

# The Retirement Housing Dividend

PROVOCATION PAPER

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This provocation paper explores the case for an expansion of retirement housing in the UK. It demonstrates that specialist retirement housing brings with it a range of benefits to government, retirees and wider society. This “retirement housing dividend” should be quantified and considered by policymakers, and embedded into local strategies.

The Social Market Foundation (SMF) is grateful to Kajima for sponsoring this publication. The SMF retains editorial independence.

## KEY POINTS

- **An expansion of retirement housing could generate a societal “retirement housing dividend” through a range of channels.** This includes gains to physical and mental health and a more efficient allocation of housing with reduced rates of under-occupation. A “community hub” model of retirement housing can also enable cost-effective provision of facilities such as gyms and libraries to the wider public.
- **The UK’s housing stock is currently poorly placed to meet the needs of an ageing population, to the detriment of physical and mental health.** It has been estimated that more than two million older people are suffering physical and mental ill health and even death as a consequence of living in substandard and non-accessible homes. Increased provision of retirement housing would improve health outcomes and reduce the number of accidental deaths from causes such as falls.
- **Many older people live in under-occupied family homes, limiting the availability of such accommodation for younger households and making such accommodation less affordable.** In England, two thirds of owner-occupying homeowners aged 65 and above are estimated to live in underoccupied homes, amounting to 3.6 million households. Retirement housing could encourage more older households to “rightsize”, freeing up larger homes for young families.
- **There is scope to use town and city centre retirement housing to regenerate urban areas, taking advantage of the growing spending power and demographic importance of older age groups.** Over 65s households spend over £170 billion per annum, amounting to over a fifth (21%) of all household spending. This includes £14 billion of spending on restaurants and hotels, and close to £27 billion of spending on recreation & culture. Further, “silver pound” spending power is forecast to grow by 81% by 2030.
- **Despite these benefits, retirement housing remains less popular in the UK than in other markets.** According to one study from 2011, less than 1% of Britons over the age of 60 currently live in specialist retirement properties, compared to 17% in the US and 13% in Australia.<sup>1</sup>

## WHERE NEXT FOR POLICY?

- **Policymakers need to get better at capturing the full gamut of benefits flowing from retirement housing, and use this to inform decision making.** In this paper, we have set out a broad approach for assessing such benefits and quantifying the retirement housing dividend. This could form the basis of a formalised approach for appraising the case for a particular retirement development.
- **Integrated Care Systems (ICSs) should play a key role in building a more aligned and coordinated approach to commissioning and developing age-appropriate housing that facilitates health improvements.** With ICSs set to be put on a statutory footing from next year, policymakers should consider the role of housing and planning within the formalised accountabilities of ICSs.
- **Homes England also has a role to play in stimulating the construction of affordable retirement housing.** There are a number of ways in which this could work in practice. For example, an explicit target could be set for new retirement homes supported by Homes England. It could also undertake a review of public land and identify sites that would be particularly well-suited for retirement housing in terms of the likely retirement housing dividend. Grant funding should be considered as a way of stimulating construction of new retirement housing in such areas.
- **Policymakers and the developer community need to work together to deliver high-quality retirement accommodation in the right places, to encourage more older individuals to consider it as an option.** It has been argued that factors currently limiting the choice of retirement housing include:
  - Housing and planning issues, including a lack of imaginative ideas, strategic vision and data on older people's housing.
  - Specialist retirement developers often offering limited models, and general house-builders not designing for or targeting older people.
  - Limited use of creative partnerships between general house-builders, specialist retirement developers, housing associations and local authorities.

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## FOREWORD FROM THE SPONSOR

Thank you for your interest in retirement housing.

The UK has a well-documented housing problem: an acute shortage of family homes and other types of affordable residential property, driving up property prices, adding to societal problems and exacerbating social imbalances. It presents a huge challenge. The government has responded with a highly ambitious commitment to construct 300,000 homes a year through to the mid-2020s, part of a controversial building strategy that has proven to be highly unpopular in many parts of the country.

Another monumental challenge is the country's aging population, which is compounded by a lack of care facilities and a shortage of retirement housing for elderly people who can live independently. It's a problem that's destined to worsen unless tackled head-on now.

The number of people over 65 is expected to rise by 7.5-8.5 million during the next 30 years, with the percentage of over-65s set to rise from almost 20% to around 25% by the end of this decade. Yet many live in homes that are too large for them. More than three million family homes are deemed to be underoccupied in this way – this while there's a shortage of homes for young families.

If further justification were needed, the failure of the UK's current housing stock to meet the needs of its aging population means that more than two million elderly people suffer. An expansion of retirement housing, with smart safety features and a community focus, would go a long way towards improving lives and addressing the housing crisis.

For the UK Government, this could also present real financial and social value. Homes England, for instance, which already provides funding programmes to stimulate housing-led developments, could be at the forefront of these efforts by delivering grants that promote the wider benefits of retirement housing demonstrated in this report.

There is an appetite and opportunity here for the UK Government and local authorities to work with firms like Kajima, who are already developing and investing in new and existing communities across the UK.

Ultimately, it looks as though a solution could be found to address these challenges without too much difficulty. This paper explores how that could be done. It considers in detail at the retirement housing need and how it could be met, while freeing up housing stock and reducing the need to build on greenfield sites.

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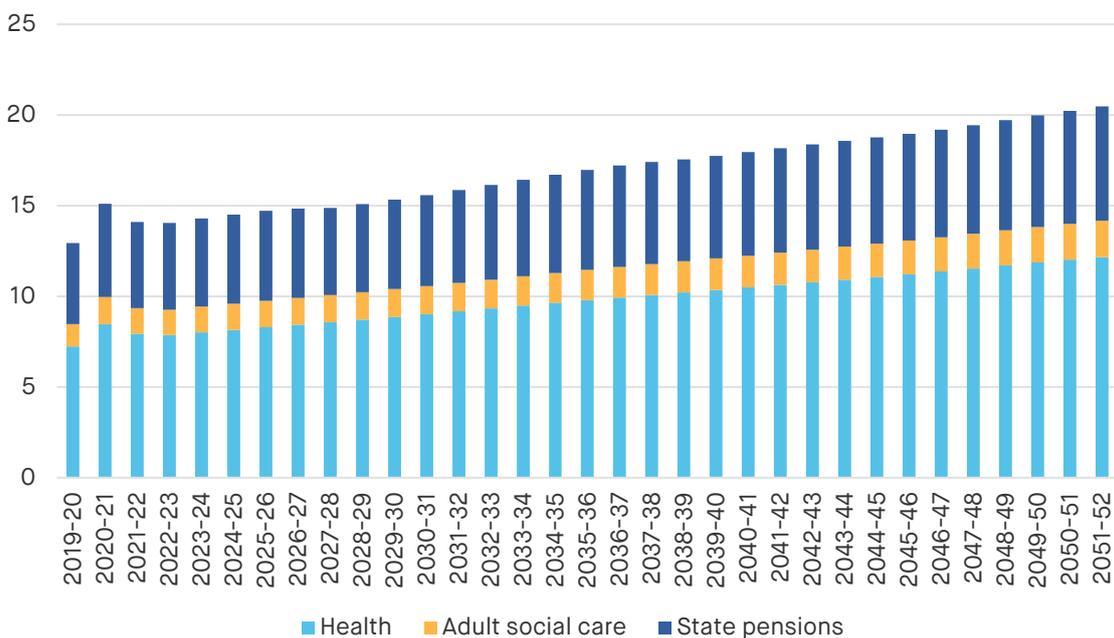
## Introduction

Could retirement housing or “age-appropriate” housing solve a multitude of challenges facing UK policymakers? In this Social Market Foundation provocation paper we argue that **the case for retirement developments is a strong one, with a “retirement housing dividend” in the form of health improvements, reduced accidental deaths, wellbeing gains and the freeing up of family homes for younger households. Retirement housing could also be a useful economic regeneration tool, bringing the spending power of the “Silver Pound” into towns and cities.**

The UK is ageing. Over the next 30 years, the country is set to see the number of people over the age of 65 increase by 5.6 million, from 12.7 million to 18.3 million. Individuals in this age group will comprise a quarter (25%) of the population in 2051, up from 19% in 2021.

This will create numerous challenges for local and central government, in particular placing pressure on health and social care services, and seeing the State Pension bill accounting for a growing share of government spending. The Office for Budget Responsibility expects public spending on health, adult social care and state pensions to rise above 20% of the UK’s total national income (GDP) over the next 30 years, up from about 14% in the current fiscal year.

**Figure 1: Government spending on health, adult social care and the State Pension, % of GDP**



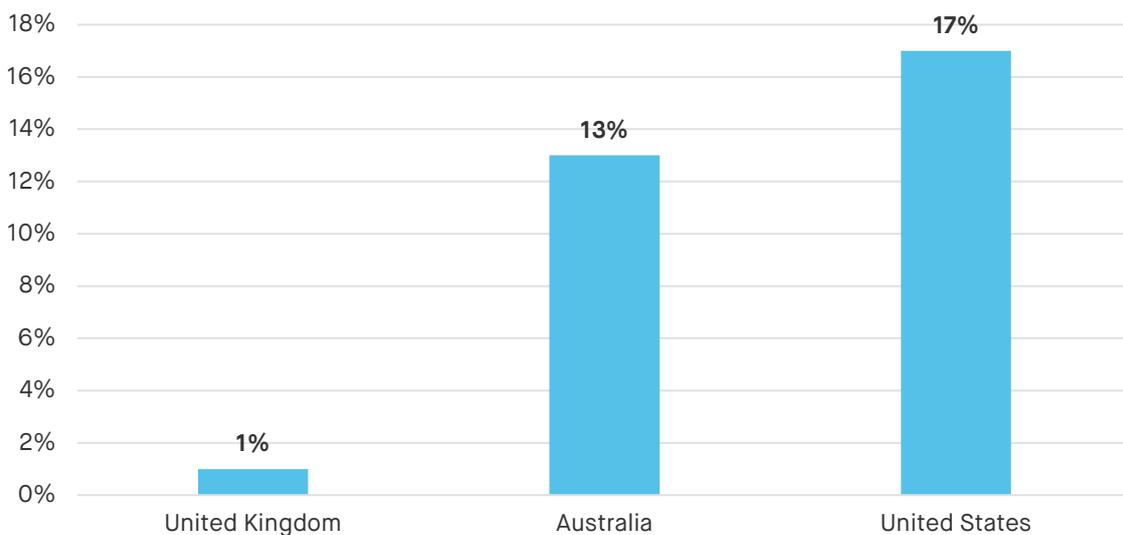
Source: Office for Budget Responsibility Fiscal Sustainability Report, 2020

Managing these costs will be one of the key policy issues of the 21<sup>st</sup> Century. Among reforms likely to be considered over the coming years will be increases in the State Pension Age, increasing minimum contributions for pension auto-enrolment and hiking overall levels of taxation (such as through higher rates of VAT and Income Tax) to finance the costs associated with an ageing society.

Retirement housing – the focus of this provocation paper – is an often-overlooked solution to the policy issues associated with population ageing. Yet, as we argue here, it could play a key role in addressing these challenges – and more.

Despite the benefits that we describe, retirement housing remains less popular in the UK than in other markets. According to one study from 2011, less than 1% of Britons over the age of 60 live in specialist retirement properties, compared to 17% in the US and 13% in Australia.<sup>2</sup> Moving the UK into line with these countries could bring with it a significant “retirement housing dividend” for local and central government, as well as the wider population, including retirees themselves.

**Figure 2: % of over 60s living in specialist retirement properties**



Source: *Viewpoint on Downsizing for older people into specialist accommodation*, Housing Learning and Improvement Network, 2011.

## WHAT IS “RETIREMENT HOUSING” OR “AGE-APPROPRIATE” HOUSING?

The umbrella terms, “retirement housing” and “age-appropriate housing”, cover a wide scope of options available to those who are looking to switch from ordinary residential property. Three main types of such housing are:

- **Sheltered housing.** This usually takes the form of flats built specifically for the purpose of housing retirees. As opposed to a conventional block of flats, sheltered housing will often have additional facilities for the residents to enjoy. This may take the form of something as simple as a large communal room for residents to socialise in, through to more elaborate amenities such as spas, restaurants and pools.

Most sheltered housing is run by a warden or a scheme manager who will be on hand to help with any day-to-day concerns residents may have. Sheltered accommodation is also likely to have a 24-hour alarm system in place in case of emergencies. However, this type of accommodation is largely for those who wish to continue to live independently.

- **Retirement villages.** Retirement villages largely follow the sheltered housing model. The key difference is the type of property offered. Retirement villages will usually comprise of a mixture of houses, bungalows and apartments in a village environment, as opposed to the more conventional standalone blocks of flats associated with traditional sheltered housing.

The village feel can give residents a sense of community and the sites often boast their own private amenities such as doctors' surgeries, gyms, pubs, restaurants and community halls.

- **Assisted living.** Assisted living offers residents a greater degree of care and support. However, this type of retirement housing still allows residents to live independently despite their need for additional help. Assisted Living Facilities (ALF) will usually have care staff or designated nurses onsite 24-hours a day. Properties will also be fitted with alarm systems that are monitored around the clock.

The range of properties available in ALFs can vary from self-contained apartments through to bungalows and small houses. Larger sites may have more amenities such as shops, hairdressers and cafes within the grounds.

## WHAT IS THE RETIREMENT HOUSING DIVIDEND?

There are numerous channels through which retirement housing can generate improved outcomes for government, retirees and wider society. Below, we provide an overview of the evidence on each of these benefits and how they amount to a "retirement housing dividend".

### Improved physical and mental health

There is significant scope for specialist retirement housing to improve the health and wellbeing of the elderly population. Well-designed accommodation (such as the inclusion of handrails, stairlifts, alarms, reduced trip hazards and elevators) and on-site care staff can, for example, reduce the chance of an older individual being injured in a fall. Falls are the most common cause of injury-related death in people over the age of 75, with one study showing that over 5,000 older people died as a result of a fall in 2017, a 70% increase on the numbers in 2010.<sup>3</sup>

A Demos report from 2017 estimated that sheltered housing led to the prevention of between 57,000 and 110,000 falls nationally, with studies suggesting that specialist housing for the elderly reduces the probability of an older person falling by between 1.5 and 2.8 times.<sup>4</sup>

More broadly, the Demos study identifies close to half a billion pounds in health savings associated with individuals living in sheltered housing, amounting to about £1,000 per resident per annum. This includes cost savings from reduced inpatient stays, reduced immediate care costs associated with falls and reduced costs associated with hip fractures.

The £12.7 million of estimated cost savings from immediate care costs associated with falls includes close to £2 million in savings from ambulance costs, with ambulance call outs typically costing at least £115 each.

**Figure 3: Cost savings per year from sheltered housing**

Area of saving	Cost saving (aggregate)	Cost saving (per resident)
Reduced inpatient stays	£300m	£618
Reduced immediate care costs of falls prevented	£12.7m	£26
Reduced health and care costs of hip fractures	£156.3m	£322
Reduced health service use by reducing loneliness	£17.8m	£37
<b>Total</b>	<b>£486m</b>	<b>£1,002</b>

Source: Demos (2017), "The Social Value of Sheltered Housing"

The savings calculated by Demos also includes close to £18 million in savings due to reduced loneliness, and in turn reduced health service use associated with this. That is to say, retirement housing is beneficial not just to physical health, but also to mental health and wellbeing.

Indeed, these benefits to wellbeing can be substantial; for example, the International Longevity Centre (ILC) found that a retirement village resident experiences half the amount of loneliness (12.17%) of those in the community (22.83%).<sup>5</sup> Another study, by WPI Strategy, found improvements in a range of wellbeing metrics after an individual had moved into specialist retirement housing. Residents reported that they were more satisfied with life, happier and more likely to believe that life was worthwhile.

**Figure 4: Survey of personal wellbeing indicators for Homes for Later Living residents. Scores range from 0 to 10, with 10 being the most positive outcome for each indicator.**



Source: WPI Strategy (2019), “Healthier and Happier: an analysis of the fiscal and wellbeing benefits of building more homes for later living”

Another health-related benefit from retirement housing relates to the wider population. As age-appropriate accommodation reduces risk of accident and injury, and in turn reduces pressure on the NHS, capacity within the health system is freed up to deal with other patients more rapidly. More suitable housing can also reduce rates of “bed-blocking” which constrains capacity within the NHS. Bed-blocking can occur when individuals cannot be released from hospital because they do not have suitable housing and/or support to return to - e.g. if they have specific needs post-operation. Solutions such as sheltered housing and assisted living can reduce the pervasiveness of bed-blocking and the challenges that it poses for the health system.

Given the healthcare savings described above, increasing the proportion of older individuals living in specialist retirement housing from current levels could generate further savings for government. It has been estimated that more than two million older people are suffering physical and mental ill health and even death as a consequence of living in substandard and non-accessible homes. Substandard housing is estimated to cost the National Health Service £1.4bn every year, with cold, damp and other hazards contributing to falls, heart disease, strokes, respiratory illness, arthritis and poor mental health.<sup>6</sup>

### Freeing up family homes

As well as improving physical and mental health, retirement housing could play a role in tackling the housing affordability crisis gripping the UK. If a larger number of older households downsized or “rightsized” into specialist retirement accommodation, the increased supply of larger family homes on the market should place downward pressure on prices.

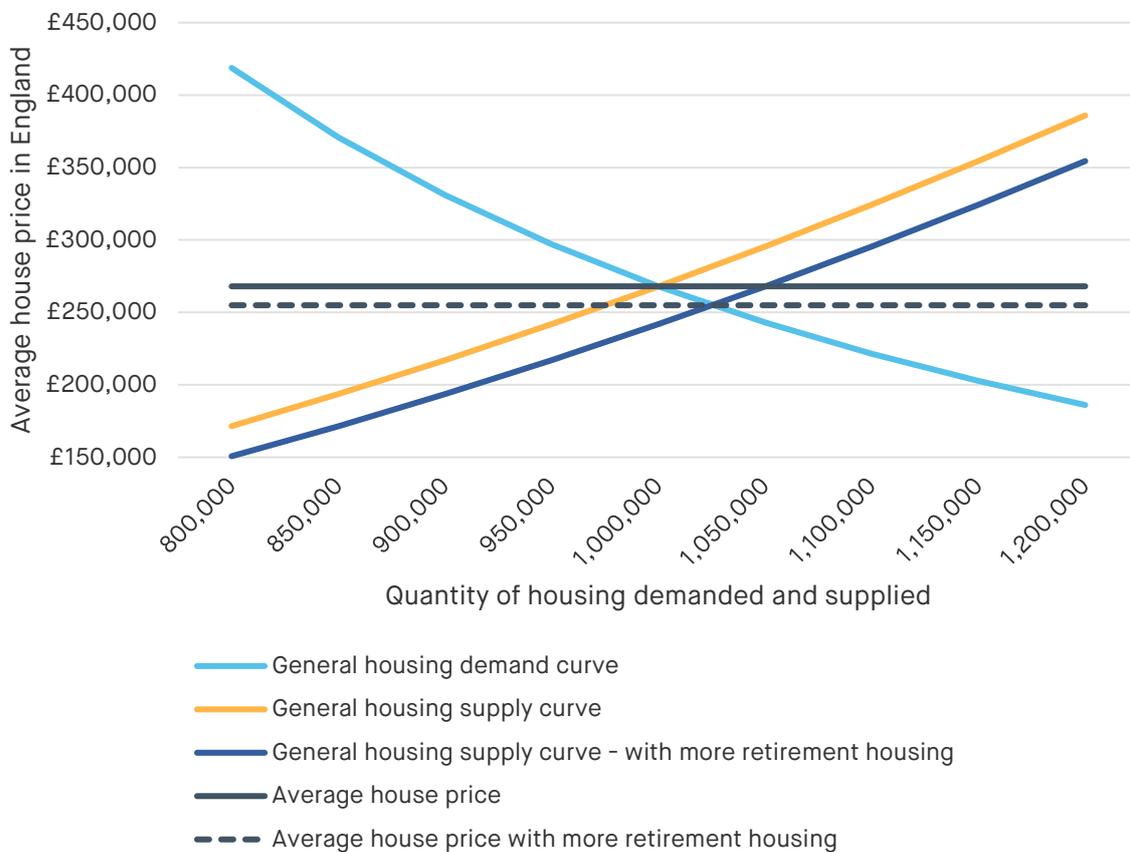
A significant number of older households live in underoccupied homes, with more bedrooms relative to their requirements. According to the Ministry of Housing, Communities and Local Government, over half of owner-occupied homes in England

were underoccupied in 2017-18, with two or more spare bedrooms. This rose to two thirds among homeowners aged 65 and above, amounting to 3.6 million households<sup>7</sup>

It has been estimated that approximately three million people in the UK over the age of 65 want to downsize. If all the homeowners over the age of 65 in England who wanted to move were able to do so, they would directly release one million properties back onto the market and free up two million spare bedrooms.<sup>8</sup>

The impact of this inflow of family homes on the market could be significant. If an increase in the supply of desirable retirement accommodation led to say 5% (50,000) of these properties coming onto the market each year, a 5% reduction in overall house prices in England seems entirely within the realms of possibility – based on some broad-brush calculations to gauge the potential order of magnitude of the price shift.<sup>i</sup>

**Figure 5: Supply and demand for general housing in England**



Source: SMF analysis

Numerous benefits would stem from this freeing up of family homes and subsequent reduction in house prices. More individuals would be able to transition to homeownership. Lower house prices should also feed through into reduced rents and improved housing affordability across all tenures. However, as we discuss later, the

<sup>i</sup> Author’s calculations. Drawing on the 2004 Barker Review of Housing Supply, we assume a price elasticity of demand for housing of -0.5, and a price elasticity of supply of +0.5. Price elasticities measure the sensitivity of housing demand and supply to changes in price.

precise price dynamics will probably vary significantly by geography, depending on the nature of the local housing market and the demographic mix in the area.

Enabling those living in smaller homes to more easily upsize could lead to demographic benefits. It has been estimated that millions of prospective parents in the UK are postponing having children because they cannot afford suitable homes, contributing to a reduction in fertility rates.<sup>9</sup> As well as being bad for wellbeing – households not being able to have as many children as they want – this curtailment of childbirth is also set to create economic challenges in the future, reducing the size of the working age population and in turn curbing the tax revenues needed to support public services.

In England, it has been estimated that over 800,000 households live in overcrowded conditions and that that rates of overcrowding have been increasing in the private and social rented sectors.<sup>10</sup> Several studies have reported a direct association between overcrowding and adverse health outcomes, such as infectious disease and mental health problems. In addition, researchers have connected crowding to poor educational attainment.<sup>11</sup> Freeing up the stock of family homes through increased retirement housing provision could address these societal costs, though the extent to which this is true is likely to vary significantly by geography and demography.

As things stand, death is more important than downsizing when it comes to “releasing” larger homes for younger age groups: 85% of homes with three or more bedrooms are “released” by older people due to death rather than a move to a smaller home.<sup>12</sup> However, this need not be the case. As we outline above, a significant number of households wish to downsize, suggesting that, if the supply of high-quality retirement housing were to increase, more homes would be brought onto the market – and sooner.

This is likely to require developers to step up and deliver an improved retirement housing offer. Beyond the absolute number of retirement homes on the market, one barrier to downsizing at present is retirement accommodation often not meeting the preferences of older households. A study for the Joseph Rowntree Foundation found that specialist housing currently on offer does not reflect the choices that most older people make. For example, three-quarters of all older households are owner-occupiers but only one quarter of specialist housing is for purchase. Most older people want a home with at least two bedrooms but most specialist provision has only one bedroom.<sup>13</sup> This suggests that, to increase the proportion of older households living in specialist retirement housing, the nature of what is on offer needs to change from where things stand at present.

### **Using the “silver pound” to revitalise town and city centres**

At a recent SMF roundtable discussion, it was noted that an increasing number of retirement housing developments may be “in town” – within urban centres, reflecting changing preferences.<sup>14</sup> Proximity to cultural attractions, restaurants and shops may be growing in importance for older age groups. At present, developers are buying up vacant retail and office sites in urban areas to develop retirement housing.<sup>15</sup>

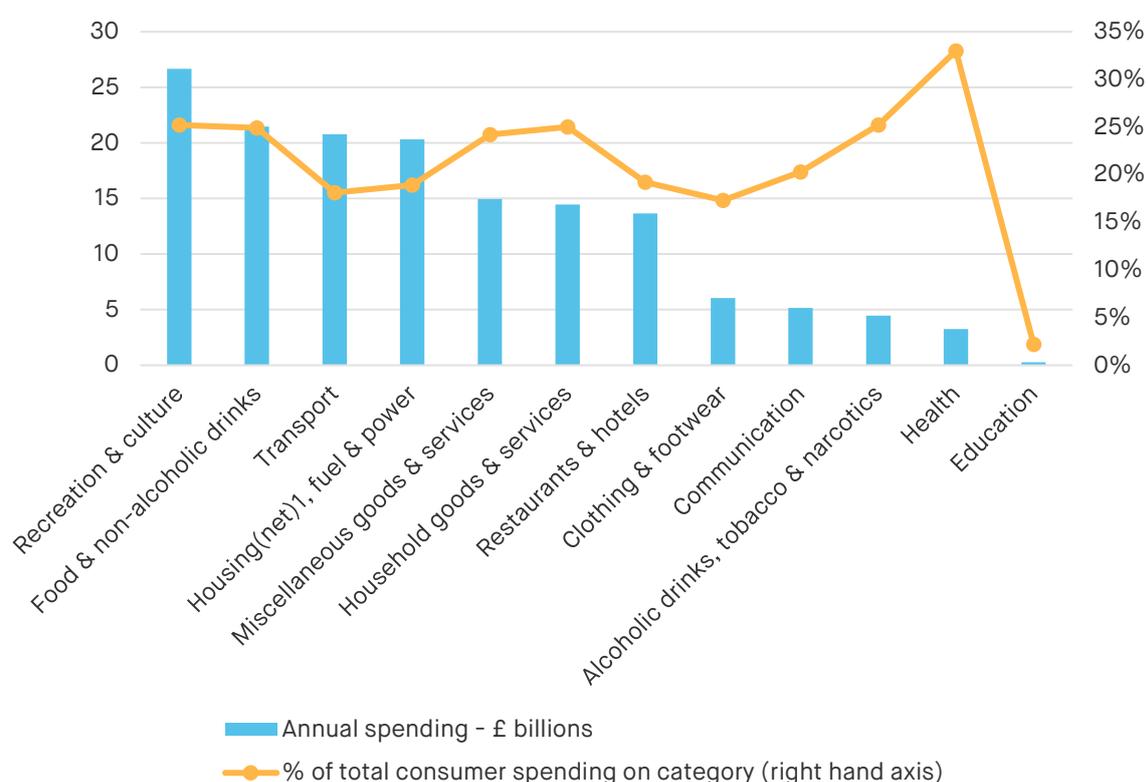
It has been argued that over 65s now lead more active lifestyles than generations before them, with an aspirational desire to keep busy and lead more socially connected lives. This makes town and city centres an ideal location to meet the needs of this

group with the time, inclination and resources to take advantage of leisure, retail, transport, health and community services.

This trend raises the prospect of using retirement housing investment as a tool for urban regeneration, particularly in an age where many urban centres are struggling amidst a challenging economy, the shift to online retail and the rise of remote working which threatens to permanently curtail commuter footfall and spending, particularly in city centres. Bringing the “silver pound” to towns and cities could support jobs and businesses in sectors such as hospitality and retail, and thus play a key part in high street recovery strategies.

According to Office for National Statistics data on family spending, over 65s households spend over £170 billion per annum, amounting to over a fifth (21%) of all household spending. This includes £14 billion of spending on restaurants and hotels, and close to £27 billion of spending on recreation & culture. Further, “silver pound” spending power is forecast to grow by 81% by 2030.<sup>16</sup>

**Figure 6: Household spending by over 65s households, financial year ending 2018**



Source: SMF analysis of ONS family spending data

The opportunity for the over 65 age group to contribute to the positive experience of life in the city and town centres, still engaged in leisure, retail and cultural pursuits, means that retirement housing should be a consideration in plans for revitalising urban areas. Structural, permanent changes to society – increased online shopping and remote working – mean we can no longer rely on traditional models of urban regeneration to revitalise urban centre spaces. To remain relevant, town and city centres will need to become blended, multi-use spaces that prioritise health,

wellbeing and community: a carefully curated mix of retail, leisure, culture, health and community. There is a clear role for retirement housing as part of this mix.

### **Benefits from creating community hubs offering services to the wider public**

Most housing with care schemes have a restaurant or café, communal lounge, garden, hairdresser, activity room and laundrette, while many also have a library, gym, computer access and a shop. Many of these facilities are open not just to residents but also to the wider community, reflecting a more integrated approach to community health and adult social care, by sharing access to primary health care and social services between people living in the scheme and those living nearby. It has been argued that potential benefits of this approach include the integration of older people's housing, reduced isolation and increased cost effectiveness of local services through economies of scale and by maximising preventative approaches to health and wellbeing.<sup>17</sup>

As such, retirement housing developments can present a range of opportunities for local government. They can enable more efficient delivery of services such as gyms and libraries. They can also present revenue-raising opportunities from the provision of such services within retirement developments.

The “community hub” model is becoming increasingly popular in retirement housing settings, based on the sharing of on-site services and facilities with people living in the wider community. This approach can bring with it benefits to retirees as it increases the economic viability of on-site facilities such as restaurants, spas and libraries, provided that local residents are made aware of their existence.<sup>18</sup>

Realising these benefits in practice depends much on the nature of the retirement housing development. Proximity to a residential area or at least footfall (such as in a town or city centre) can be important to achieving necessary revenues for services. Factors such as aesthetics, parking and internal layout can also play a key role in determining the success or failure of the arrangement.<sup>19</sup>

A number of barriers to successful implementation of the community hub model have been noted, and need to be overcome for benefits to be realised. One of the main barriers is arguably the possibility that some retirement housing residents object to on-site services and facilities being open to the wider public – for example out of privacy concerns or the belief that they are subsidising the use of services by others.

A range of design features can be implemented in an attempt to address privacy concerns, such as by incorporating features that allow for general access to some parts of a scheme and protected access to others – e.g. by a key fob, to provide some form of “progressive privacy”. But even this approach may not satisfy the preferences of some retirement housing residents – such as those concerned that they are subsidising use by the wider public.<sup>20</sup> Some residents may be concerned they are paying for on-site facilities through their rent and service charges. It has been argued that this tension could be eased by emphasising to the residents that the income derived from services open to the public ensured the continuing availability of e.g. a restaurant service or spa at competitive prices.<sup>21</sup>

A range of factors contribute towards the successful implementation of a community hub approach. Restaurants and other catering facilities are often an important focal point for visitors to a scheme as well as a way of increasing income. Age-friendly design is important for encouraging people to use the scheme, providing sufficient accessible space and parking for visitors. Some of the most successful examples of housing schemes as community hubs have benefitted from responsibility for community integration being part of someone's role. This might take the form of a dedicated role, such as Community Officer, or be combined with a broader remit for coordinating activities.<sup>22</sup>

Ultimately, realising the community hub benefits of the "retirement housing dividend" requires correct implementation of the concept. This includes strong communication with residents and prospective residents to address concerns about opening up facilities to the wider community. Location of development becomes even more important if community hub benefits are to be maximised, given the need to attract demand for services from the wider public.

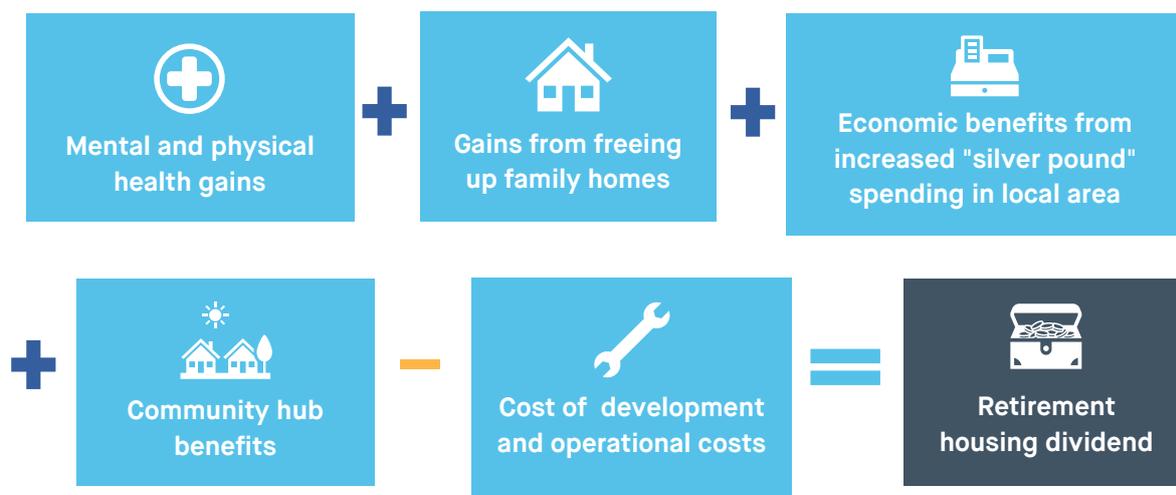
## GAUGING LOCAL-LEVEL BENEFITS

We have outlined a range of benefits associated with retirement housing, suggesting that increased rates of provision could bring substantial benefits to government and wider society.

But these benefits will vary across the country, depending on a range of factors. The age profile of the local area is important. The nature of the local housing market will also be relevant in terms of understanding benefits from freeing up family homes. The ability of retirement housing to regenerate urban areas and create revenue opportunities for local government will depend much on the relative spending power of elderly populations in an area, as well as the specific economic challenges of town and city centres.

Further, we are ultimately interested in the net benefit of a development, once costs are taken into account. Such costs will vary significantly, depending on factors such as land prices and the nature of a specific development.

How best, then, to appraise the merits of a particular retirement housing development? We argue that policymakers need to consider the broad range of benefits outlined in this briefing note, and weigh these up against the costs of development, with the "retirement housing dividend" calculated as set out in the figure below.

**Figure 7: Measuring the retirement housing dividend**

Source: SMF analysis

One challenge in calculating the retirement housing dividend is the need to express the full range of benefits in monetary terms. While this is relatively straightforward in some instances – such as saving on healthcare and social care (where policymakers can draw on an existing evidence base) – this is less so the case in others. Challenging areas, in particular, are the gains to societal wellbeing and the benefits from freeing up family homes in an area.

On the first of these challenging areas, studies are developing a range of methodologies. For example, the “Wellbeing Valuation method” estimates the relationship between money and an increase in wellbeing on the one hand and then uses that estimate to work out how much money one would have to receive to achieve the same boost to their wellbeing that is obtained from a particular activity.<sup>23</sup> Such an approach could be used to monetise the wellbeing gains from retirement housing, such as the value of reduced feelings of loneliness.

Monetising the benefits of freeing up family homes is challenging due to the range of channels through which it might yield societal benefits. Some of the benefits we have noted include gains from increased rates of childbirth and health benefits from reduced rates of overcrowding. While some may benefit from lower house prices, others stand to lose from a reduction in property wealth, meaning a mixed picture of costs and benefits to wider society.

Much will also depend on the property market dynamics and demographics in a local area. For example, the benefits of freeing up family homes may be limited in parts of the country with a relatively old population and relatively small number of younger households. Another consideration is whether retirement housing residents are from the local area, and thus freeing up local homes, or migrating to an area from further afield. Policymakers and developers thus need to take into account a range of local area considerations when attempting to monetise these benefits.

### Integrated Care Systems and retirement housing

Another challenge with utilising the retirement housing dividend calculation as an on-the-ground tool for appraising the net benefits of a development is the diverse range of beneficiaries. Central government, local authorities, the National Health Service, private developers and retirees all stand to gain from high quality age-appropriate housing provision. Yet the costs of development are not borne by all these groups; for example, while retirement housing can generate savings for the National Health Service, the NHS does not bear costs associated with the construction and operation of age-appropriate developments.

This raises important questions around how best to incentivise private developers and local authorities to consider the broader set of benefits of retirement housing – such as NHS savings – rather than just considering the benefits and costs that relate to their organisations.

Integrated Care Systems (ICSs) may offer a solution here, acting as a catalyst for joined-up thinking on retirement housing. ICSs are “new partnerships between the organisations that meet health and care needs across an area, to coordinate services and to plan in a way that improves population health and reduces inequalities between different groups”. Since 2018, they have been deepening the relationship in many areas between the NHS, local councils and other important strategic partners such as the voluntary, community and social enterprise sector.<sup>24</sup>

More partnership working between Integrated Care Systems and housing partners could facilitate the development of a wider range of housing for both independent and collective living. This could include utilising NHS estates, where possible, to build new housing models which stop people being forced into inappropriate housing options.<sup>25</sup> Conceivably such partnership working could also include financial incentives to encourage the development of age-appropriate housing that reduces strain on the NHS and helps tackle issues such as bed-blocking.

### Which areas stand to gain the most?

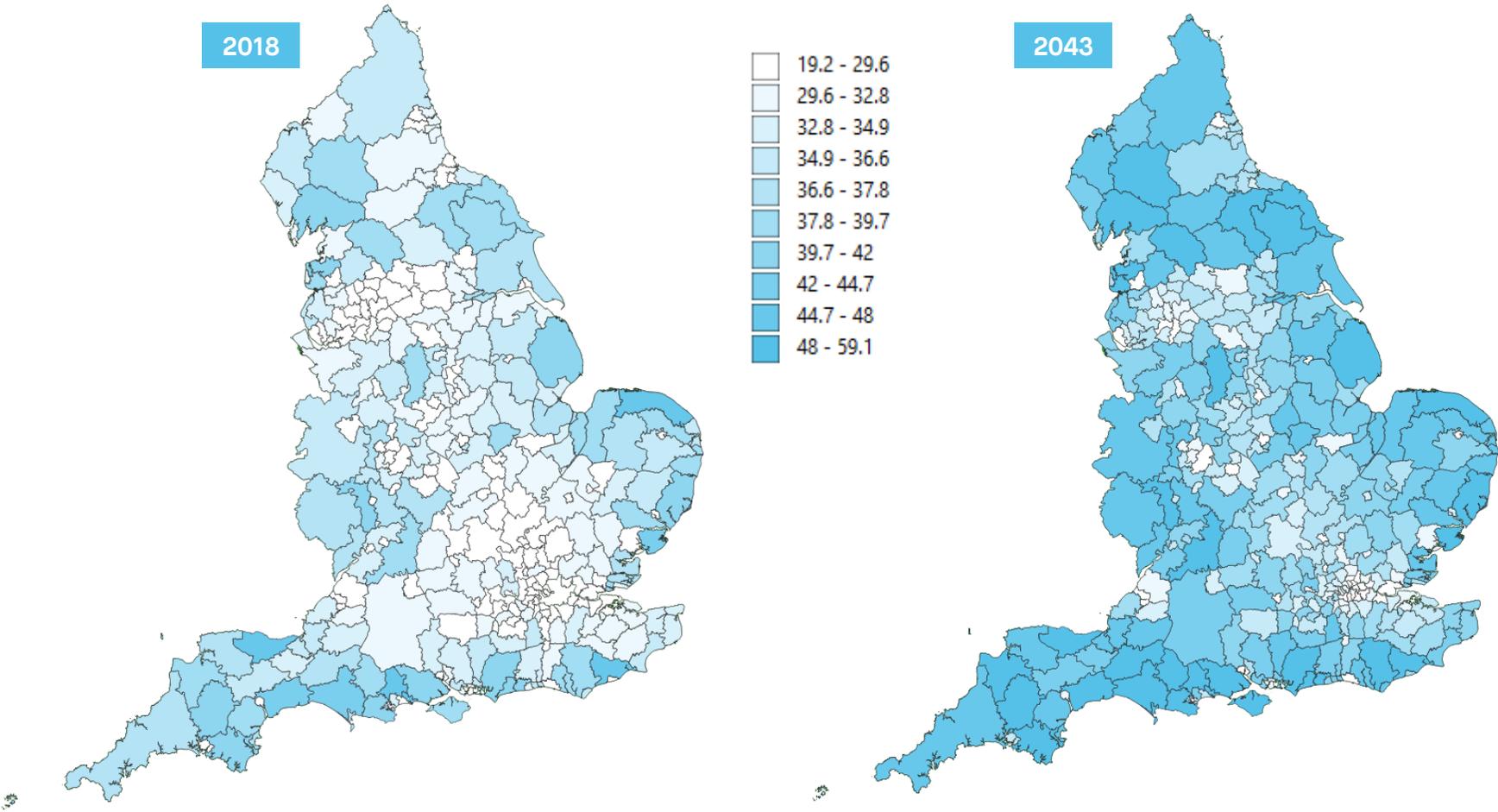
A glance at the latest household projections provides some indication of the areas of the country that would probably stand to gain the most from increased availability of retirement housing.

The latest Office for National Statistics (ONS) forecasts compare the number of households in England in 2018 and 2043. These show the number of households where the household reference person<sup>ii</sup> (HRP) is aged 65 and above increasing by 47%, from 6.7 million to 9.8 million. Over a third (36%) of households are set to have a reference person over the age of 65 by 2043, up from 29% in 2018.

<sup>ii</sup> In United Kingdom statistics, the concept of a Household Reference Person (or HRP) was introduced in 2001 to replace the traditional concept of the “head of the household”. Household reference persons provide an individual person within a household to act as a reference point for producing further derived statistics and for characterising a whole household according to characteristics of the chosen reference person.

By 2043, some 17 local authorities in England will have a majority of households with an HRP aged 65 or above, compared with zero in 2018. West Somerset is expected to have close to three in five (59%) of households with an HRP aged 65 or above, more than any other local authority.

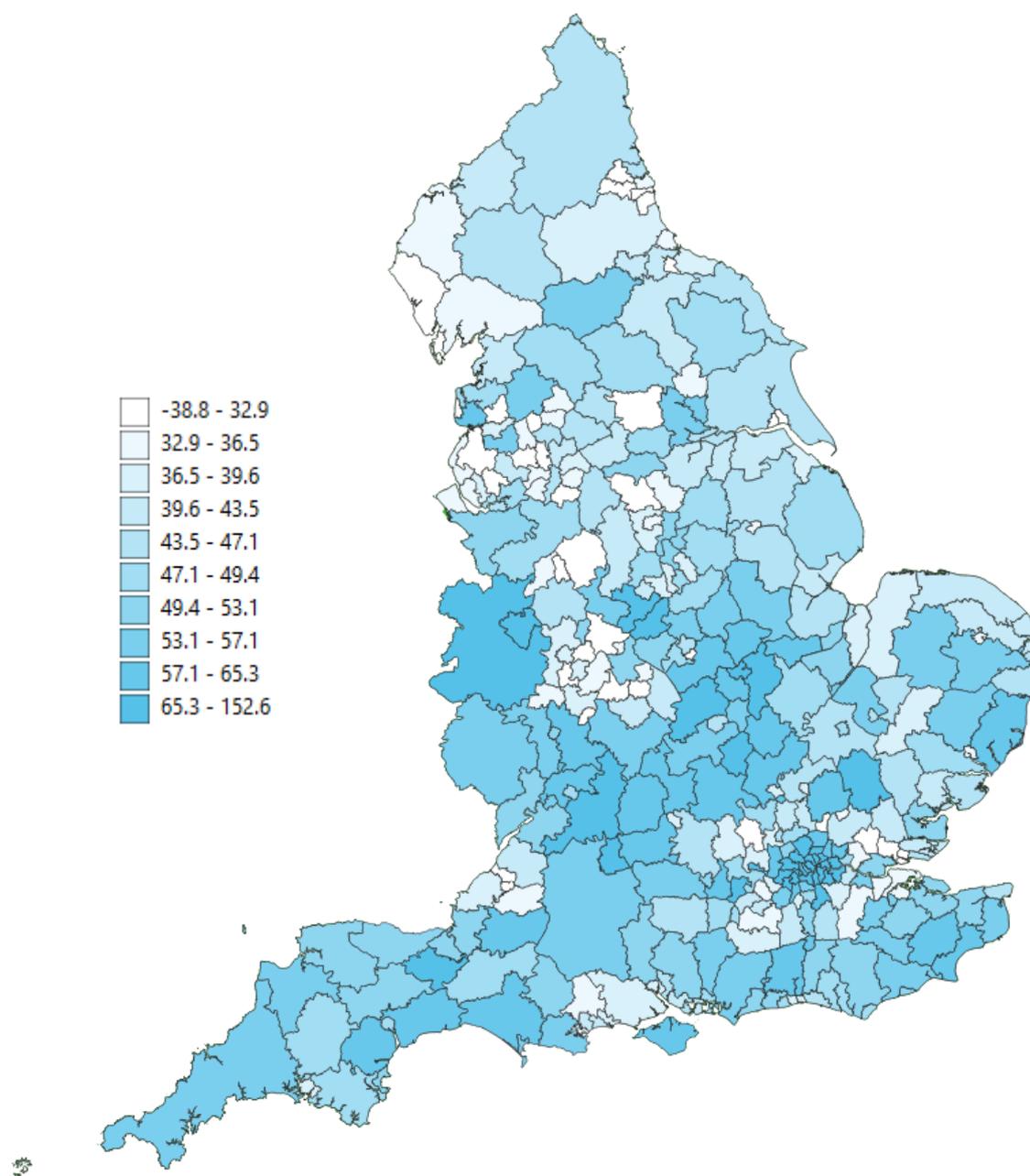
Figure 8: Over 65s households by local authority, % of total number of households in local authority



Source: ONS household projections, SMF analysis

While cities such as London are set to remain relatively young, in terms of the age distribution of the local population, they are set to see some of the most rapid growth in elderly populations. The 10 local authorities in England set to see the most rapid increase in over 65s households are all London boroughs. Tower Hamlets is expected to see a 153% increase in the number of households with an HRP aged 65 or over between 2018 and 2043, more than any other local authority. This is set to see such households accounting for one in every five (19%) households in the borough, up from one in ten (11%) in 2018.

**Figure 9: % growth in number of 65s households, 2018-2043, by local authority**



Source: ONS household projections, SMF analysis

With housing affordability an ongoing issue in the capital, the growing proportion of the housing stock occupied by older households creates a range of policy challenges, particularly if this curtails the availability of family homes for younger households in London. Retirement housing in city centres could become increasingly important for freeing up this stock of larger homes.

## WHERE NEXT FOR POLICY?

This paper has argued that, through a range of channels, retirement housing could help the UK adapt to an ageing population. In many instances a retirement housing development, if fully utilised, could generate positive returns for government and wider society.

Yet, as we noted at the start of this report, as things stand a very small proportion of older households in the UK currently live in specialist retirement accommodation, with the country lagging far behind countries such as the US and Australia. What might the role of policy be in narrowing this gap?

Firstly, **policymakers need to get better at capturing the full gamut of benefits flowing from retirement housing, and use this to inform decision making.** In this paper, we have set out a broad approach for assessing such benefits and quantifying the retirement housing dividend, to understand whether schemes are likely to generate a positive societal return. This could form the basis of a formalised approach for appraising the case for a particular retirement development.

We have also suggested that **Integrated Care Systems could and should play a key role in building a more aligned and coordinated approach to commissioning and developing age-appropriate housing that facilitates health improvements.** Despite being effectively mandated by NHS England and NHS Improvement, ICSs have no basis in legislation and no formal powers or accountabilities. However, this looks set to change in the near future, with plans to put ICSs onto a statutory footing from 2022.<sup>26</sup> We suggest that policymakers consider the role of housing and planning within the formalised accountabilities of ICSs.

**Another consideration is the potential role of Homes England in facilitating the construction of affordable retirement housing.** With Homes England responsible for “increasing the number of new homes that are built in England, including affordable homes and homes for market, sale or rent” and “increasing the supply of public land and speeding up the rate that it can be built on”<sup>27</sup>, there are a number of ways in which this could work in practice. For example, an explicit target could be set for new retirement homes supported by Homes England. It could also undertake a review of public land and identify sites that would be particularly well-suited for retirement housing in terms of the likely retirement housing dividend. Grant funding should be considered as a way of stimulating construction of new retirement housing in such areas.

**Policymakers and the developer community also need to work together to deliver high-quality retirement accommodation in the right places, to encourage more older individuals to consider it as an option.** This might include changing the property mix

on offer – for example, we noted earlier that many older people still want to have a spare room available in retirement accommodation, for example to allow relatives to stay over, yet this is often not available. It has been argued that factors limiting the choice of retirement housing include<sup>28</sup>:

- Housing and planning issues, including a lack of imaginative ideas, strategic vision and data on older people's housing (for example in local authority Strategic Housing Market Assessments).
- Specialist retirement developers often offering limited models, and general house-builders not designing for or targeting older people as a market segment.
- Limited use of creative partnerships between general house-builders, specialist retirement developers, housing associations and local authorities,

Addressing these factors should be a focus of policy. Central and local government needs to collect better data on the current state of the retirement housing market, with which to guide policy – at present official data sources on the market are lacking. And, utilising the range of data available, retirement housing needs to be baked into local-level planning policy and strategies for urban regeneration. It has been argued that Local Planning Authorities should set the tariff for Community Infrastructure Levy (CIL) payments for retirement developments at levels that recognise the particular benefits of such housing – for example the CIL could be halved for specialist housing or waived where communal retirement facilities in a private development are open to the wider public as part of a community hub.<sup>29</sup>

Improved partnerships between developers and government could generate better-located, more creative retirement housing offers which entice more individuals to move into retirement housing, helping to ensure that such housing becomes a key part of the policy mix needed to help the UK adapt to an ageing population.

## ENDNOTES

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- <sup>1</sup> Viewpoint on Downsizing for older people into specialist accommodation, Housing Learning and Improvement Network, 2011.
- <sup>2</sup> Viewpoint on Downsizing for older people into specialist accommodation, Housing Learning and Improvement Network, 2011.
- <sup>3</sup> <https://www.ageuk.org.uk/latest-press/articles/2019/may/falls-in-later-life-a-huge-concern-for-older-people/>
- <sup>4</sup> <https://www.demos.co.uk/wp-content/uploads/2017/06/Sheltered-Housing-paper-June-2017.pdf>
- <sup>5</sup> <https://www.housinglin.org.uk/Topics/type/Village-Life-Independence-Loneliness-and-Quality-of-Life-in-Retirement-Villages-with-Extra-Care/>
- <sup>6</sup> <https://www.theguardian.com/society/2019/jul/03/health-of-older-people-suffering-in-poor-housing-mps-warn>
- <sup>7</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/817623/EHS\\_2017-18\\_Home\\_ownership\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817623/EHS_2017-18_Home_ownership_report.pdf)
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- <sup>14</sup> <https://www.smf.co.uk/wp-content/uploads/2021/01/Health-on-the-high-street-January-21.pdf>
- <sup>15</sup> <https://www.theguardian.com/business/2021/may/24/how-retirement-villages-are-becoming-part-of-high-street-life-in-the-uk>
- <sup>16</sup> <https://www.housinglin.org.uk/blogs/Dont-ignore-the-silver-pound-older-people-could-save-the-high-streets/>
- <sup>17</sup> [https://eprints.worc.ac.uk/4472/1/community%20hub%20paper\\_QAOA\\_r3\\_changes%20accepted%20%281%29.pdf](https://eprints.worc.ac.uk/4472/1/community%20hub%20paper_QAOA_r3_changes%20accepted%20%281%29.pdf)
- <sup>18</sup> *ibid*
- <sup>19</sup> *ibid*
- <sup>20</sup> *ibid*
- <sup>21</sup> *ibid*
- <sup>22</sup> *ibid*
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- <sup>24</sup> <https://www.england.nhs.uk/integratedcare/what-is-integrated-care/>
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- <sup>26</sup> <https://www.kingsfund.org.uk/publications/integrated-care-systems-explained>
- <sup>27</sup> <https://www.gov.uk/government/organisations/homes-england/about>

<sup>28</sup> Older people's housing: choice, quality of life, and under-occupation | JRF

<sup>29</sup> <https://www.churchillretirement.co.uk/assets/Research-Publications/housing-2.pdf>