

The Mayhew Review

# Future-proofing retirement living

Easing the care  
and housing crises



**Health and Care**

**Community**

**Prevention**

**International**

**Inequalities**

**Life expectancy**

**Economy**

**Finance and Wealth**

Full report

## Note on the author

Professor Les Mayhew is Head of Global Research at ILC-UK and a professor of statistics in the Faculty of Actuarial Science and Insurance at Bayes Business School, City University, University of London. He is an Honorary Fellow of the Faculty of Actuaries and a member of the Royal Economic Society. He is a former senior civil servant in the Department of Health and Social Security, Department of Social Security, and the Treasury, as well as a Director in the Office for National Statistics. His interest in ageing societies is longstanding. He has published widely on pensions, social care, healthy ageing, financial services and older people's housing. He is also co-author of a book published in 2004 entitled the Economics of Population Ageing in Japan.

## Acknowledgements

The author is extremely grateful to ARCO, Associated Retirement Community Operators, for a grant to undertake this work and for logistical support, and also to the International Longevity Centre UK for administrative and other support. He is especially grateful to the many experts and retirement housing providers who participated in the survey, roundtable and ad hoc conversations and meetings to discuss the research and offer their views. He is also indebted to Jane Fuller, formerly Co-director of the Centre for the Study of Financial Innovation and Financial Editor of the Financial Times. This research was set up as an independent review of the sector. Both the analysis and any views expressed are the author's alone.

# Contents

Executive Summary .....	4
Introduction .....	11
The demographic case for a housing re-think.....	15
Trends in retirement living – possible futures.....	24
Development size – is bigger better? .....	35
Barriers and opportunities .....	47
Next steps: recommendations .....	60

## Executive summary

The UK is failing to adapt to the far-reaching changes to society caused by an ageing population. Fundamental change is needed in the way we provide care to older people and in their housing options. Care needs to become more preventative, more people-centred and to be delivered more efficiently. These warnings have been spelt out in many parliamentary and government documents and policies,<sup>1,2</sup> but they are yet to translate into shifts in either housing policy or the delivery of care to older people.

The demographic trends are clear. The population aged 65+ is set to increase from 12.9 million today to 17.2 million by 2040. It will be much more evenly spread than at present, with older people accounting for 25-30% of the population in many areas. The vast majority will live in standard housing while as many as 6.2 million will live alone – half of them aged 80+ – piling pressure on geographically dispersed care services.

Our focus is on housing. Older people are living longer and remaining in their homes for longer. Those homes are becoming increasingly under-occupied as children leave. According to current policy, the answer is to build more starter homes, but the pace of change required is beyond the reach of the building industry.<sup>3</sup> If we were building enough new homes, house prices would fall – but they are not.

Extrapolating these trends leads to some uncomfortable conclusions, including that the next generations will struggle to own their own homes, which has an impact on decisions to start families; and that the social care system will flounder because there are not enough workers to deliver care to a widely dispersed older population. Keeping older people in hospital is not an option since it simply blocks beds and increases waiting lists. The UK Government's recent

---

<sup>1</sup>E.g. see: Housing for older people. Second Report of Session 2017–19. House of Commons Communities and Local Government Committee. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

<sup>2</sup>Housing an ageing population: a reading list. Number 09239, 3 June 2021 <https://researchbriefings.files.parliament.uk/documents/CBP-9239/CBP-9239.pdf>

<sup>3</sup>Fixing our broken housing market. Ministry of Housing, Communities & Local Government, 2017 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/590464/Fixing\\_our\\_broken\\_housing\\_market\\_-\\_print\\_ready\\_version.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf)

'People at the Heart of Care' White Paper<sup>4</sup> states that every decision about care is also a decision about housing. Our review finds that specialist retirement housing helps older people stay healthier for longer, especially when coupled with access to round-the-clock care. It reduces the burden on the NHS, delays transfer into care homes and frees up housing lower down the ladder. It also takes the stress out of later living.

The White Paper states the Government's ambition which is to enable people to live independently and healthily in their own homes, or ones that they might move into (author's emphasis). Meanwhile, the Government's Levelling Up White Paper says: "For older people trapped in non-decent or unsuitable accommodation, the UK Government will work to increase the choices available to them."<sup>5</sup> This review puts forward the case for more retirement developments with access to care and facilities that enhance wellbeing.

Retirement housing has come a long way since the boom years of the 1980s and 1990s. It is of higher quality and generally private or voluntary sector owned and operated, rather than statutory public sector provision. It offers independent living, comfortable lifestyles and a range of amenities that are attractive to both buyers and renters. Increasingly developments are in larger groupings with care provided as well as better facilities.

This report argues that the necessary changes require a life course approach. If everybody lived in homes that were appropriate in size for their needs, it has been estimated that 50,000 fewer homes would need to be built each year.<sup>6</sup> Almost as many bedrooms are being decommissioned through under-occupation as are being replenished by new homes. In contrast, we estimate that for each bedroom added to the retirement stock, two to three are released in mainstream housing.

---

<sup>4</sup>[People at the Heart of Care: adult social care reform white paper](https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper). Department of Health and Social Care, 2021. <https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper>

<sup>5</sup>Levelling up the United Kingdom (2022), Department of Levelling Up, Housing and Communities [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1052708/Levelling\\_up\\_the\\_UK\\_white\\_paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052708/Levelling_up_the_UK_white_paper.pdf)

<sup>6</sup>Too Little, Too Late? Housing for an ageing population (2020), CSFI [Too+little+too+late-FINAL+-+June++2020.pdf \(squarespace.com\)](https://www.squarespace.com)

Housing policy needs to focus as much on last-time buyers as on first-time buyers and to dismantle barriers to the strategic shift required. Around 80% of the 65+ population own their homes outright. The potential to redeploy that wealth is a key factor driving investment in the sector, which is supported by pension funds and other investors.

Currently, specialist retirement housing only accounts for 10% of all older households in the UK. Our analysis suggests considerable scope for the sector to expand rapidly and to be spread more evenly to deal with shortfalls in many areas. If business carries on as usual, the report estimates that 87% of the older population will live in standard housing compared with 81% now, resulting in three million extra older households. In other words, today's shortages in specialist housing will be magnified.

At present an average of around 7,000 retirement homes are built annually out of a total new-build of about 200,000. We evaluate programmes that entail the acceleration of building to 10,000, 30,000 and 50,000 new retirement units a year. The third scenario is especially significant because it implies around 25% of all new homes built would be specialist retirement accommodation, representing a radical departure from present housing policy which focuses on first-time buyers.

Any of these scenarios would not only shift the balance away from standard housing, but also displace more expensive nursing and residential care as people would be healthier and supported in their own homes for longer. Tellingly, even the 50,000-a-year scenario would not stem the growth in older households – an even greater rate of building would be necessary. But it would at least ease the care crisis and free up homes.

Retirement developments come in many forms – from isolated buildings to whole 'villages'. The industry trend is towards larger developments, typically with 60-200 units, and they may well be in or close to urban areas as well as on greenfield sites. Increased size enables both a better range of amenities and greater economies of scale in providing round-the-clock care. But the availability of such developments is far from commonplace.

They are often labelled 'integrated retirement communities' (IRCs) because they include 24/7 staffing, and communal services and

facilities. Their number is hard to pin down but is probably 600, with an average size of 100 units, based on criteria such as the number of amenities. Whether end of life care is also provided is unclear, but about 20% offer nursing and residential care facilities, according to Care Quality Commission (CQC) registration data.

Based on 100 units per development, our scenarios translate into a requirement for 100, 300 or 500 new developments a year. Apart from greenfield sites, some operators repurpose sites in declining town centres, blending in with local infrastructure. A building programme on this scale would also be an opportunity to upgrade the energy efficiency of the housing stock.

A key question is why fewer such developments are being built in the UK than in countries like New Zealand, Australia and the US. The simplistic answers are a mix of institutional inertia, out-of-date images of retirement living, an emotional attachment to the family home and a belief that the state will support people in old age.

The real situation is rather more complicated. Industry surveys show that people want to downsize but that they are put off by the lack of suitable alternatives, especially in the areas where they presently live. They are concerned about the cost and complexity of moving, security of tenure if they rent and maintenance costs if they buy. Also, what happens if they run out of money or need to move into nursing or residential care?

One problem we highlight is the lack of consistency in planning decisions. Sites designated for retirement developments attract infrastructure levies, unlike applications to build new residential and nursing care. This skews developers towards what is acceptable to a local authority rather than best practice in modern retirement living.

We found significant variability in the number of planning applications that were refused or went to appeal and heard anecdotal evidence that planning authorities discouraged applications for retirement developments. One reason for this is split responsibilities within the system: housing policy and planning are determined at a district level while social care is a county council function.

Our recommendations address these challenges by taking a whole-system, life course approach:

# Recommendations

## A. Build more retirement homes

Building more retirement housing would make more efficient use of the housing stock and bear down on house prices. Only around 7,000 retirement units are being built each year, which falls far short of what is required. A bigger industry-wide building programme would have the effect of displacing people in both standard housing and residential care.

- **We recommend an accelerated programme of retirement housing construction with up to 50,000 new units a year**

## B. Integrated retirement communities

Integrated retirement communities can provide care services as well as communal facilities, with management and other staff on site. On average, only about 15 large IRCs have been built each year since 2010. Shortfalls in the supply of retirement homes suggest this number should be multiplied to mirror trends in other countries like Australia or New Zealand.

- **We recommend a significant expansion in the number of integrated retirement communities built each year and that all regions should benefit from their introduction**

## C. Repurpose high streets

By 2040, in most areas, between 25% and 30% of the resident population will be aged 65+. Meanwhile, changes in shopping habits, accelerated by the pandemic, have left many high streets with vacant property. This has fuelled increasing interest in repurposing town centre buildings to provide retirement housing, including the larger apartments that would increase choice for downsizers.

- **We recommend that integrated retirement living should include more developments in town centres as part of the levelling up process and local regeneration programmes**



## D. Reforms to planning rules

The number of planning applications turned down, or bogged down in appeals, indicates barriers to the building of retirement communities in many areas. A lack of coordination between housing departments at a district level and the social care function of county councils is part of the explanation. Another is that outdated planning designations and infrastructure levies discourage investment in larger retirement developments.

- **We recommend closer working between planning and social care departments to ensure the need for retirement housing with access to care is factored into local authority plans**
- **We recommend that planning departments put retirement housing on a level playing field with other building developments**

## E. Tax incentives and grants

Various financial incentives could be applied to encourage downsizing by last-time buyers and home improvements by those who purchase from them. Reductions in Stamp Duty have been shown to increase housing transactions, while grants could be targeted at the least energy efficient homes. Where downsizing is not an option, older people should be helped to adapt their homes.

- **The government should conduct research on financial incentives that would increase downsizing among older households**
- **Stamp Duty for last-time buyers should be put on an equal footing with first-time buyers with sales up to £425,000 under the Government's tax-cutting proposals included in the nil rate band**
- **Home buyers who improve energy efficiency by retrofitting should be entitled to a Stamp Duty rebate if they improve the thermal efficiency at the point of purchase**

## **F. Financial advice and paying for care**

There is a gap in the provision of advice to homeowners who would like to move into more suitable accommodation in later life. This often entails switching from owner-occupation to renting or leasing, and other complexities linked to moving home and the social care cap. The end result is that few people who are interested in downsizing actually do so.

- **We recommend that financial advice is available for last-time buyers who want to move into retirement housing or similar accommodation**
- **Residents in retirement housing should receive a social care assessment soon after needs are identified so the cost of the care received counts towards the social care cap**

**And there is one overall recommendation:**

- **The Government's Older People's Housing Task Force should be mandated to implement recommendations and report on the outcomes**

Professor Les Mayhew, International Longevity Centre –UK (ILC-UK) and Bayes Business School, City, University of London, London

# Introduction

## Background

This independent review of the retirement housing sector is designed to feed into the Older People's Housing Task Force, a government initiative that arose out of the 'People at the Heart of Care: adult social care reform white paper' published in December 2021. Views have been gathered from a wide range of operators in the retirement sector, architects, investors, think-tanks and academics.

A survey of industry operators and investors, conducted in the spring of 2022, found unanimity on the main issues, including the broken housing market, planning obstacles to investment, access to care and the need to modernise thinking on what it is to grow old. A round-table of stakeholders, hosted by BNP Paribas and moderated by ILC-UK, largely echoed these views, concluding that the need for change was 'real' and not just a clarion call from the industry.

The review, supported by ARCO, builds on an in-depth analysis of trends in supply and demand and has looked closely at existing living arrangements within the wider housing market, as well as at specialist retirement communities. It focuses on the barriers to and opportunities for redressing imbalances in supply and demand. Various models for older living are considered, notably those that support independent living and housing with care, along with their impact on the care economy.

The analysis compares the consequences of carrying on as normal with the implications of a substantial increase in investment for both the retirement market and mainstream housing. The review covers operational details such as the size and scale of retirement communities, tenure options and the services provided.

It sets out the strategic responses required of the Government, the wider public sector and the industry.

A central conclusion is that the UK is failing to adapt to the far-reaching changes to society that will result from an ageing population. Fundamental change is needed in the way we provide care to older people and in the housing options available to them. Care needs to become more preventative, more people-centred and better integrated into the community. This review shows how this vision can be brought about.

## Defining the problem

Older people are living longer and remaining in their family homes for longer. Those homes are becoming increasingly under-occupied as children leave. Some say the answer is to build more, but the pace of change required is beyond the reach of the building industry. If enough homes were being built, prices would fall – but they are not.

Extrapolating these trends leads to some uncomfortable conclusions. Younger generations will struggle to own their own homes, with a knock-on effect on starting families. The social care system will struggle to find enough workers to deliver care to a widely dispersed older population. Keeping old people in hospital is not an option since it blocks beds and increases waiting lists.

With the number of people aged 65+ increasing from 12.9 million today to 17.2 million in 2040, the over-stretch of social and health care systems is set to get worse. There are currently around 1.6 million paid carers and 2 million informal carers spending more than 20 hours a week caring, more than half of all informal carers, according to the ONS Family Resources Survey 2020-21. Extrapolating to 2040, there will be 2.2 million formal carers and 2.7 million informal carers.

The Government's social care white paper<sup>7</sup> states that every decision about care is also a decision about housing. The evidence of this report is that housing has a role to play in enabling people to remain healthier for longer in the most suitable environment, which needs to be coupled with access to care. The problem is that there is no strategy to deliver this vision.<sup>8</sup>

If part of the answer is more retirement housing, then what type is needed, how much of it and where should it be located? Should it be part of a large retirement community or smaller-scale and dispersed, in urban or rural areas?

This review proposes sweeping changes that would create more retirement homes across the country. Up to 25% of new housing would be specialist retirement housing. Such a building programme would also improve the quality of retirement housing.

---

<sup>7</sup>[People at the Heart of Care: adult social care reform white paper - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/90422/People-at-the-Heart-of-Care-adult-social-care-reform-white-paper-2018.pdf). Department of Health and Social Care, 2021

<sup>8</sup>2018. House of Commons Communities and Local Government Committee Housing for older People Second Report of Session 2017-19 Report. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

If we look at countries with similarly ageing populations – New Zealand, Australia and the US – all are more comfortable with the idea of bespoke retirement developments than the UK. People live independently for as long as possible, but integration with local services means that they can have access to round-the-clock care and amenities to suit their lifestyles and needs.

A growing body of research shows that people live healthier and longer lives in specialist retirement housing with care and support. The evidence shows fewer spells in hospital, quicker discharge back home, fewer visits to A&E and delayed transfer into nursing care. This report considers the provision of high-dependency care, and models the potential displacement effect on residential care.

Current policy is that people should be supported to live independently in their own homes for as long as possible. This is easily misinterpreted as staying put in the old family home come what may, even when the better option would have been to move into more age-appropriate housing. Currently, only 10% of older households live in specialist retirement housing.

The levelling-up white paper marked a welcome shift. It says: "For older people trapped in non-decent or unsuitable accommodation, the UK Government will work to increase the choices available to them".<sup>9</sup> Meanwhile, the ambition of the social care white paper is to give people the chance to live independently and healthily in their own homes, or one that they might move into (author's emphasis), suggesting that providing more age-appropriate accommodation is on the policy agenda.

These issues should be dealt with in the round by making sure that they are linked to housing policy over the life course. If everybody lived in homes that were appropriate in size for their needs, it has been estimated that 50,000 fewer homes would have to be built each year.<sup>10</sup> Put another way, almost as many bedrooms are being de-commissioned through under-occupation as are being replenished.

---

<sup>9</sup>Levelling up the United Kingdom (2022), Department of Levelling Up, Housing and Communities [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1052708/Levelling\\_up\\_the\\_UK\\_white\\_paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052708/Levelling_up_the_UK_white_paper.pdf)

<sup>10</sup>Too Little, Too Late? Housing for an ageing population (2020), CSFI [Too+little+too+late\\_FINAL+-+June++2020.pdf \(squarespace.com\)](https://www.squarespace.com)

Our conclusion is that housing policy needs to focus as much on retirement housing as it does on first-time buyers. This would dismantle supply-side barriers in the housing market that prevent the shifts required to increase choice and balance occupancy. Equally important are changes to the policies and rules that prevent a levelling up of access to retirement housing across the country.

We put the case for larger retirement developments in urban as well as greenfield sites, including repurposing existing buildings. A key barrier is the planning system, which can skew developments towards an arbitrary set of building regulations rather than what is actually needed. Many applications go to appeal, leading to greater expense and deterring investment.

It does not help, for example, that social care is administered at a county council level whereas housing policy is a district responsibility. Indeed, the planning process seems to actively discourage building clusters of homes for older people, while social services departments struggle to reach dispersed populations, often living in unsuitable and over-sized accommodation.

A key question is why more retirement developments are not already being built, given high levels of home ownership in the older population. The simplistic answers include institutional inertia, out-of-date images of retirement living, an emotional attachment to the family home, and a belief that the state will step in.

The actual picture is more nuanced. Industry surveys show that people want to downsize but are put off by the lack of suitable alternatives, especially in the areas where they live. They are concerned about the cost and complexity of moving, security of tenure if they rent, and maintenance costs if they buy, but also what happens if they run out of money or need to move into residential care.

## The demographic case for housing re-think

The UK population is ageing rapidly and will continue to do so for at least the next 20 years. All major areas of policy will be affected – from health and social care to pensions and labour policies. Experience over many years has shown that the UK has been slow to respond to these challenges.

The UK Government's social care reform white paper is an important step forward in both the long debate about integration of health and social care, and in its recognition of the role played by housing. The NHS is struggling to clear the backlog of cases following the Covid 19 pandemic, which should provide a trigger for reform.

While healthcare was given record funding in the wake of Covid, there has been a lack of focus on housing, which needs to be more central to reform. Housing policy is skewed towards the needs of the younger generation. While this is a noble aim, creating better housing for older people will free up homes that can be occupied by the next generation.

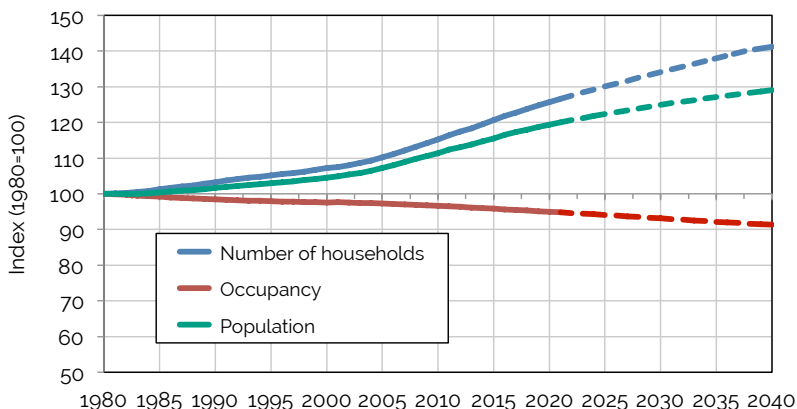
There is a powerful argument which says that if more resources were invested in retirement housing, it would help both first-time buyers and families seeking to upsize. However, the case for more retirement housing does not rest solely on improving the efficiency of the housing stock, but also on the health benefits of growing older in age-appropriate accommodation with access to care and social amenities.

When considering the UK's housing crisis, it is striking how much of it is related to the ageing of the population. Between 2000 and 2020, the UK population rose from 59 million to 67 million, and by 2040 it will be 72 million. Almost as startling is the impact of shrinking household sizes – from an average of 2.48 persons in 1980 to 2.36 in 2020.

If there had been no change in household size after 1980, 1.5 million more homes would have become available. Extrapolating to 2040, if average household size shrinks to 2.27 persons, the gap grows to 2.8 million fewer available homes over the 60-year period. The outlook is captured in Figure 1 which combines trends in population, household formation and dwelling occupancy in the form of three indices covering the period 1980 to 2040.

It shows that, on present trends, the number of households will increase more rapidly than the population, causing occupancy to shrink. This has happened at an accelerated rate from around 2000 just as the first baby boomers were approaching 60 years of age. A related problem is that quality of life starts to suffer as older people lose a loved one and live alone, which is increasingly the case as the cohort ages.

**Figure 1: Indexes showing the growth in population and households and the decline in average occupancy (1980=100)**



## Surplus bedrooms and rising house prices

An important aspect of this trend is that emptier homes have surplus space. One way to think about this is to compare occupancy with the number of bedrooms available.

If we exclude communal living, there are approximately 29 million households in the UK, each with an estimated 2.86 bedrooms per dwelling, equating to about 82 million bedrooms. To find the surplus/deficit in each age bracket, we need to multiply the difference between average household size and bedrooms by age and then sum the result over all ages.

Table 2 shows the estimated number of households in 10-year intervals from 2000 to 2040, average occupancy, the average number of bedrooms per occupant, and the total bedroom surplus/deficit for all ages and, more specifically, for those aged 65+. A clear pattern emerges of decreasing occupancy and an increasing bedroom surplus. This is projected to increase to 20.3 million bedrooms in 2040, of which 12.8 million will be in households aged 65+.



**Table 1: The number of households (millions) in 10-year intervals showing average occupancy, bedrooms per occupant and the number of surplus bedrooms (millions)**

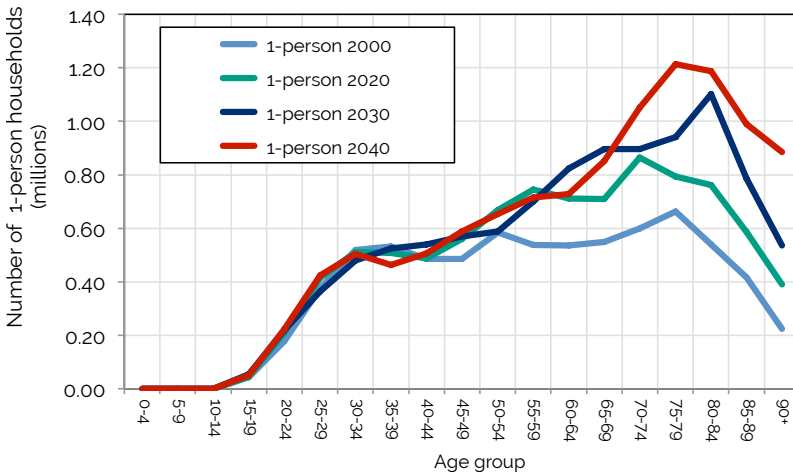
	2000	2010	2020	2030	2040
Households (m)	24.3	27.4	28.6	30.5	32.1
Average occupancy per dwelling	2.42	2.40	2.36	2.31	2.27
Bedrooms per person	1.22	1.23	1.24	1.26	1.28
Surplus/deficit bedrooms (m) all ages	12.7	14.3	15.3	18.5	20.3
Surplus/deficit bedrooms (m) 65+	6.6	6.9	8.9	11.0	12.8

Source: see footnote 12

Population ageing leads to faster increases in some types of household. One-person households, for example, are forecast to rise from 9 million in 2020 to 11 million in 2040, of which a large part will be in older age brackets. Figure 2 shows that in each of four reference years – 2020, 2030 and 2040 – the trend is driven by population ageing.

Below age 50, the number of single-person households is fairly static, but above 50 the trend shows rapid growth. The forecast peak comes in the 75-84 age brackets in 2040 with over 1.2 million living alone. This rises to over 3 million people if everybody 80 and over is included. Clearly this poses massive challenges for several areas of public policy – not only housing but also health and care.

**Figure 2: Population living in 1-person households in 2000, 2020, 2030 and 2040**



The flip side of older people living alone in multi-bedroom homes is the twin problems of first-time buyers getting on the housing ladder and growing families struggling to move into larger houses. Home ownership is a key part of UK housing policy, but it has become unaffordable for many. Using 1980 as the base year, house prices have increased 14-fold and earnings only 7-fold, with the trend becoming pronounced since 2000 (see Figure 3).<sup>11</sup>

Demographic ageing is not the only factor affecting the market, but what makes it different is that it is predictable and relentless, squeezing supply and feeding into the rise in prices.

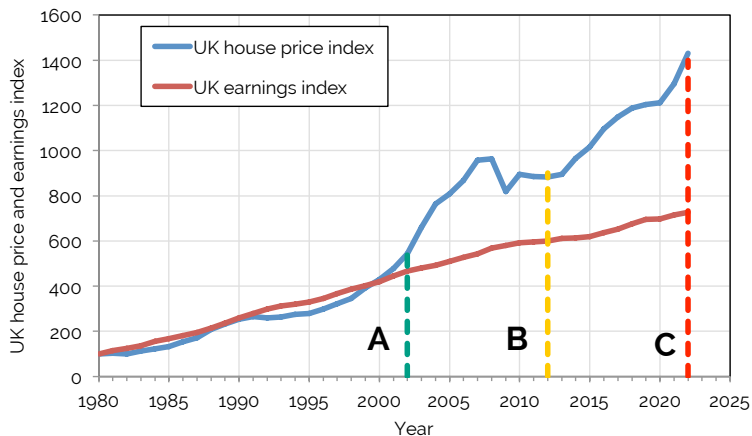
Figure 3 also compares the position of three first-time home buyers with an average age of 32. Case A is a person born in 1970 and turning 32 in 2002; B was born in 1980 and reached 32 in 2012; and C, born in 1990, turns 32 in 2022. The chart shows clearly the much higher house prices faced by people born in later decades.

For the last decade or so, inflated prices have been sustained by low interest rates and longer borrowing periods, plus government help for first-time buyers. This has had multiple impacts. It takes longer to save for a deposit; borrowers take out larger loans; and the length of mortgage contracts has increased.

<sup>11</sup>Figure 3 is an updated and re-annotated version of a chart originally appearing in: The Last-Time Buyer: housing and finance for an ageing society (2019), CSFI. [CSFI+Housing+&+Finance+Feb+2019.pdf \(squarespace.com\)](https://www.csfi.org.uk/CSFI+Housing+&+Finance+Feb+2019.pdf)

The end result has been a fall in home ownership in the first-time buyer age groups. Now that interest rates are turning up, we may be due for a correction in house prices. However, amid a cost-of-living crisis, the net result remains discouraging for buyers.

**Figure 3: Indexed UK house prices and earnings: 1980-2022. Key: (A) average 32-year-old buyer born in 1970, (B) born in 1980, (C) born in 1990**



An important question is whether more people downsizing would release family homes and help ease prices. In theory the answer is yes, but in practice there needs to be a sufficient supply of homes that last-time buyers want to move into, including retirement homes.

But how realistic is it to expect an adequate increase in supply? As an illustration, suppose there are five million older households in the UK who could potentially downsize. Once they move, they spend an average of 20 years in their smaller property. Research published in a report for the Centre for the Study of Financial Innovation in 2020<sup>12</sup> showed that if 3% of the potential downsizers actually carried it out, the supply of appropriate homes would have to increase by 161,000 a year. Even a 1% change would create a need for 63,000 new properties a year. Bear in mind that the run rate for all UK housing completions has been about 200,000 a year for the past few years.

This suggests that just building more retirement housing is insufficient unless it is coupled with other measures that take a holistic approach.

<sup>12</sup>Too Little, Too Late? Housing for an ageing population (2020), CSFI. [Too+little+too+late\\_FINAL+-+June++2020.pdf \(squarespace.com\)](#)

A broader housing strategy would address pinch points across the life course and provide incentives for people to move to accommodation more closely matched to their needs at key moments in their lives. This includes addressing shortfalls in different parts of the country, design issues<sup>13</sup> and integration with existing infrastructure, enabling community living, and dismantling barriers on both the supply and demand sides.

The problem with focusing on first-time buyers is that it does not recognise the interconnectedness of house buying by different age groups. For example, a shortage of retirement dwellings with two bedrooms impedes the choice available to potential downsizers. In turn, their immobility limits the choice of homes with 3+ bedrooms for younger generations.

Indeed, we can think of housing as a circular flow with injections of new stock to meet expanded demand and to replenish worn-out stock. In thinking about pinch points, there should be more focus on the needs of last-time buyers, who release equity from their previous home to make lifestyle changes and/or to help their children get on the housing ladder.

Of course, not everyone benefits from this process: only those with wealth stored in housing can afford to make such gifts. But at the other end of the transaction, they may be switching from owner-occupation to rented or leased units, or to pay-as-you-go rooms in residential homes. This suggests a whole-system, whole-of-life approach which calls for imaginative government policies to lubricate the housing market. It requires house building decisions and incentives to buy, or sell, to pull in the same direction and not to over-focus on any one age segment of the market.

## **Demographic levelling up**

The availability of suitable retirement homes tends to reflect historical patterns rather than the aspirations of older people who are looking for lifestyle changes in quality accommodation close to where they live.<sup>14</sup> Our research shows that areas with large numbers of older people are often not well served by available retirement housing.

<sup>13</sup>For examples see: HAPPI - Housing our Ageing Population: Panel for Innovation 2009. <http://www.housingcare.org/information/detail-3056-happi-housing-our-ageing-population-panel-for-innovation.aspx>

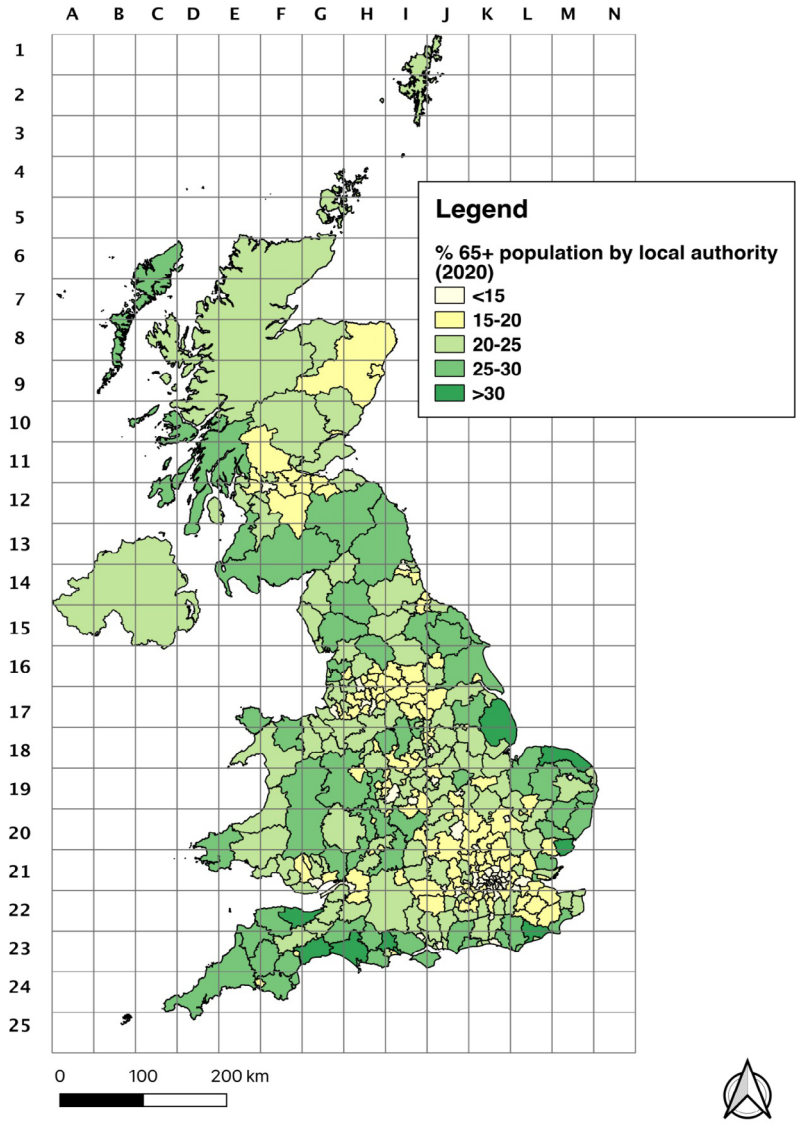
<sup>14</sup>E.g. see: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/appg/appg-for-ageing-and-older-people---report-on-decent->

Figures 4 and 5 show the percentage of the population aged 65+ by local authority area in 2020 and as projected for 2040. The 2020 map paints a variable picture with higher percentages of older people in more peripheral areas, especially near coastal regions. Younger populations, with 15% or less people aged 65+, are concentrated in the south east and in urban parts of northern England and central Scotland.

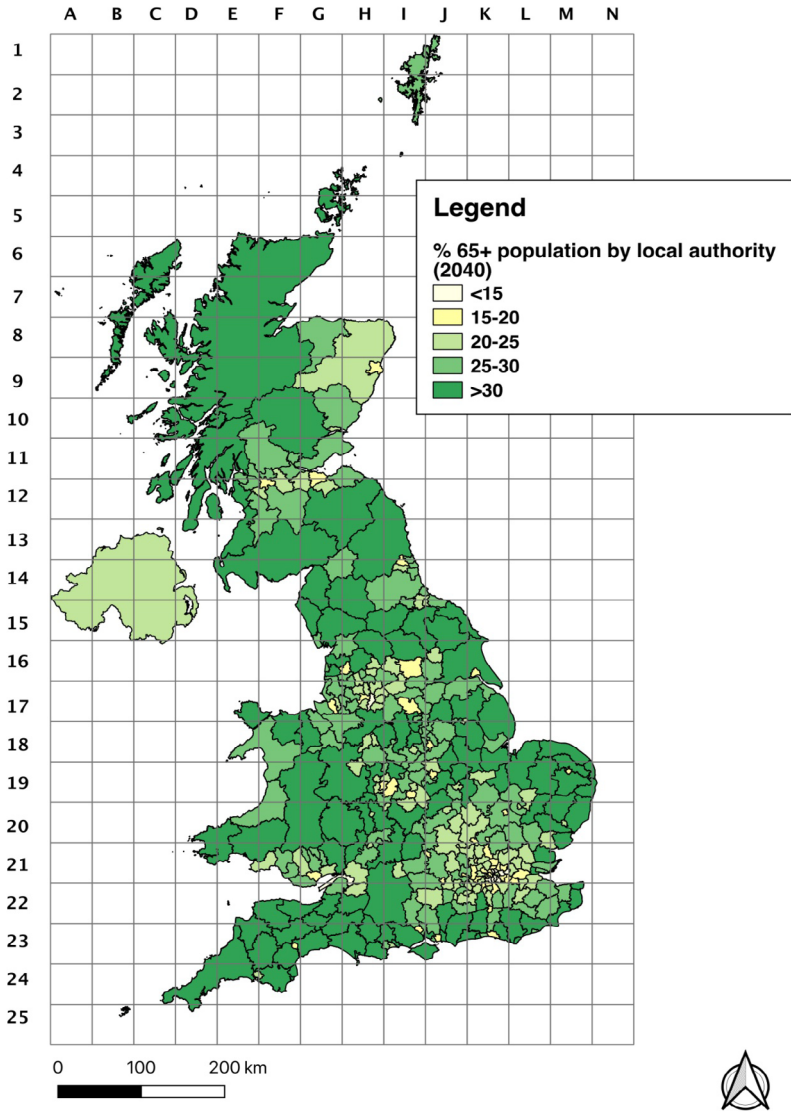
By 2040 the UK population is projected to increase by 5% to 70.4 million, of which 25% will be aged 65+ compared with 19% in 2020. Almost all local authorities will be affected and a significant number will have more than 30% aged 65+. In urban areas the percentage of older people will increase by less but, overall, we expect a levelling up so that the demand for retirement housing will become far more evenly spread.

A key conclusion is that any future retirement housing strategy needs to recognise the demographic reality of people living longer. While some harbour visions of living in a rural idyll, the practical reality is that most will stay in those same areas where they are now either by choice or a lack of alternative. This suggests that housing policies need to go with the grain of people's aspirations and to create a housing mix that provides homes that older people want to live in.

**Figure 4: The percentage of older people age 65+ by UK local authority in 2020**



**Figure 5: The percentage of older people age 65+ by UK local authority in 2040**



## Trends in retirement living – possible futures

The term 'retirement' is becoming blurred because a person can be partly retired in the sense of receiving a pension but still working. By the same token, a home or development labelled as 'retirement housing' probably means that it has been designed to house people that have different requirements from people living in standard or mainstream housing. For our purposes, the phrase 'retirement housing' simply distinguishes it from 'standard' housing.

Survey respondents from the industry thought it wrong to prescribe overall age limits since different operators addressed different segments of the market. Imposing age limits is restrictive and is largely ignored, in any case. Respondents noted that while the average age of people coming into the market was in their mid-70s, there was wide variation.

Wherever an older person resides, a key consideration for people to live independently is that they have their own front door. This distinguishes both retirement and standard housing from communal living as part of a nursing or residential care home. Both independent and communal living form part of the accommodation mix for older people.

Figure 6 is a simplified representation of the UK care economy. This divides the UK population into those above and below 65. It then sub-divides the older group into two further categories – those living independently in self-contained dwellings and those living communally in residential or nursing homes. The distinction is important because of the way they operate and are financed.

The first category – those living independently – comprises some 8 million older households. Specialist retirement housing is a relatively small subset of this group, accounting for about 10% of all older households. It divides into several types with terms like 'age exclusive', 'sheltered housing' or 'extra care'. Each may be part of a community of dwellings accommodating older people perhaps with communal amenities such as a garden. The important point is that they are 'age friendly' i.e. designed for older living.

The availability of retirement housing reflects historical patterns of provision in coastal locations or specific regions such as the north-west or south of England, each with over 12% of the total stock. The



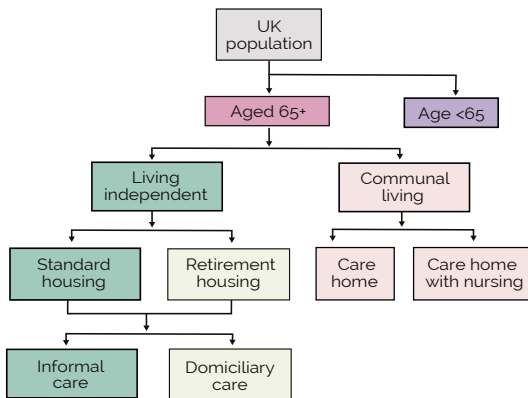
major gaps tend to be in Scotland and Wales where the retirement stock tends to be 7% or less, with Northern Ireland bringing up the rear with only 1.5%. Gaps between areas tend to reflect traditional patterns of retirement living, for instance on the south coast.

In the communal living sector, care homes cater for people with greater needs and divide into two types – residential or nursing care. Nursing homes look after people with greater needs than those in residential care and have one or more qualified nursing staff on site. According to Skills for Care,<sup>15</sup> there are 490,000 people living in 17,500 care homes, with a workforce of some 780,000.

Looking at care provision in the independent living sector (in the wider community), there are an estimated one million recipients of domiciliary care according to Skills for Care data on a UK equivalent basis.

Domiciliary care is either 'formal' or 'informal'. Formal care is provided by accredited carers who are either paid for by the client (who may receive related benefits) or provided by the local authority or a charity. It is estimated that there are 850,000 formal carers. On the informal side, estimates vary depending on the average number of hours provided per week. According to the ONS Family Resources Survey (2020-21), there are 4.2 million informal carers of which around 2 million provide care for more than 20 hours a week.

**Figure 6: The UK retirement and care economy**



<sup>15</sup>We have scaled the data to reflect the whole UK not just England: See Skills for Care – workforce data. <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Adult-Social-Care-Workforce-Data-Set/Adult-Social-Care-Workforce-Data-Set.aspx>

## Types of retirement accommodation

Traditionally there has been a large statutory segment of accommodation for older people, provided mainly by local authorities, and a significant voluntary (not-for-profit) segment. Much of this provision is for social renting, especially sheltered housing. More recently, the private sector has become increasingly represented.

People moving into local authority or voluntary sector homes frequently need to meet eligibility criteria. The transfer into supported housing is usually triggered by changes of circumstance - such as the death of a partner, deteriorating health, or financial difficulty - for which they qualify for state support or subsidised housing.

As people live longer and healthier lives, retirement living is increasingly marketed as a change in lifestyle that enables older people to live independently for as long as possible, while facilitating a transition as their care needs increase. This applies especially to private developments but also to parts of the voluntary sector. This is a relatively new concept because moving into such developments can be triggered by factors other than health.

Modern retirement communities offer social activities, on-site maintenance and links with external groups. The size of retirement developments can vary from a few age-exclusive self-contained properties to a retirement 'village' with 100 properties or more. There are different types of schemes with properties to rent, lease or buy, ranging in size from studio flats (or 'bedsits') to 2- and 3-bedroomed homes.

Management types are classified as voluntary (not for profit), statutory (local authority run), or private. The voluntary sector accounts for 65.3% of developments, statutory 22.4% and the private sector 12.4%, although this pattern is shifting. The types of tenancy within each management type also differ so that there is range of models to suit most needs.

Social rents are commonplace in the statutory and voluntary sectors and residents will typically receive help with housing costs depending on their means. Social renting accounts for 72.6% of all retirement accommodation, regardless of management type. Lease holding or owner occupation accounts for 26.1% of the total with private renting and other tenancy types 1.4%.

Specialist retirement properties generally have age-friendly features such as raised electric sockets, lowered worktops and walk-in showers. Many schemes also have their own manager or warden, either living on-site or nearby, who can arrange services for residents. Bigger developments are able to provide more economical care.

Larger developments will have some shared or communal facilities, such as a lounge, laundry, guest flat, maintenance staff, hobby rooms and a garden. The most common are dining rooms and a guest suite. The larger the development, the greater the number of amenities. Privately managed developments have the most amenities and statutory ones the least.

Pleasant surroundings and access to green space are major attractions – whether privately accessed or nearby public space. The distribution of retirement housing shows around 80% in urban areas or on the fringes, with the rest primarily rural. Large developments in mainly rural settings are often labelled villages. There is increasing interest in repurposing sites in urban areas.

The number of units per development leans towards the lower end of the level regarded as viable for 24/7 on-site care and a range of communal amenities. Some 94% have fewer than 60 units, typically within apartment blocks. Estates or villages tend to be much larger with 81% having more than 60 units.

The average number of residents in residential and nursing homes is 28, similar to the average number of units in retirement developments providing independent living. However, this is coincidental because the spread of sizes is less. A key difference is the level of need catered for, and the independent sector is increasingly interested in replicating the care services provided in residential, or even nursing, homes.

Around 37% of residents in care homes are self-funders and the rest state funded. There is a greater proportion of self-funders in affluent areas, while providing care for dementia sufferers is more likely to be state supported. A higher percentage of self-funders reside in larger care homes and in ones more likely to be rated as outstanding by the Care Quality Commission.

## Trends in the industry

Recent history has seen a transformation in the retirement housing sector away from statutory provision and towards a mixed economy of voluntary and private operators. The Elderly Accommodation Council (EAC) provides data on the sector, although some information is missing on the dates of origin of some developments and on those that have closed or been repurposed. Most of these are believed to have belonged to local authorities or registered social landlords, but their number is diminishing over time.

Table 2 shows the changing configuration of developments by size and scale since the 1960s. A major change followed the 1990 Community Care Act, which required local authorities to help vulnerable adults to remain in the community. This led to a rationalisation of the retirement housing sector and the number of new developments – especially in the voluntary sector – plummeted.

Since 2000, new developments have totalled over 1,500 per decade. The strong indication from the table is that developments have been getting larger. While many still have fewer than 60 units, these smaller entities are reducing as a percentage of all developments. This trend looks set to continue with the average size almost double what it was in the 1960s.

The table also shows quality improvements with the number of amenities per development rising alongside a slightly increased preference for urban locations. Promotional literature tends to appeal to those looking for a change in lifestyle, rather than a place to die, and the intake tends to be younger and healthier than those transferring to residential care.

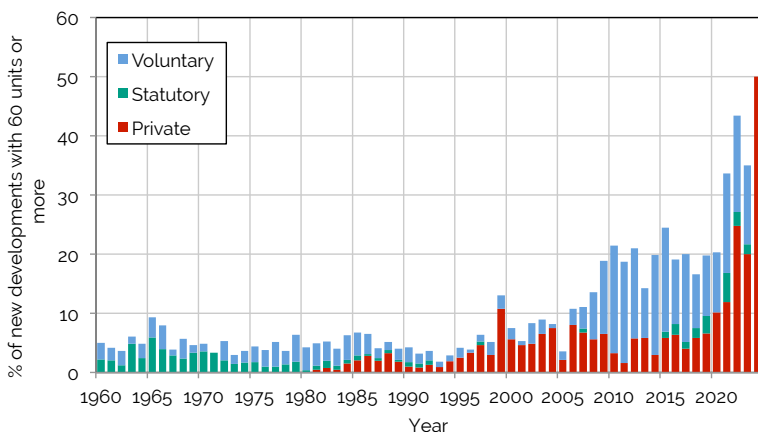
**Table 2: Retirement developments by size and decade**

Size range (units)		1960-69	1970-79	1980-89	1990-99	2000-09	2010-19	2020+	Total
<60	Developments	1,458	3,153	5,674	2,806	1,396	1,265	282	16,034
	Properties (000s)	34.2	88.0	167.3	71.9	43.8	43.5	10.1	458.8
60-179	Developments	94	154	312	125	144	292	132	1,253
	Properties (000s)	7.8	11.5	22.9	9.4	10.9	24.0	10.8	97.3
>180	Developments	5	1	3	1	8	17	6	41
	Properties (000s)	1.1	0.2	0.6	0.2	2.0	3.9	1.4	9.5
Total	Developments	1,557	3,308	5,989	2,932	1,548	1,574	420	17,328
	Properties (000s)	43.1	99.7	190.9	81.5	56.7	71.4	22.2	565.6

Average size	27.7	30.1	31.9	27.8	36.6	45.4	52.9	32.6
Av. amenities	1.7	2.7	2.8	2.6	4.2	4.0	3.2	2.9
% urban	68.3	79.7	84.4	81.2	83.9	81.0	76.4	81.0

Figure 7 concentrates on the growth in larger developments over a 60-year period. It shows the increasing popularity of larger developments containing 60 or more units, which now account for 40% of all developments. It is also encouraging that both the voluntary and private sectors are engaged, suggesting a more inclusive set of choices and affordability.

**Figure 7: The percentage of all new retirement developments from 1960 with 60 or more property units**



## Retirement housing scenarios

If these are the retirement housing trends in place, what might future retirement living look like? To a significant extent it involves some crystal ball gazing based on views emerging from consumer surveys of what people want, and the industry perspective of what is possible.

We explore two sets of scenarios. The first is 'business as usual'. In this scenario, we simply pro-rate the future using the current patterns of retirement accommodation. So, if the older population increases by x% then the numbers of older people living in standard or retirement housing, or care homes also increase by x% and so on. Table 3 uses the same categorisation of retirement living as in Figure 6. The 'business as usual' boxes are populated with information of the status quo in 2020 and how it would shape up in 2040.

In the alternative set of scenarios, we test what would happen if there were a shift to a model in which a greater proportion of the population would relocate into specialist retirement housing. For our other

scenarios in Table 3 we assume an accelerated building programme that would increasingly displace people from both standard housing and residential care, depending on how many new units were built. This would increase the amount of independent living, slow the growth in residential care and improve the quality of housing, but also free up more mainstream homes.

In more detail:

Business as usual: Under this scenario, we would see 17.2 million people in the UK aged 65+ by 2040, an additional 4.3 million compared with 2020. There would be 12.15 million older households or 3.65 million more than in 2020. Of the extra 3.65 million, 3.13 million would be in standard housing, 0.36 million in retirement housing and 0.16 million in residential or nursing care.

Scenarios A-C: We assume that the growth in specialist retirement developments would be at a higher rate than business as usual: (A) 10,000, (B) 30,000 and (C) 50,000 more retirement units a year, or retirement housing starts. Displacement effects assume that each new housing unit above business as usual would displace one unit of standard housing and one in residential care.

In these cases, we would therefore expect the mix of standard housing, residential care and retirement housing to change, with retirement housing taking up a greater percentage share. In addition, there would be some redeployment of carers between standard and retirement housing.

In Table 3, the first two panels are our 2020 baseline and what we would expect to see in 2040 based on a simple pro-rating of the 65+ population taking into account household size. Under this scenario, which we call 'business as usual', the main difference is that the numbers would increase in each category of accommodation by the percentages of the population in each.

The end result is, therefore, more of the same – 86.7% of the older population living in standard housing; 9.5% in specialist retirement homes; and 3.8% in care homes. Business as usual will add to specialist retirement capacity but would be boxed in by the same forces that have shaped it today. We would be faced with the same problems of under-occupation in mainstream housing and lack of creative later-living housing solutions in the specialist retirement sector.

Scenario A shows the small beginnings of a transformation, with a switch in the percentages living in different kinds of accommodation. The proportion living in specialist retirement accommodation increases from 9.5% under business as usual to 11%, with compensating falls in the percentages living in standard housing and residential and nursing care.

In scenarios B and C, the changes in mix are greater. Under C, the proportion of the older population living in standard housing would fall to 81% from 87% under business as usual. There would also be absolute falls in the numbers living in standard housing and residential care due to the assumed displacement effects, and therefore in residential care capacity.

The net result produces a shift in retirement living towards specialist accommodation and away from standard housing and residential care. Under any of the scenarios the increase in capacity would substantially exceed present retirement building trends and would require alterations to national housing targets. The third scenario is especially significant because it implies around 25% of all new homes built would be specialist retirement accommodation and hence a radical departure from present housing policy.

For example, between 2010 and 2019, 71,000 retirement properties were built – an average of about 7,100 properties a year. Building at a rate of 10,000 a year (A) would represent a 40% increase; 30,000 a year (B) would represent a 3.2-fold increase; and 50,000 a year (C) a 6-fold increase.<sup>16</sup> However, even building at these rates, the absolute number of people still living in standard housing would be greater than at baseline.

The number of property units indicated under the scenarios does not translate directly into the number of developments, since it depends on their average size. For example, if the average size per development were 100 units, we would be looking at 500 developments a year under scenario C. A separate analysis looks at the advantages of larger developments but also the potential wider economic benefits.

---

<sup>16</sup>An even higher rate of build of 72,500 homes per year for 10 years was proposed by JLL in its housing with care report, 2019. Here we use a much longer time horizon. <https://www.jll.co.uk/en/trends-and-insights/research/retirement-living-jll-housing-with-care-index-2019>.



To sum up, these changes would be quite radical and strategically significant. But the impact of increased building for retirees on housing availability for younger generations would still be relatively modest. The shift should be part of a wider package of policies to reduce under-occupancy and free up homes. Just as important would be the contribution to the reform of social care by reducing the number of older people living in substandard or unsuitable housing, and by giving them more choice.

**Table 3: Scenarios A to C showing the distribution of the population age 65+ by accommodation type in 2040 compared with 2020**

<b>2020 Baseline (millions)</b>	Standard housing	Retirement housing	Residential and nursing care	Total accommodation units
Units of accommodation	7.24	0.77	0.49	8.50
People 65+	11.2	1.2	0.5	12.9
% by accommodation type	85.2	9.1	5.8	100.0
% people	86.9	9.3	3.8	100.0
<b>2040 Business as usual (millions)</b>	Standard housing	Retirement housing	Residential and nursing care	Total accommodation units
Units of accommodation	10.36	1.14	0.65	12.15
People 65+	14.9	1.6	0.7	17.20
% by accommodation type	85.3	9.3	5.3	100.0
% people	86.7	9.5	3.8	100.0
<b>Scenario A (millions)</b>	Standard housing	Retirement housing	Residential and nursing care	Total accommodation units
Units of accommodation	10.19	1.31	0.55	12.05
People 65+	14.8	1.9	0.6	17.20
% by accommodation type	84.6	10.9	4.6	100.0
% people	85.8	11.0	3.2	100.0
<b>Scenario B (millions)</b>	Standard housing	Retirement housing	Residential and nursing care	Total accommodation units
Units of accommodation	9.72	1.77	0.33	11.81
People 65+	14.3	2.6	0.3	17.20
% by accommodation type	82.2	15.0	2.8	100.0
% people	83.0	15.1	1.9	100.0
<b>Scenario C (millions)</b>	Standard housing	Retirement housing	Residential and nursing care	Total accommodation units
Units of accommodation	9.40	2.11	0.16	11.67
People 65+	13.9	3.1	0.2	17.20
% by accommodation type	80.5	18.1	1.4	100.0
% people	80.9	18.2	0.9	100.0

## Development size – is bigger better?

Any of the scenarios A to C would require a change of mindset and government endorsement. Such a change would need to overcome the inertia behind older people staying put, and to enter unfamiliar policy territory by accepting that building more retirement housing must be an integral part of any housing strategy.

The UK has a far smaller proportion of people living independently in supported accommodation than countries such as the US, Australia and New Zealand. The white paper has put down a marker by saying it will be a priority to increase investment in what it calls 'grant funded' and private supported housing, without being specific about what this means.

Across the country there is much innovation where care is blended with other services. This enables residents to flex their accommodation according to changing needs, with the confidence that support services are close at hand. People who have chosen to live in these developments report high levels of satisfaction. However, there are different ways of delivering this vision, including local solutions such as repurposing existing urban, or sub-urban, sites.

We consider the arguments for larger integrated facilities, analyse their current availability and show how they fit into the current care economy (see Figure 6).

### Meeting care needs

In a mature retirement development, residents typically range from healthy older individuals living independently, to the very frail. There may be domiciliary care and opportunities to step up to residential/nursing care. Based on national averages, we might expect about 30% of the 65+ age group to need care.

To sustain this level of support requires careful planning to ensure care availability 24/7. Operators responding to our survey argue that the lower bound should be 60 units per development but with an average closer to 100 units.<sup>17</sup> This compares with a current average of 28 units, which roughly equates to the average number of places in care homes but with greater living independence.

---

<sup>17</sup>This is an industry view based on the experience of current operators rather than a statutory or legal definition.

Typical retirement communities consist of people living alone or as couples, so a development with 100 units might contain 150 residents of mixed ages. They comprise not only independent living accommodation but housing with care, domestic and handyman services, plus communal facilities such as restaurants and guest rooms.

Although there is no rigid template, our analysis shows that the number of amenities per development is a function of its size and management status – private, voluntary or statutory. For example, in the largest developments of 240+ units, there are four times more amenities than in smaller developments. Typically, they also include vibrant social programmes, access to local transport and so on.

There is a question of whether the levels of care would extend to high dependency and end-of-life. Much will depend on arrangements between providers in the locality. By the reverse route, there could be cases of downward integration if, for example, care homes expanded their offer to include elements of independent living.

There are differences in care provision depending on residents' ages and levels of need. A care community with 150 residents from age 65 is estimated to provide an average of just over 9 hours of care per person per week, applying average care levels in the wider population according to age. This translates into 34 full-time equivalent (FTE) carers assuming a 40-hour week, or one care worker for every 4.4 residents.<sup>18</sup>

Where average entry ages are higher, starting at say 75, care could rise to 11 hours a week, and so on. Most care is sourced from agencies using private sector or social services. Co-ordination is undertaken by a care manager with administrative support, which is factored into service charges, but the cost of the care is not, except perhaps for basic cleaning and tidying.

The problem is that round-the-clock access to care is a relatively rare occurrence. According to EAC data, care is provided in only 7% of the 24,000 developments in the UK or 1,700 developments altogether. Although most communities with care are in the <60-unit category, we find retirement communities with more than 60 units are up to

---

<sup>18</sup>These estimates are based on the prevalence of disability in the UK using Rickayzen, B. and D. Walsh (2002). A multi-state model of disability in the UK: implications for the long term care of the elderly. *British Actuarial Journal*, 8, II, pp.341 -392.

twice as likely to have care provision, suggesting that the economics favour larger communities over smaller ones.

The cost of care is met by the residents, some of whom will receive means-tested local authority financial support. Self-funders tend to pay more. The key point is that care costs are not a level playing field and the economics of providing care is finely balanced. Overall, the larger retirement communities are most able to afford on-site care coordination and other staff.

## **Changes to the care economy**

If new developments were larger, what would be the scale of building? Assuming an average of 100 units per development, there would be 100 new developments per year under scenario A, 300 under B and 500 under C. Between 2010 and 2019 the average was 150, and so each scenario would involve a huge step up in investment compared with today and 'business as usual', bearing in mind that only around 200,000 homes are currently built each year.

To reflect this, we have added a further category of integrated retirement living to Figure 8. This combines elements of conventional retirement housing with communal living, straddling existing retirement housing and care homes.

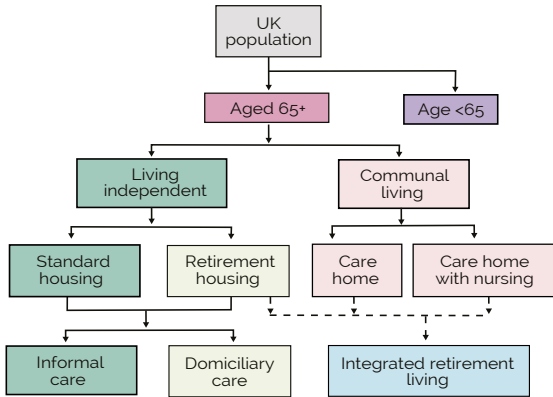
The term now commonly used for these blended developments is 'integrated retirement communities', or IRCs. The Association of Retirement Communities (ARCO) provides this definition:

"Integrated Retirement Communities (IRCs) combine high quality housing options for older people with tailored support services. They allow residents to rent or own a property and to maintain their privacy and independence, with the reassurance of 24-hour on-site staff, communal facilities, and optional care and support as needed."<sup>19</sup>

---

<sup>19</sup>A guide to Integrated Retirement Communities for older people. [A guide to Integrated Retirement Communities for older people | ARCO \(arco.org.uk\)](https://www.arco.org.uk/)

**Figure 8: The care economy with the insertion of integrated retirement living**



IRCs can absorb domiciliary care that would have been delivered to residents' former homes. A majority of IRCs do not provide the high levels of care seen in a nursing home, but in most cases IRCs can scale up the amount of care provided so that individuals are not obliged to move into a residential home. The question then becomes how widespread is the practice of including high-end nursing care to obviate the need for a further move before end-of-life.

Residential or nursing care facilities must be CQC registered.<sup>20</sup> According to EAC data there are around 1,000 CQC registered care homes flagged in the database, or 4.3% of the total. Of the total registered, 18.5% are located among the largest retirement communities and so come closest to the conceptual representation above, suggesting there is some way to go to achieve full integration in the sense of including a full range of services.

## Health benefits of housing with care

It can be argued that IRCs bring together features of existing developments, some of which have been established for decades. By redefining them, we can learn more about their impact, including evidence of wider health and social benefits.

<sup>20</sup>CQC is otherwise known as the Care Quality Commission which is the independent regulator of health and social care in England. It has responsibility for inspecting residential and nursing care homes all of which must be registered providers. There are separate arrangements elsewhere in the UK.

There is increasing evidence to show that housing with care leads to better health outcomes. These include fewer falls, shorter stays in hospital, fewer GP call outs and A&E visits.<sup>21</sup> These benefits have been attributed to the timeliness and availability of care, and a stress-free, socially convivial environment. This frees up resources in health and social care, promotes independence, and delays transfer into residential care. It also means that hospitals can discharge older people sooner into safe environments, freeing up beds.

It is possible to create the same benefits in the wider community through timely domiciliary interventions, but this is less efficient. Another disadvantage is that if the housing is not adapted to older living or is poorly maintained, injuries are more likely – mostly associated with falls. The NHS spends millions each year treating frail people for injuries caused by domestic hazards.

But even with decent housing, a fully co-ordinated approach would be required, leveraging resources in the private, voluntary and statutory sectors, including the NHS and local authorities.<sup>22</sup> In future there will be many more people living alone and they will, on average, be older than today.

IRCs can provide modern, safer accommodation with access to care, which should help make the growing older and frail population easier to manage. There is also evidence that people live longer in retirement communities than in standard housing. Proving this is difficult because of selection effects – e.g. the mortality rate in care homes is higher because people are unhealthier on entry. However, a landmark study which analysed 100 years of records in Whiteley Village, a fully integrated retirement community in Surrey, found that women, in particular, lived up to five years longer than the general population.<sup>23</sup>

---

<sup>21</sup>Better Lives, Health, Future: Key findings. Extracare Charitable Trust (2015). <https://www.extracare.org.uk/media/1168260/18239-brochure-210x210-166.pdf>

<sup>22</sup>Mayhew L (2009), 'On the effectiveness of care co-ordination services aimed at preventing hospital admissions and emergency attendances', *Health Care Management Science*, 12(3), p.269-284

<sup>23</sup>Does Living in a retirement village extend life expectancy? The case of Whiteley Village. International Longevity Centre (2017). <https://ilcuk.org.uk/does-living-in-a-retirement-village-extend-life-expectancy-the-case-of-whiteley-village/>

## Current levels of access to integrated retirement living

Our wider definition includes all developments with 60 or more units and five or more amenities. We avoid loose groupings but include apartment blocks, estates and retirement villages. This produced a total of 630 developments across the UK, consisting of around 56,000 units.

Table 4 shows their distribution by region split into the three basic management types: voluntary, private or statutory. Voluntary establishments are the most numerous followed by private operators. The table shows wide variation by region – differences that cannot be fully explained by variations in the number of older people.

**Table 4: IRCs by UK region and management type**

Region	Statutory	Voluntary	Private	Total	% by region
East Midlands	2	20	9	31	4.9
East of England	9	39	25	73	11.6
London	10	44	11	65	10.3
North East	1	16	2	19	3.0
North West	5	48	17	70	11.1
South East	8	64	47	119	18.9
South West	3	40	29	72	11.4
West Midlands	0	84	19	103	16.3
Yorkshire & The Humber	3	32	13	48	7.6
Northern Ireland	0	2	0	2	0.3
Scotland	0	9	3	12	1.9
Wales	1	12	3	16	2.5
Total	42	410	178	630	100.0

Percentage of sector	6.7	65.1	28.3	100.0
----------------------	-----	------	------	-------

As we expect all areas of the country to experience substantial growth in the number of older people, capacity increases need to be spread geographically. If levelling up access to larger developments is the aim, then investment should focus on Scotland, Wales and Northern



Ireland in that order. The maps in Figures 9, 10 and 11, which show statutory, voluntary and private developments, indicate that:

- Mid-to-large-size statutory retirement developments have the smallest presence in the IRC sector, consisting mainly of long-established sites located around London, the north-west and the south coast. These account for 6.7% of the total and tend to have fewer amenities than private or voluntary sector developments with socially supported residents.
- The voluntary sector has the largest presence with 410 sites, 65% of the total, mainly located on a belt from north-west England through the west Midlands to London and the south-east. There is also a scattering of developments on the south-west coast and in the north-east.
- The private sector is growing but still smaller than the voluntary sector, accounting for 28.3% of IRCs or 178 developments altogether. Their distribution is similar to that of the voluntary sector. Some 84, or 57% of the total, label themselves as villages.

The use of the term 'village' signifies that they are larger and have more amenities than other types of development. They are predominantly but not exclusively in the private sector. We counted 147 developments with the name 'village' in their title, 81% of which contain more than 60 units.

'Village' implies a degree of isolation from the wider community and a degree of self-sufficiency. There is a debate about whether this is good or bad. It may, for instance, imply a degree of remoteness from centres of population and urban amenities. But its use is not consistent. Some operators use the term village for schemes closely connected to a town (e.g. some ExtraCare Charitable Trust schemes).

One survey respondent argued that developments should be co-located with existing public amenities, but also that they should be physically consolidated to ensure on-the-ground services are used cost effectively. The reality is that benefits are less likely to be achieved in a practical and cost efficient way if the clients are dispersed.

Table 5 shows that size is an important indicator of the number of amenities available. It compares the average number of amenities by development size and type – whether self-contained, estates, villages

or loose groupings. On this measure, in mid-to-large-sized 'villages', 10 amenities are the norm; large 'estates' with over 240 units do reasonably well too.

**Table 5: The average number of amenities by number of property units and type of retirement development**

Number of property units	Self-contained	Estate	Retirement village	Loose groupings	Average
<60	2.2	1.0	4.7	1.0	2.2
60-119	4.0	2.2	9.1	2.1	4.1
120-179	4.2	1.2	10.0	1.0	5.4
180-24	3.5	0.0	9.7	0.0	6.4
>240	3.8	7.0	11.3	0.7	7.9
Total	2.3	1.1	8.8	1.1	2.3

Demographic change means that most areas of the UK will experience a growing proportion of older residents. Not all of these can be accommodated in specially designed villages in rural areas or in the green belt, and not everybody will wish to be uncoupled from their present surroundings and friends. In fact, a majority of developments are already in urban areas or on urban fringes.

Several respondents to our survey saw no problem with adapting to urban locations as long as they were close to local amenities and public transport. Retirement units may be a part of mixed development and should be designed accordingly. Several pointed to an opportunity to repurpose town-centre sites that have fallen vacant due to changed shopping habits.

This concept involves using existing infrastructure and services to create an 'urban village'. Repurposing buildings is economical and potentially attractive, but challenges include creating sufficient internal dimensions, access to green space and avoiding heavy traffic and pollution.

There is no standard model. According to survey feedback from architects promoting this idea, a town centre could accommodate several developments with shared infrastructure and services under different management. This would provide mid-market options and

attractive alternatives for individuals who wish to be in more densely populated and better connected locations.

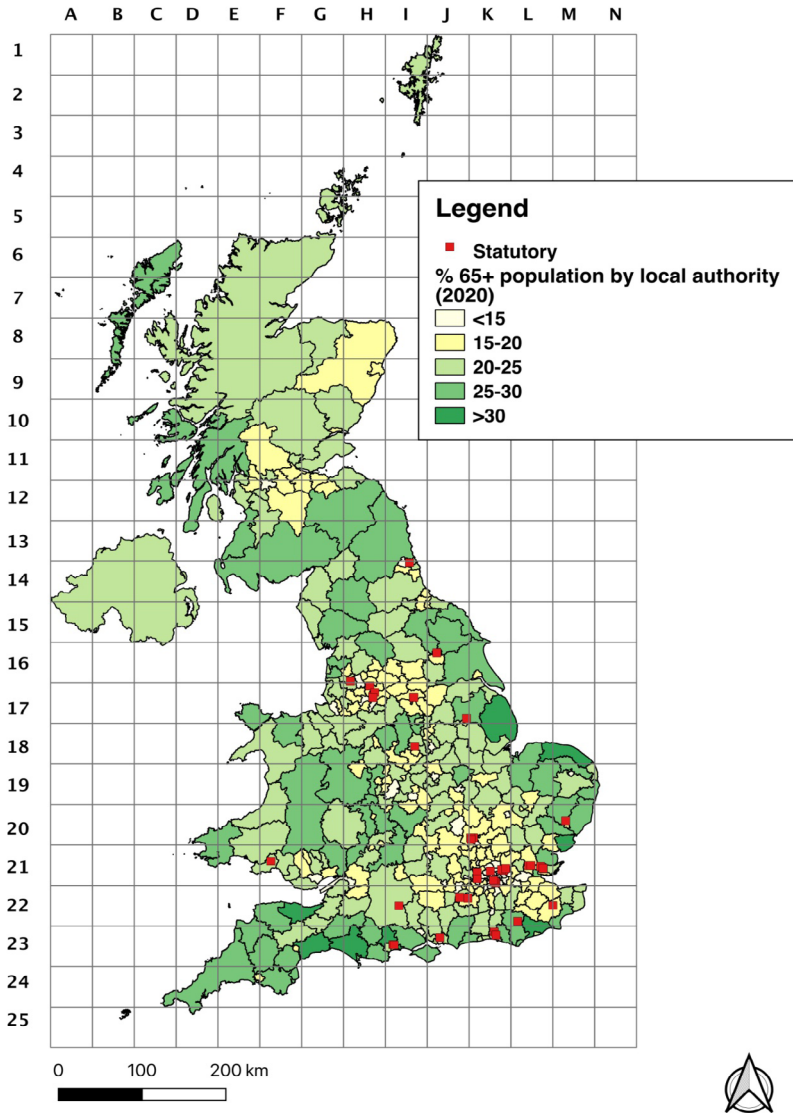
However, more examples of repurposing are needed to illustrate what works. There are already instances of developments that include converted and renovated historic buildings. Affordability is obviously important, since not everyone can afford the up-market 'village' offerings.

## **Summary**

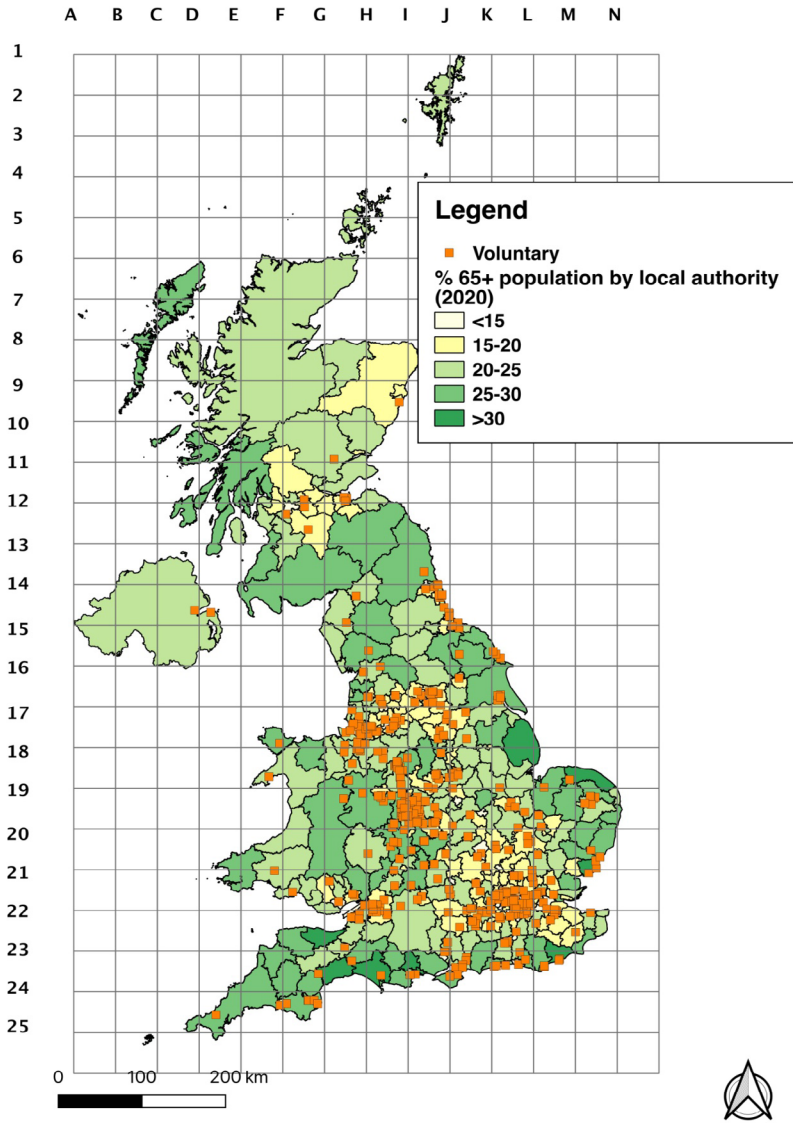
In summary, large-scale retirement developments are growing in number and becoming more popular. The evidence is that they fill an important niche and offer lifestyle and health benefits, if coupled with access to round-the-clock care. Such benefits may not be available or are too expensive to provide in smaller developments.

Access to retirement living opportunities is highly variable across the UK. With demographic ageing affecting all areas, solutions need to be more evenly spread and localised so that people can stay connected to the areas where they live. There needs to be more choice as well as higher quality – not just the default option of small one-bedroom flats with minimal amenities. The imaginative option of repurposing town centres should be part of the mix.

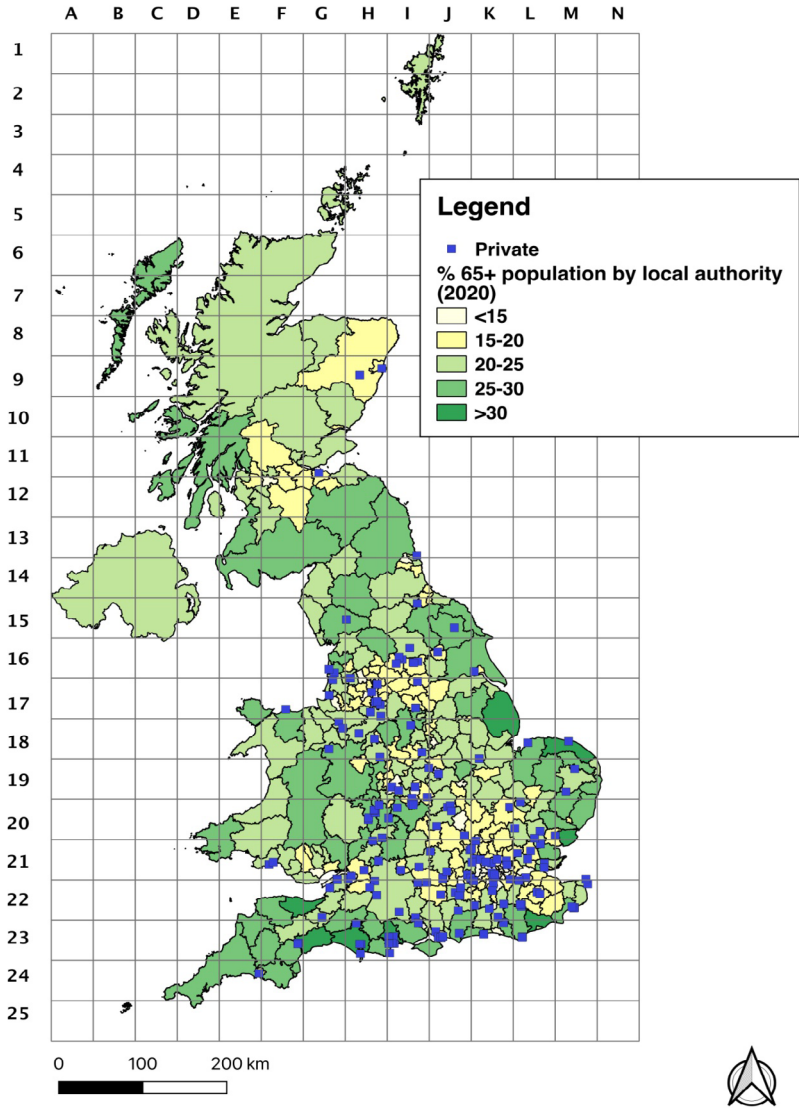
**Figure 9: Statutory retirement communities with more than 60 property units and 5+ amenities**



**Figure 10: Voluntary run retirement communities with more than 60 property units and 5+ amenities**



**Figure 11: Privately owned and operated retirement communities with more than 60 property units and 5+ amenities**



## Barriers and opportunities

To recap, the arguments for change so far are that:

- There is a chronic shortage of retirement accommodation with access to care.
- There is increasing under-occupation of the existing housing stock which constricts the supply of family homes and increases house prices.
- The potential exists to release thousands of homes each year for younger purchasers by building more retirement accommodation.
- To make them attractive, retirement homes need to be in viable communities or clusters in places where people want to live. They also need to be of good quality and to have good access to care and other amenities.
- The evidence is that housing with care is good for health and wellbeing, and economies of scale mean that care costs are lower, so there is alignment with health and social care prevention policies.
- Larger retirement developments are increasingly becoming the norm. They are able to provide a wider range of facilities and accommodation types, and to offer care.

Given the demographic trends, there could be a large market for retirement housing – but it hasn't happened yet. At present, a majority of older people's housing-with-care caters for those eligible for subsidised accommodation, supported through the benefit system and by charitable foundations.

Most older people with housing wealth are ineligible for social rented accommodation. From the slow pace of development of retirement housing, it could be surmised that they are not interested in downsizing. Surveys show, however, that many would like to move, but there is a lack of suitable properties where they want to live and those that are available are too expensive.

On paper, the financial capability to move into retirement accommodation exists, with 47% of older households worth £500,000 or more, based on the ONS Wealth and Assets Survey.<sup>24</sup> A survey by

---

<sup>24</sup>See ONS Wealth and Assets Survey. <https://www.ons.gov.uk/peoplepopulationand-community/personalandhouseholdfinances/incomeandwealth/datasets/totalwealth-wealthingreatbritain>

Legal and General, the insurer and provider of investment products, found that not only was there insufficient choice, moving was too stressful and paying Stamp Duty was a problem.<sup>25</sup>

There are also institutional and financial barriers – especially the planning system which reinforces inertia. Our previous analysis found that only 70,000 new retirement homes were added in the previous 10 years (i.e. 7,000 a year), but our scenarios suggest that building needs to be on a far bigger scale to release homes and provide more age-appropriate housing.

However, this is about more than just increasing supply. There is a need for: independent financial advice to help people decide what to do; housing policies that recognise the contribution of retirement housing to overall housing needs; flexible planning policies that focus on local requirements; and a social care system that works more closely with housing departments on how best to deliver care.

We consider each of the main barriers and opportunities in turn.

## **Inertia**

Respondents to our survey are clear that the goal for retirement housing is to maximise choice. As one respondent put it: "There should be adequate provision of all forms of specialist housing to meet the needs of our ageing population. There needs to be a choice of properties – there is no one size fits all."

We identify inertia as a catch-all description of features of the health and care economy that perpetuate the status quo and throw up barriers to fresh ideas and modern alternatives. To understand the capacity for change, we need to start with ownership and tenure. Of the 8 million older households, 75% own their homes, 20% are social rented and 6% private rented.

Broadly speaking, older people in socially rented accommodation will tend to source their care needs from the local authority. Housing needs tend to be overseen by their social landlords and a resident is more likely to move into residential care as care needs increase.

While in their own homes, these are more likely than in the private sector to have been adapted for assisted independent living. Because

---

<sup>25</sup>L&G Last Time Buyers Report. <https://www.legalandgeneralgroup.com/media-centre/reports/last-time-buyers-1>



the building fabric is maintained by social landlords, they will generally be more thermally efficient and have a lower carbon footprint.

The Government's policy commitment to support people in their own homes makes sense in the socially rented sector. With local authority social care budgets under pressure, the tendency will be to delay transfers into residential care, although there may be options to move people renting from a housing association into specially adapted accommodation. Providing care to this dispersed population increases pressure on social care budgets.

For those in the private rented sector, such options are less obvious although they may still receive benefits and help to adapt their home. The fact that we expect more older people to be private renting in the next decades could be a problem. Flats are more likely to be in old converted houses, rather than purpose built for older inhabitants. The cost of care is higher, on top of higher rents and maintenance expenses. So, a potential policy gap is emerging for this group, which will involve private sector landlords.

Homeowners, in principle, have more flexibility than the previous categories since the wealth stored in their homes means they could afford to move to new accommodation, if a suitable option is available. Inertia in their case has been attributed to an emotional attachment to their current homes, but surveys suggest this is simplistic.

In this group there may be multiple circumstances – some, for example, will be asset rich and income poor and so less able to finance a move. The financial complexities will themselves generate inertia as homes are usually their main possession and not something they want to put at risk. Independent financial advice is, therefore, essential for personal security and to ensure value for money, especially as the stress of moving is cited as a key reason for people staying put.

Those making the transition to specialist retirement accommodation encounter a tenancy structure that is the mirror image of what we see in standard or mainstream housing. Table 6 shows that social renting is by far the main type of tenancy, accounting for 72.6% of all retirement property units, which compares with only 20% among all older households. The majority are in developments owned and operated by the voluntary and statutory sectors.

Leasing or buying accounts for 26% of all retirement accommodation contracts, but outright purchase or market rents are in a very small minority. This compares with far higher levels of home ownership in mainstream housing – in the region of 75%. Shared ownership, in which properties are part-owned and part-rented, is a growing category in the retirement sector but still relatively new. This can be advantageous in affordability terms and maintenance costs.

To summarise, although inertia derives from multiple sources, it is arguable that the group most able to afford to move – homeowners – are the least likely to do so, judging by, for example, Stamp Duty receipts. Policies that address their latent willingness to move are more likely to be successful, with knock-on benefits to the housing market as a whole, than ones that ignore their aspirations.

**Table 6: UK retirement properties by tenure type and management type (000s property units)**

Tenure type (000s of properties)	Statutory	Voluntary	Private	Not known	Total all units	%
Rent (social)	162.1	390.1	0.5	0.4	553.1	72.6
Rent (market)	0.0	0.9	2.1	0.1	3.1	0.4
Lease	0.5	44.4	120.9	6.4	172.2	22.6
Buy	0.2	16.0	8.6	2.0	26.7	3.5
Other	0.0	7.2	0.1	0.0	7.3	1.0
Total	162.8	458.5	132.2	8.8	762.4	100.0

## Financial planning

Related to the inertia issue are the complications of financial decision making in later life. People can be confused about which option would suit them best based on their circumstance, health and other considerations. Of these, finance is probably the most important factor since it involves a decision about whether to rent or buy, the affordability of suitable accommodation and so on.

Potential downsizers may also be more generally worried about the future following a 'trigger' event such as the loss of a partner. Financial advice is expensive and comparing the terms and conditions of different purchase or rental options is complex. This is, therefore, a

policy gap that needs addressing if we want more people to become last-time buyers.<sup>26</sup>

To quantify the cost of retirement accommodation, the figures in Table 7 are supplied by the ExtraCare Charitable Trust which operates 16 villages and other retirement properties. The numbers vary depending on the village but they provide a range of what to expect. Service charges and amenities are extra but less than £100 a week in total.

**Table 7: Specimen costs of buying and renting based on data provided by the Extra Care Charitable Trust which operates 20 villages and schemes: Low, Mid and High range**

ExtraCare sales	Low (Earlsdon Park)	Mid (Solihull)	High (Hughenden)
Shared Ownership (from 50%)	£(000s)	£(000s)	£(000s)
1 Bed	£111.3	£140.0	£170.0
2 Bed	£136.3	£162.5	£215.0
Outright Standard Size			
1 Bed	£222.5	£280.0	£340.0
2 Bed	£272.5	£325.0	£430.0
Outright Large			
2 Bed only	£390.0	£450.0	£550.0

Rental charges	£s p. week	£s p. week	£s p. week
1 Bed	£125.0	£124.0	£140.0
2 Bed	£145.0	£144.0	£159.0

Where downsizing involves the sale of a main property and the purchase of a new one, the cost of the new property should be less than the net proceeds from selling the old, after taking removal and transaction expenses into account. If there is a shortfall, a mortgage would put a strain on monthly outgoings and it may, in any case, be difficult for an older person to get one.

<sup>26</sup>Last time-time buyer: Housing finance for an ageing society (2019), CSFI.  
<https://openaccess.city.ac.uk/id/eprint/21800/>

We can identify two types of potential downsizer – existing homeowners, and renters. Those without housing equity are more likely to do nothing and be supported in their own home by the local authority. Those growing old in social housing will be council tenants or tenants of housing associations, which work closely with local authority social care services.

Many of the residents will be of limited income – generally the state pension, pension credit and some disability benefits such as Attendance Allowance and Council Tax Reduction. Their care needs will be fulfilled by the local authority subject to a needs assessment and means testing. The pattern is to support them in their own home with potential transfer to residential care at a later point.

It is helpful to set out the pros and cons of alternative accommodation costs for all income/wealth groups. Box 1 lists the main options, A to E, in which the primary decision is whether to do nothing, rent, lease, or buy. For example, the 'do nothing' option applies until death or a forced move into residential care. This is the largest group.

There are different considerations under each option: the amount of equity released, security of tenure, Stamp Duty, gifting, inheritance tax, and paying for residential or long-term care. In the 'do nothing' option, no cash is released but the home may need expensive adaptations. The owner may be asset rich, but if they are income poor, maintenance costs could be a problem if they stay put.

**Box 1: Pros and cons of different ways of paying for accommodation costs**

Category	Downsize option	Equity released	Security of tenure	Stamp Duty	Gift opportunity	IHT*
A	Do nothing	X	✓	X	X	✓
B	Rent	✓	X	X	✓	X
C	Lease	✓	✓	✓	✓	X
D	Buy	✓	✓	✓	✓	X
E	Residential care	✓	✓	✓	✓	X

Key: ✓ more likely to apply; X less likely to apply; \*IHT = Inheritance Tax

**Equity released** is the difference in price after all taxes and transaction and moving costs have been paid. The 'do nothing' option can release cash using equity release, also known as a lifetime mortgage

**Security of tenure** depends on whether a person rents, owns, leases, or is liable for care fees. A rental agreement is usually least secure because landlords have the right of eviction depending on the tenancy agreement, while residential care depends on ability to afford fees

**Stamp Duty** is paid on the purchase of a property depending on its value. No duty is payable if the home is worth less than £250,000 (£425,000, if a first time buyer) and no Stamp Duty is due on rental properties

**Gift opportunity** is the giving of money to children or others if money is released as a result of downsizing. It is free of tax if the person making the gift survives for 7 years

\***Inheritance tax (IHT)** depends on the value of the estate, over the relevant allowance, on death.

Category	Pros	Cons
<b>A</b>	<ul style="list-style-type: none"> <li>No need to move home</li> <li>No transaction costs</li> </ul>	<ul style="list-style-type: none"> <li>Liable for future maintenance and repairs</li> <li>Home may need expensive adaptations</li> <li>Inflexible</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>Cash rich from sale of home</li> <li>No Stamp Duty to pay</li> <li>Flexible</li> <li>No repair costs</li> </ul>	<ul style="list-style-type: none"> <li>Less security, potentially expensive</li> <li>Accommodation quality and choice variable</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Security of tenure</li> <li>No external repairs to pay</li> <li>Cash released from sale of home</li> <li>Gift opportunity</li> <li>No rent to pay</li> </ul>	<ul style="list-style-type: none"> <li>Service charges/ground rent payable</li> <li>Wealth locked up in fixed asset</li> <li>May not get money back</li> <li>Liability for Stamp Duty</li> <li>Inflexible</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Security of tenure</li> <li>No external repairs to pay</li> <li>Cash released from sale of home</li> <li>Gift opportunity</li> <li>No rent to pay</li> </ul>	<ul style="list-style-type: none"> <li>Liable for maintenance and repair bills</li> <li>Wealth locked up in fixed asset</li> <li>May not get money back</li> <li>Liability for Stamp Duty</li> <li>Inflexible</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Fees are inclusive of living costs</li> <li>No Council Tax to pay</li> </ul>	<ul style="list-style-type: none"> <li>Security of tenure subject to ability to pay</li> <li>Lack of independence</li> <li>Fees are expensive and exclude care costs</li> <li>Tends to be forced move, not lifestyle choice</li> </ul>

Homeowners with substantial resources will be influenced by gifting opportunities, the fear of running out of money – how long do they expect to live – and being evicted if they rent. Financial risks depend on the stage of life. A person aged 65 in 2022 considering downsizing can expect to live another 21 years, of which around 11.5 years will, on average, be in good health.

The schemes vary in nature but are rarely expressed in terms of their net present value, nor are the assumptions on which they are based transparent. This is why independent financial advice is important. Developers could provide access but there are possible conflicts of interest. The Government could help by promoting access to independent financial advice.

This group will seek reassurance that they have enough resources to last them to the end of their lives; that they can fulfil other later-life objectives; and that their remaining life will be comfortable, with no financial shocks. But not everyone is the same. Some people are more concerned about whether they will get their money back if they sell, and other guarantees.

Providers have developed financial arrangements that spread costs over the period of residency, shielding the owners of the units from unexpected shocks and ensuring that outgoings are better aligned with income. A good example of this is the deferred fees model, which allows housing equity to be used to pay for deferred expenses.

Pioneered in countries such as Australia and New Zealand, the original purchase lease is guaranteed to be returned to you minus maintenance charges, administrative fees and outstanding charges. This effectively shields leaseholders from financial shocks through better alignment of outgoings with retirement income. Potential customers need access to expert financial advice before taking the plunge.

Category E concerns transfer into residential care. These moves tend to occur towards the end of life once care needs have escalated to the point where residential care is the best option. Care home fees are expensive, but some residents are local authority supported and a few by the NHS. The duration of stay is usually less than two years

Homes may need to be sold to pay for care. There are products such as immediate needs annuities that pay fees to death. In our scenarios,

we have argued that care-supported retirement housing can delay transfers to care homes where the costs can be dramatically higher.

## The planning system

A shortage of supply of affordable housing is perhaps the biggest problem facing the UK – this applies to retirement housing even more than to starter homes. Although 60% of UK properties have three bedrooms or more, this applies to only about 2.1% of all apartments. So, anyone wanting to retire to a large serviced apartment is likely to be disappointed. Even two-bedroom retirement apartments are fairly scarce.

Respondents to our survey laid the blame for the shortfall squarely on the planning system, which drew more criticism than any other issue. As one respondent put it: "Planners are hopelessly out of touch and are probably ageist. Examples are plentiful where there is policy blindness on older people in local development plans. Planners remain defensive and reactive... The world has moved on but the planners are stuck in the permafrost." Another said: "There is a housing crisis... with millions homeless, living in unsuitable or overcrowded accommodation. Younger generations are priced out. Older people at the other end of the spectrum include many who have done well from property price increases, living in their properties that may not be suitable for their needs."

To gauge the extent of the problem, data was provided for this review by Carterwood Ltd, market analysts in health and social care. We analysed the number of planning applications for retirement housing that were granted, refused or pending from 2017 as at 2021. We found significant variability in the number of planning applications accepted or refused and heard anecdotal evidence that planning authorities actively discouraged applications for older living developments.

In its latest report, Irwin Mitchell, a provider of legal and financial services which is active in this area, states that over a third of local authorities do not currently have clear policies in place to support housing for older people. It adds that while there has been an improvement over the past five years, there's much to be done, otherwise "there will not be enough suitable housing for older people in coming years".<sup>27</sup>

---

<sup>27</sup>Unlocking Potential For Seniors Housing: Meeting The Needs Of An Ageing Society. <https://www.irwinmitchell.com/news-and-insights/in-focus/seniors-housing-report>

One specific piece of feedback is that local authorities do not want the extra health and social care costs that might be the result. Another reason is that while housing policies are determined at a district council level, responsibility for social care is a county council function – but it is not clear whether unitary authorities handle this any better. A key issue is that retirement living and care homes are seen as one, whereas in fact they are treated differently within the planning system.

Given that by 2040, 25-30% of the UK population will be aged 65+, this seems short-sighted – especially as the older generation will be healthier. Many will still be working and have much more spending power than their parents' generations. They will bring much needed economic vibrancy to areas that have lost employment and whose town centres need revitalising.

We also found that the percentage of applications that were refused or pending varied by local area. For example, there was a weak but significant correlation suggesting it is more difficult to get planning permission in areas with existing retirement housing. Favoured sites are mostly in middle, central and south-east England, but this does not explain the dearth of capacity in other areas including Wales, Northern Ireland and Scotland

The picture is mixed. For example, we found that the east of England has the fourth highest retirement provision of all regions, but the second highest percentage of refused or pending planning applications. In contrast, Wales is 10<sup>th</sup> in terms of retirement provision and has the lowest percentage of refused or pending applications. The reality is that the process of getting planning permission is littered with protracted appeals rather than decisions informed by need.

A second and knottier problem is the technical application of planning designations which deter certain types of development and skew others into outdated models of retirement living. These persist in treating care homes and retirement living as separate entities under the planning system. Retirement developments that combine both are hard to classify and could fall foul of technical quirks.

For example, care homes do not have to contribute to affordable housing through the Community Infrastructure Levy (CIL). The levy is a formulaic method for ensuring that housing developments contribute to the cost of the infrastructure they will rely on, such as roads and schools. Care homes have an advantage over retirement



housing builders in this regard. In effect, the latter are treated similarly to standard house builders, but without other types of subsidy such as Help to Buy or the affordable housing programme.

Possible solutions include a planning policy presumption in favour of older housing with care – recognising that it is a hybrid form of retirement living. Our round-table of key stakeholders concluded that some local authorities already exercised some flexibility. Work needs to be done to educate all local authorities about the advantages of new models of retirement living as opposed to slavishly following precedent.

It was also concluded that land supply was not the main problem, but there was a presumption in planning applications in favour of developments that supported existing local employment over changes of use. It is unclear how this affects planning applications for retirement housing, but it could negatively affect plans to redevelop and repurpose some parts of declining high streets. If so, this should be re-examined.

Otherwise, it was felt that competition and pressure from standard housing builders were crowding out retirement housing. As an example, West Oxfordshire District Council formally adopted its Local Plan in 2018, covering a period from 2011 to 2031. In a district where 30% of the population is over 65, there was not a single allocation for retirement housing.

An economic case needs to be made in favour of retirement housing based on the spending power of residents and job creation. The industry lacks an authoritative set of definitions for emerging forms of specialised accommodation for older people. The concept of integrated retirement living helps with this and should reduce the number of planning refusals and protracted appeals processes.

In summary, there is no way of escaping the effects of demographic ageing. Local authorities need to accept that their planning guidance must include a requirement to address the need for older people's housing based on more modern models of later-life provision. They should work closely with health and social care services, and support initiatives to help people downsize into more age-appropriate accommodation.

## Tax and financial incentives

Given that downsizing is still uncommon and that the last changes in accommodation tend to be into care homes (if not to move in with relatives), it is surprising that that more use is not made of the tax system or other incentives. The Government is relying on house building targets to ease the housing crisis, but prices have continued to rise and subsidies aimed at helping people on to the housing ladder have fuelled the flames.

Relevant taxes are Council Tax, inheritance tax, Stamp Duty and Capital Gains Tax.<sup>28</sup> With the exception of Council Tax, all are one-off charges on transfers of ownership or death. The question is what changes would make a difference?

One suggestion is that Stamp Duty should be reduced or removed on last-time house purchases. Research suggests that changes in this tax can increase mobility.<sup>29</sup> Some retirement housing providers undertake to pay Stamp Duty up to £30,000 because they see the tax as a barrier to sales. The Stamp Duty holiday between July 2020 and June 2021, under which the first £500,000 spent on a home was tax free, saw a surge in transactions to beat the deadline. The latest proposed reforms increase the tax threshold to £425,000 for first time buyers and £250,000 for everybody else.

The underlying issue is more complex. HMRC data show many fewer housing transactions at older ages, which tends to support the inertia hypothesis. Of the 930,000 property purchases a year in England, only 10%, or 93,000, involve purchasers aged 65+, even though they account for 28% of all households. However, the number of transactions is still far in excess of the number of retirement homes being built, suggesting there could be significant unmet demand for homes of the right size and quality.

Another idea would be to introduce a grant to encourage older downsizers living in properties with low energy ratings or surplus bedrooms to move by offering exemption from Stamp Duty up to a certain value. We already have home insulation grants, what about a

---

<sup>28</sup>See for example: Valuing Retirement Housing: Exploring the economic effects of specialist housing for older people. The Strategic Society Centre, James Lloyd, August 2016. <https://strategicsociety.org.uk/wp-content/uploads/2016/08/Valuing-Retirement-Housing.pdf>

<sup>29</sup>Christian Hilber and Teemu Lyytikäinen (2017) Stamp Duty, mobility and the UK housing crisis. Centre Piece. <http://cep.lse.ac.uk/pubs/download/cp516.pdf>

downsizer grant? It might also lead to improvements in the housing stock, if one assumes that older home owners are less likely to invest in home improvements or climate proofing than new owners.

Apart from individual tax breaks, it is possible to envisage more targeted incentives in areas that would benefit from more retirement housing – e.g. those with large numbers of older people and a shortage of retirement housing and/or where town centres need regeneration. In return, operators should create a broader range of options – not just the social or the luxury ends of the market but also apartments with more than one bedroom.

## Next steps: recommendations

Previous chapters have highlighted the consequences of demographic ageing, including the inadequate supply of retirement housing, inefficient use of the housing stock and growing concerns about the health and wellbeing of older people. Box 2 sets out six areas for action, A-F. Each one feeds into important policy areas such as house prices, levelling up and reducing carbon emissions.

### Box 2: Policy measures and their impacts

Category	Policy measure	Lower house prices	More efficient use of housing	Reduced carbon emissions	Levelled up communities	Better health and wellbeing
A	Build more retirement homes	✓	✓✓			✓
B	Integrated retirement communities		✓✓	✓	✓	✓✓
C	Repurposing declining high streets		✓	✓	✓	✓
D	Reforms to planning rules	✓	✓		✓✓	
E	Tax incentives to accelerate downsizing		✓✓	✓	✓	
F	Financial advice for last time buyers	✓	✓		✓	✓

Key: ✓ effect mainly applies; ✓✓ effect strongly applies

### Notes:

- A. Build more retirement homes:** Retirement housing puts downward pressure on house prices by releasing surplus bedrooms that can be occupied by young families, in turn freeing up smaller homes for first-time buyers
- B. Integrated retirement communities:** Well-designed retirement communities combine modern facilities with access to 24/7 care in attractive developments, accelerating downsizing and improving health and wellbeing
- C. Repurposing declining high streets:** Changing shopping habits have left some high streets in urgent need of regeneration. Repurposing them to include retirement living would reduce under-occupation and contribute to levelling up across the UK
- D. Reforms to planning rules:** Under existing planning rules retirement developments are financially disadvantaged, deterring private investors and discouraging levelling up
- E. Tax incentives and grants to accelerate downsizing:** Tax incentives and grants to encourage downsizing and climate proofing, especially on change of ownership, would improve the efficient use and sustainability of the housing stock
- F. Financial advice for last-time buyers:** Last-time buyers or renters need independent financial advice to deal with the financial and legal complexities of moving home in later life

## A. Build more retirement homes

Building more retirement housing would have a positive economic impact by making more efficient use of the housing stock and by bearing down on house prices. There is also a health and wellbeing dividend from living in purpose-built housing linked to a retirement community with round-the-clock access to care, although the range of services depends on the type of development.

We build on the finding of a previous report that if everybody lived in homes that were appropriate in size for their needs, an estimated 50,000 fewer homes would need to be built each year, assuming current levels of house building.<sup>30</sup> This is because under present policies almost as many bedrooms are being decommissioned through under-occupation as are being replenished through new construction, which is clearly nonsensical. More downsizing would greatly improve the efficient use of the housing stock.

Only around 7,000 retirement units are being built each year, which falls far short of what is required. Evidence suggests not only a shortage of supply but also of choice – for instance, there is a lack of modern apartments of sufficient size to appeal to downsizers, which is contributing to inertia. HMRC data suggests that of the 930,000 annual property purchases in England only 10% of buyers are aged 65+, and yet they account for 28% of all households.

As for levels of retirement building, two broad cases were presented – one termed 'business as usual' and the other an accelerated programme of retirement housing development. A bigger building programme would have the effect of displacing people in both standard housing and residential care. Under the most ambitious scenario (C), 50,000 new retirement homes would be added per year, whereas 'business as usual' would deepen the shortfall and the housing crisis.

Building 50,000 retirement units a year would equate to around 25% of all new housing starts at current levels, and so involve a significant change to housing policy. Interestingly, it would not be enough by itself to stem the growth in under-occupation – that would require more than 100,000 new homes a year – but it would be a big step forward.

- **We recommend an accelerated programme of retirement housing construction with up to 50,000 new units a year**

---

<sup>30</sup>Too Little, Too Late? Housing for an ageing population (CSFI 2020) [Too+little+too+late\\_FL-NAL+-+June++2020.pdf \(squarespace.com\)](https://www.squarespace.com)

## B. Integrated retirement communities

Policy measure B in box 2 advocates building more integrated retirement communities with domiciliary care provided. Round-the-clock care keeps people healthier for longer, with reduced spells in hospital, fewer visits to A&E, delayed transfers to nursing care and even extended lives. Although, in theory, the same effect could be produced in the wider community, the cost and complexity of care coordination would be much greater.

We also found that integrated retirement communities are more likely to provide a range of amenities that are attractive to residents and potential residents, making a change in lifestyle more appealing. We estimate that there are over 600 such communities in the UK with an average size of around 100 property units. Retirement operators suggest that 60 units is a reasonable minimum for delivering the expected benefits.

The problem is that access to such communities is limited – the vast majority are located in England in a belt straddling a broad band from the north-west to the south-east. If all new retirement units were located in large integrated communities, as many as 500 with an average of 100 units each would need to be built annually under scenario C. The average number built since 2010 is far less at around 15, so again this would be a major shift in approach.

- **We recommend a significant expansion in the number of integrated retirement communities built each year and that all regions should benefit from their introduction**

## C. Repurpose high streets

The third policy measure in Box 2 is repurposing high streets. The traditional model of moving to a retirement area on the coast, buying a bungalow, or moving overseas to a sunnier climate has peaked for various reasons. Changes in shopping habits, accelerated by the pandemic, have left many high streets with boarded-up shops and much less activity.

There is increasing interest in repurposing town centres as a way of reinvigorating run-down commercial districts. There are already examples of developments in converted and repurposed historic buildings or abandoned churches. This would not require a huge shift

since 80% of retirement developments are already located in towns or cities, albeit often on the fringes.

By 2040, in most areas, between 25% and 30% of the population will be aged 65+. This supports the idea that high streets could become hubs for older living in wider mixed-aged communities. Close-to-home urban retirement options are strictly limited. The properties that are built tend to be small, often no more than one bedroom in fairly cramped conditions. We know that many more people would be happy to downsize if the right types of property were available.

- **We recommend that integrated retirement living should include more developments in town centres as part of the levelling up process and local regeneration programmes**

## **D. Reforms to planning rules**

Measure D in Box 2 calls for reforms to the planning process, the effect of which would increase the supply of retirement housing by allowing more building in areas that are poorly served or where demand is high. One obstacle is that many local authorities shy away from the perceived extra social care costs. Another is a lack of coordination between housing departments at a district level and the social care function at county council level.

The first concern is arguably misplaced as many retirees are affluent and bring spending power to an area. The second is due to a lack of joined-up thinking at different levels of local government. But there is also a third problem which is the planning process itself. Planning designations discourage or skew applications, so that designers are motivated towards what will get approved rather than what will deliver the most benefits in terms of the wider health and care economy.

The industry is lobbying for a level playing field between retirement housing, standard housing and care homes. The formulaic levy for ensuring that housing developments contribute to the cost of infrastructure exempts care homes, while standard housing is subsidised through Help to Buy or the affordable housing programme. So, retirement developments lose out.

- **We recommend closer working between planning and social care departments to ensure the need for retirement housing with access to care is factored into local authority plans**

- **We recommend that planning departments put retirement housing on a level playing field with other building developments**

## **E. Tax incentives and grants**

Measure E in Box 2 refers to financial incentives to encourage downsizing by last-time buyers and the provision of sustainable housing. These could take the form of tax breaks or grants depending on which problem was being addressed. It also encompasses areas of policy where there is discretion, such as grants to pay for home adaptations to assist older living, or to improve a home's thermal efficiency – grants have long been available for home insulation, for instance.

Since higher rates of Stamp Duty tend to reduce housing transactions, discretionary discounts are a potential lever to encourage last-time buyers to move. Research found that abolishing Stamp Duty for older households would improve their willingness to downsize. A guiding principle should be that first- and last-time buyers should be put on an equal footing, with Stamp Duty for purchases up to £300,000 nil-banded or abolished altogether. While the Government's latest proposals raise the tax threshold, first-time buyers continue to be prioritised via exemption at prices up to £425,000 compared with £250,000 for everybody else.

The Committee on Climate Change (CCC), which advises the Government, notes that energy use in homes accounts for 14% of total UK greenhouse gas emissions.<sup>31</sup> Stamp Duty breaks could also be employed to encourage home owners to make thermal efficiency improvements at the point of moving into a property. Thermal efficiency is rated on a scale from A (very efficient) to G (very inefficient). Stamp Duty rebates could target homes lower down the scale.

### **Recommendations:**

- **The government should conduct research on financial incentives that would increase downsizing among older households**

---

<sup>31</sup>UK housing: Fit for the future? (2019) Committee on Climate Change, <https://www.theccc.org.uk/publication/uk-housing-fit-for-the-future/>



- **Stamp Duty for last-time buyers should be put on an equal footing with first-time buyers with sales up to £425,000 under the Government's tax-cutting proposals nil-banded**
- **Home buyers that improve energy efficiency by retro-fitting should be entitled to a Stamp Duty rebate if they improve the thermal efficiency at the point of sale**

## **F. Financial advice and paying for care**

The final policy measure concerns the provision of financial advice. While there is state-backed advice for people about pensions and the more affluent pay for wealth planning, a gap exists for people who would like to move into more suitable accommodation in later life. This often entails switching from owner-occupation to renting or leasing. Industry surveys show that many would like to move but relatively few go through with it. One reason is the complexity and stress involved. People want to know the benefits of renting or buying, the service charges if they rent and the maintenance costs if they buy, and what happens if they run out of money.

There has been some innovation, such as the creation of shared ownership schemes in which the buyer owns part of the property and pays rent on the rest. In the deferred fee model, pioneered in countries such as Australia and New Zealand, the original purchase lease is guaranteed to be returned to the buyer minus maintenance costs, administrative fees and outstanding charges. Such arrangements shield people from financial shocks by better aligning their regular outgoings with fixed retirement income.

Under the latest social care reform proposals, care needs will be assessed and any charges for care will count towards the social care cap. The local authority identifies what kind of care and support is needed and how it should be paid for under a means test. Living in specialist retirement accommodation should remove the need for any adaptations, but residents should still have access to an assessment and advice on how to fund any recommended alterations.

- **We recommend that financial advice is available for last-time buyers who want to move into retirement housing or similar accommodation**
- **Residents in retirement housing should receive a social care**

**assessment soon after needs are identified so the cost of the care received counts towards the social care cap**

And there is one overall recommendation:

- **The Government’s Older People’s Housing Task Force should be mandated to implement recommendations and report on the outcomes**

## **Written evidence submissions to the Mayhew Review:**

- Alex Billeter, Project Manager, Elderly Accommodation Counsel
- Anchor
- Assael Architecture
- Audley Villages
- Blackstock Consulting
- Chalfont Dene Leaseholders Association
- Chartered Institute for Housing
- Contact Consulting
- DLP Planning Limited
- FUZE Research
- HLM Architects
- Inspired Villages Group
- Intergenerational Housing Network
- JLL
- LifeCare Residences
- Matter Architecture
- McCarthy and Stone
- Methodist Homes for the Aged (MHA)
- Midland Heart
- New Zealand Retirement Village Database (NZRVD)
- Oaktree Court
- OWCH Communications
- Platinum Skies
- Dr Robin Darton, Senior Research Fellow, University of Kent
- Rangeford Villages
- Retirement Villages Group
- Riverstone
- Shakespeare Martineau
- Steven Tolson, Non-Executive Chair of the Board of Directors at Goldcrest Communities
- St Monica's Trust
- Tetlow King

- Total Integrated Solutions (TIS)
- Trowers & Hamlins
- United for All Ages
- Vita Group
- Whiteley Consulting

**Participants in ILC-ARCO roundtable as part of the Mayhew Review on Tuesday, May 3<sup>rd</sup> 2022:**

- Nick Sanderson, Chief Executive, Audley Villages
- Ben Hartley, Co-founder, Carterwood
- Jane Fuller, Senior Fellow, Centre for the Study of Financial Innovation, CSFI
- Andrew King, Professor, University of Surrey
- Tom Banfield, Assael Architecture
- Roland Karthaus, Director, Matter Architecture
- Ben Rosewall, Head of Investment – Later Living, Legal & General
- Samantha Rowland, Head of Healthcare and Senior Living, BNP Paribas
- Colin Rees Smith, Senior Director – Healthcare and Senior Living, BNP Paribas
- Simon Bottery, Senior Fellow, King's Fund
- Gareth Lyon, Head of Policy and Communications, Associated Retirement Community Operators (ARCO)
- Michael Voges, Executive Director, Associated Retirement Community Operators (ARCO)
- Iain Warner, Director, Tetlow King
- Andrew Barker, Key Account Manager (IRCs), Total Intergrated
- Robin A Darton, Senior Research Fellow, University of Kent
- David Whiteley, Director, Whiteley Consulting Ltd
- Les Mayhew, Head of Global Research ILC-UK, International Longevity Centre UK
- Paul Goulden, International Longevity Centre UK (moderator)

## About ILC

The International Longevity Centre UK (ILC) is the UK's specialist think tank on the impact of longevity on society. The ILC was established in 1997, as one of the founder members of the International Longevity Centre Global Alliance, an international network on longevity. We have unrivalled expertise in demographic change, ageing and longevity. We use this expertise to highlight the impact of ageing on society, working with experts, policy makers and practitioners to provoke conversations and pioneer solutions for a society where everyone can thrive, regardless of age.



**International  
Longevity Centre UK**

Vintage House  
36-37 Albert Embankment  
London SE1 7TL  
Tel : +44 (0) 203 242 0530  
[www.ilcuk.org.uk](http://www.ilcuk.org.uk)

Published in November 2022 © ILC-UK 2022  
Registered Charity Number: 1080496.