealth into usable funds. This release of equity can help ▶



“Retirement housing with communal spaces, facilities and events helps to reduce isolation”

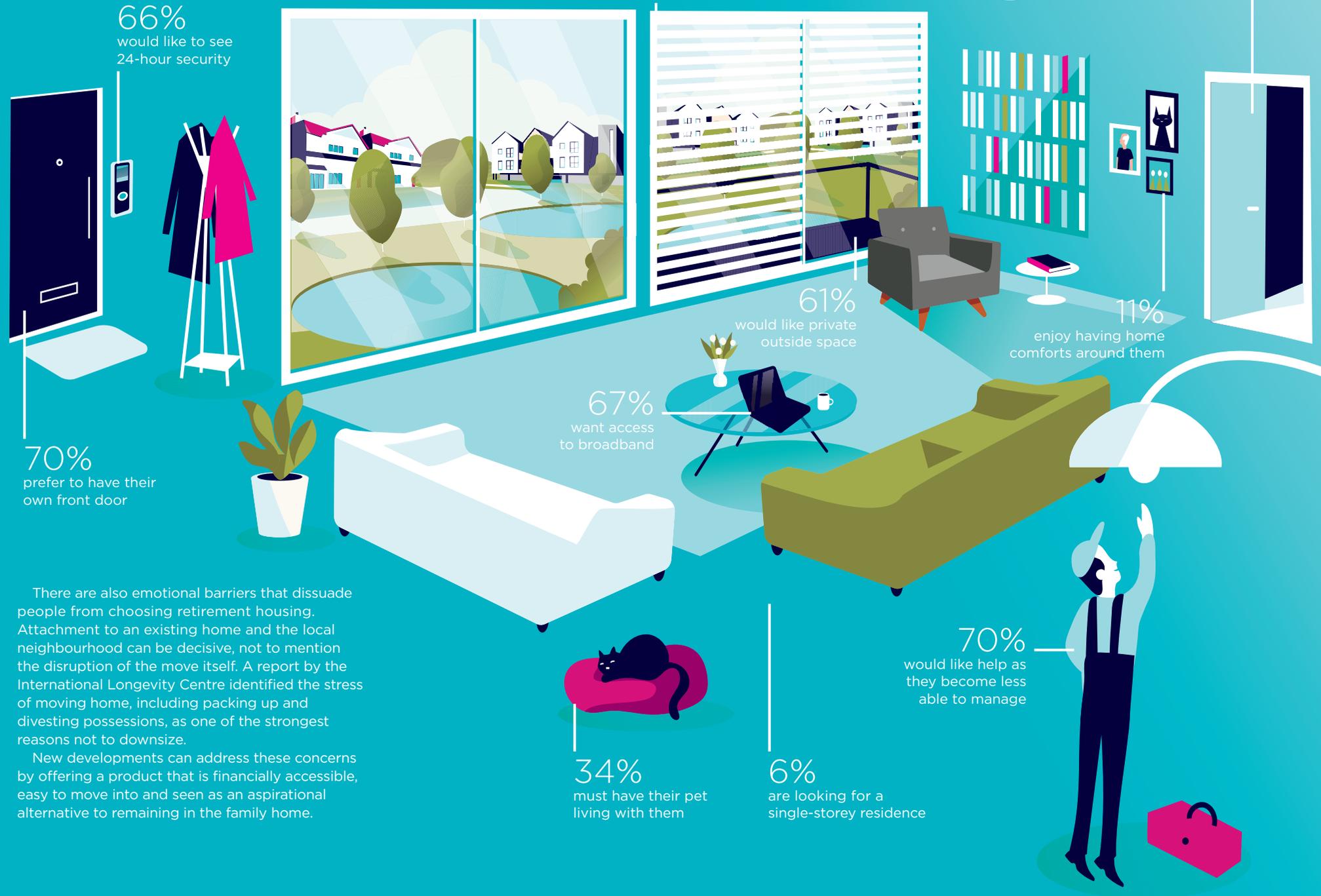
to fund retirement or be used to help family members with major financial outlays such as education or homebuying.

There can also be significant regular savings from reducing home size. PwC estimates that moving from a three-bedroom, mortgage-free property to a two-bedroom leasehold would save, on average, £1,530 per annum, including utilities, insurance and grounds maintenance.

Along with the attraction of no longer being responsible for maintenance, practical benefits can include moving into a property that helps its residents age well. Single-level living, for example, reduces falls and enhances independence, while on-site facilities encourage an active lifestyle.

As well as physical health and independence, mental wellbeing is an important driver. There is evidence that retirement housing with communal spaces, facilities and events helps to reduce isolation and loneliness.

Inevitably, there are barriers to moving into retirement housing. For an existing homeowner with no mortgage, the associated costs of this type of accommodation may seem high as they can include service charges, group repairs and, in some cases, exit fees. State assistance for many of these costs is often not available and, as a result, Demos estimates that 40-50% of older people in some local areas are priced out of the retirement market.



There are also emotional barriers that dissuade people from choosing retirement housing. Attachment to an existing home and the local neighbourhood can be decisive, not to mention the disruption of the move itself. A report by the International Longevity Centre identified the stress of moving home, including packing up and divesting possessions, as one of the strongest reasons not to downsize.

New developments can address these concerns by offering a product that is financially accessible, easy to move into and seen as an aspirational alternative to remaining in the family home.

GETTING MOTIVATED

We reveal the 12 main reasons why those aged 65-plus decide to look for a new home



34%

Need more support

Requiring help or a 'crisis event' are historically the biggest motivators for moving, and this is borne out by our respondents.



33%

Lower maintenance

Modern homes that require less upkeep, or developments with on-site maintenance, are particularly attractive to older residents.



26%

More accessible

Level thresholds, fewer stairs and walk-in showers reduce falls, which account for up to 25% of ambulance call-outs for those aged 65-plus.



23%

Smaller house

There is a desire to move from larger homes to two- or three-bedroom properties that still provide space for hobbies, guests or storage.



22%

Reduce outgoings

A recently built home will typically reduce outgoings by providing better insulation and energy efficiency compared with older properties.



20%

Smaller garden

Outside space is important, for relaxation or pets, but keeping it to a manageable size is a key part of its appeal for retired residents.



12%

Better security

Increased security is seen as an important motivation for moving, whether it is provided through CCTV or an emergency call system.



12%

Closer to family

While the majority of retirees see relatives less than every fortnight, family relationships tend to become more important as people age.



11%

Close to amenities

The ability to continue to enjoy local facilities, from shopping to culture, is a significant requirement for the Platinum Generation.



7%

House needs updating

The cost of installing new double glazing or improving insulation in an old property can encourage a move into a modern home.



6%

Retiring

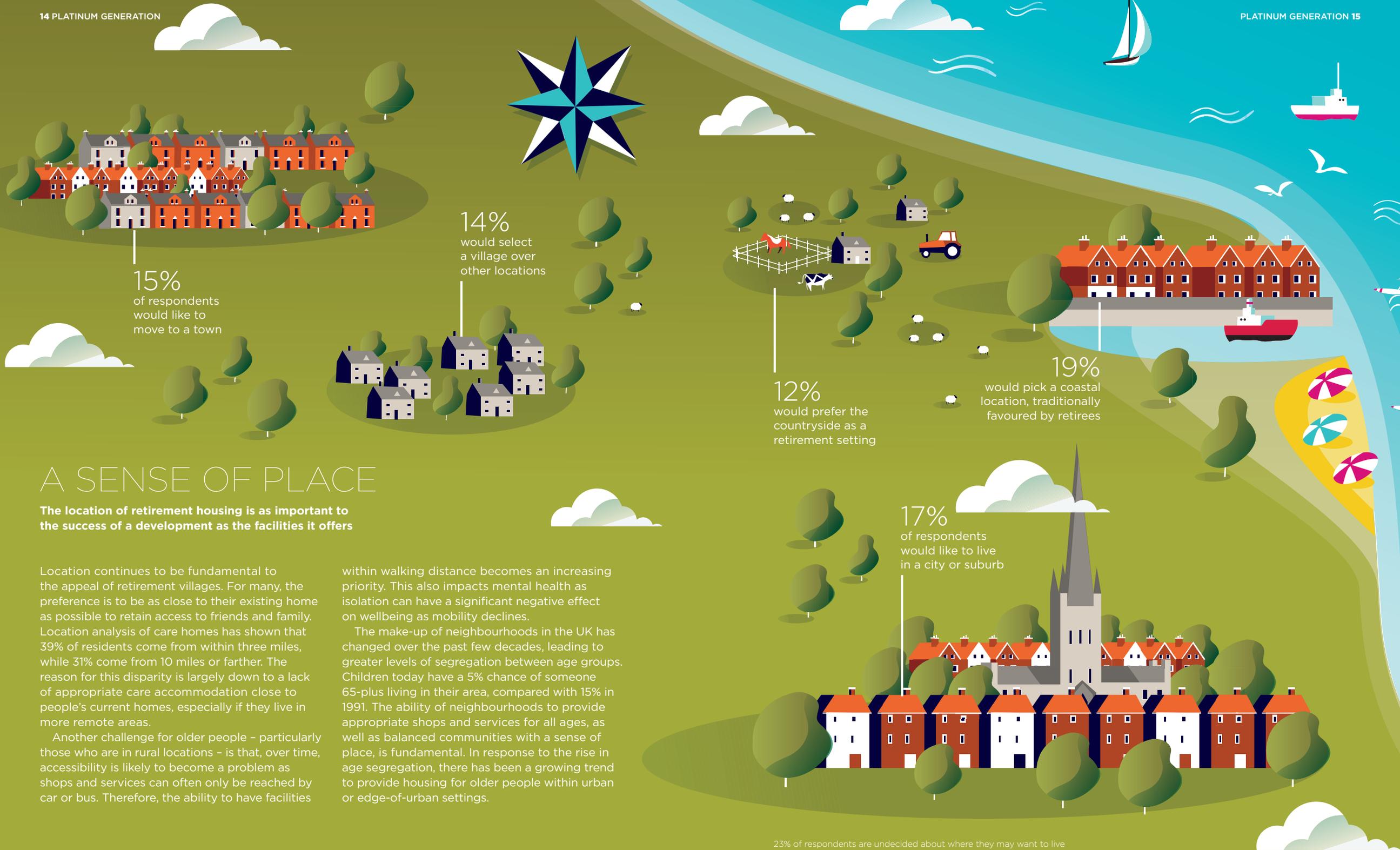
There is a trend for staying employed. According to the UK Labour Market Statistical Bulletin, 1.1 million people aged 65-plus are in work.



6%

Different location

The chance to live somewhere different, such as a coastal location, can be an aspiration for those moving in retirement.



A SENSE OF PLACE

The location of retirement housing is as important to the success of a development as the facilities it offers

Location continues to be fundamental to the appeal of retirement villages. For many, the preference is to be as close to their existing home as possible to retain access to friends and family. Location analysis of care homes has shown that 39% of residents come from within three miles, while 31% come from 10 miles or farther. The reason for this disparity is largely down to a lack of appropriate care accommodation close to people's current homes, especially if they live in more remote areas.

Another challenge for older people – particularly those who are in rural locations – is that, over time, accessibility is likely to become a problem as shops and services can often only be reached by car or bus. Therefore, the ability to have facilities

within walking distance becomes an increasing priority. This also impacts mental health as isolation can have a significant negative effect on wellbeing as mobility declines.

The make-up of neighbourhoods in the UK has changed over the past few decades, leading to greater levels of segregation between age groups. Children today have a 5% chance of someone 65-plus living in their area, compared with 15% in 1991. The ability of neighbourhoods to provide appropriate shops and services for all ages, as well as balanced communities with a sense of place, is fundamental. In response to the rise in age segregation, there has been a growing trend to provide housing for older people within urban or edge-of-urban settings.



ON THE MONEY

From upfront costs to service charges, paying for housing and care is a key issue for retired buyers

Finance is an important consideration for those thinking of moving into retirement housing. Our survey indicated that 66% of respondents believe they will use the profits from selling their primary home to purchase their next property, with nearly 20% of respondents expecting to release between £100,000 and £200,000 of equity. Just over a third of respondents expect to live mortgage-free, while another third envisage spending nearly 30% of their monthly income on their next home.

When it comes to the monthly costs of a retirement home, 63% of respondents believed these would include a service charge (covering maintenance, staffing costs, community alarm service, gardening, window cleaning, etc.) and 32% thought this would amount to £220 per month.

Our findings reveal a significant gap between the expectation of costs and the likely charges. Service costs can vary from £260 to £1,150 a month, depending on location and the scale or type of amenities on offer, with additional charges being made for services such as supplying meals, cleaning and personal care. If health requirements change and the level of care has to increase, service charges will rise accordingly, and can range from £2,000 to £2,600 a month, according to healthcare data specialists LaingBuisson.

On top of the service charge and monthly outgoings for rent or mortgages, residents of a retirement village will be responsible for paying their own utilities, council tax, telecoms and contents insurance. Some operators, but not all, also charge annual ground rent, which can be up to £50 per month.

The final cost that potential residents need to consider is the deferred management fee or charge (also known as an exit fee or assignment fee). This is similar to a sinking fund for a leasehold property and is used to pay for the long-term upkeep of a retirement community. Instead of being paid monthly or annually, it is collected when residents leave a property – usually as a percentage of the purchase price or selling price – although it can also be dependent on the period of occupancy. Our survey suggests that 10% of respondents would be willing to pay an exit fee to help fund central facilities and reduce the overall service costs.

Some of the above charges are reviewed in consultation with residents' committees, while others may increase with the rate of inflation. What is clear is that transparency around costs is important for our respondents when it comes to understanding the whole life fees for both the property and the retirement community.



United States

By 2030, more than 20% of the US population will be aged 65-plus. This age cohort relies on fixed income, so affordability will become an issue, although demand for retirement homes is set to rise. Continuing care retirement communities (CCRCs) are growing in popularity, with over 2,000 now operating. They offer independent living and long-term care. Entrance fees are in the region of £165,000 and service charges average £1,700 a month.

A WORLD OF IDEAS

Countries around the globe have taken different approaches to providing housing for older citizens

European countries

These offer high levels of innovation and inclusion: **Austria** delivers mixed and designated communities, as well as adapted living. **Denmark** delivers inclusive retirement communities that incorporate communal and neighbourhood facilities. **Germany** gives subsidies to developers who build user-friendly homes for the elderly. **The Netherlands** offers smaller retirement developments that promote social interaction between residents.

Japan

Japan has the largest proportion of 65-plus citizens of any developed nation. In 2000, the country's healthcare system was reformed and mandatory long-term care insurance was introduced. This has been designed to distinguish between the health system and the care system, and to increase transparency about the long-term needs of older people, with the overall aim of helping people to stay in their own homes for as long as possible.

Australia

Of those aged 65-plus, just over 5% live in retirement communities. This has traditionally been a not-for-profit system that allows for low upfront costs. Today, this is encouraged through a deferred management fee that offers a licence to occupy with an exit fee, generally 30-40% of the sale value. In Western Australia, the Local Area Coordination model focuses on offering bespoke local solutions that divert older residents from more expensive crisis services.

New Zealand

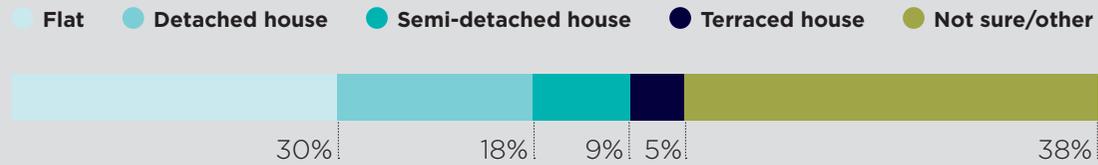
Retirement developments started in the not-for-profit sector and have evolved into thriving communities. Currently, 5% of those aged 65-plus live in retirement housing and there has been sustained growth in CCRCs to around 350. Many residents buy through an occupational right agreement with exit fees that give the outgoing resident around 70-80% of the purchase value. Operators often retain the capital growth in the value of the home.

LOOKING TO THE FUTURE

We asked respondents about their expectations when it comes to retirement accommodation

Retirement housing

What type of home in a retirement village would you be interested in?



Seeking services

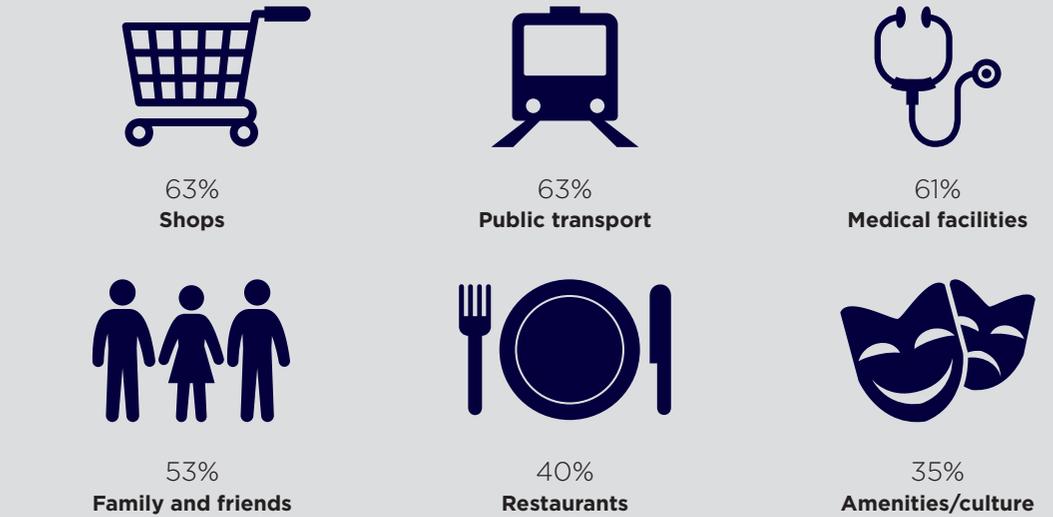
What services would you be seeking within the retirement village?



Respondents could choose more than one option

In the neighbourhood

What amenities would you look to have adjacent to the retirement village?



Respondents could choose more than one option

Making the move

How soon will you move from your primary home?



Retirement planning

Have you put in place plans for your retirement accommodation and care provision?



Conclusion

“All of the industry players will need to work together to build housing fit for the Platinum Generation”

There is a need for appropriate housing that provides security, accessibility, community and care for individuals as they move into retirement and later life. By presenting better options, through encouraging multi-generational communities and amenity-rich neighbourhoods, it should also be possible to reduce under-occupation. That said, successful downsizing is about choice and not social obligation. To create attractive Platinum Places, developers, operators and government will need to work together to ensure availability of land, mixed tenure and delivery of amenities and services.

Developers and investors

Although a complex sector, there is an opportunity in the UK to provide both small- and large-scale development. While the market clearly demands a localised response, a certain balance will be required to provide a full amenity offering. Innovation from the house-building sector, as well as long-term investment, will help increase development.

Operators

Operators face a significant challenge to deliver safe, secure and inspiring communities at affordable rates. There are many examples of good practice in the UK and much that we can learn and adopt from abroad.

Government and planning

Local and central government can play an increased role by identifying suitable land and highlighting need through demographic assessment, as well as encouraging rightsizing with policy initiatives – for example, ‘Help to Move’ packages with tax incentives and financial advice.

The demographics clearly suggest that this is an opportunity for the private sector. However, retirement housing is not ‘one size fits all’. People are complicated and have diverse needs as they move from the age of 65 to potentially 100-plus. All of the industry players will need to work together to build housing fit for the Platinum Generation.

Strutt & Parker

Strutt & Parker is one of the largest independent property partnerships in the UK, with a network of offices offering specialist advice in residential, commercial and rural property at a local, national and international level.

Strutt & Parker’s success is in part a result of the legacy created by Edward Strutt and Charles Parker, school friends who founded the business over 130 years ago. They instilled a sense of collaboration and dedication that is still integral to the way the partnership works today. It has fostered a commitment to ensuring that we are at the forefront of the market, with unparalleled levels of expertise present in all of our teams.

The world of real estate is constantly evolving, and Strutt & Parker has ensured that it has a forward-thinking Research team that both understands and meets the challenges of this changing world, while finding the opportunities for clients that change can bring.

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Octopus Healthcare

Octopus Healthcare is not a typical healthcare business: we are all about the long-term partnership approach. As specialists in healthcare, we invest in and develop primary care centres, care homes, retirement villages, private hospitals and specialist schools. Our vision is to improve the health, wealth and wellbeing of the UK population through the great environments we create, the businesses we support and our product innovation.

As the adviser to multiple funds, we have invested over £1 billion in healthcare assets and only invest in buildings and operators who share our values and are as obsessed with the patient experience as we are. Our flexible approach means we can provide funding to support delivery of more than just a building. We can work with operators to build businesses that will become market-leading companies in the delivery of better healthcare for the UK.

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