



**HOUSING AND
CARE FOR
OLDER PEOPLE**

July 2019

Richard Best, APPG Inquiry Chair

Anya Martin, APPG Inquiry Secretary

Rental Housing For An Ageing Population



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This Inquiry was supported by Peabody

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Lord Best
Chair of the APPG

Over recent years our All-Party Parliamentary Group (APPG) has looked at the housing needs and opportunities for older people, producing a series of Inquiry reports on Housing for an Ageing Population, known as HAPPI. Because the great majority of those over pension age are owner-occupiers (including leaseholders), we have concentrated on the people in this tenure. Homeowners have the advantage of some equity in their property – a lot in some areas, not much in other places – and this can be used to pay for a “rightsizing” move or for making their current home more comfortable. But what about those older people who are tenants, renting in either the social or private rented sector (PRS)?

In our latest Inquiry, we have turned our attention to rental housing for older people, both now and in the decades to come. We wanted to find out how many homes for rent are likely to be needed over the next 20 years or so, what they should be like and who might provide them.

Today only 22% of those over 65 are tenants (private or social). But this will change. Owner-occupation has been falling and there has been huge growth in the private rented sector – a doubling of numbers since 2000. As this new “Generation Rent” gets older and the chances of buying a home diminish, the number of retired people in the PRS seems set to change dramatically.

Renting has the advantage of shifting the hassles of repairs and maintenance to someone else. There is much to be said for not having to worry about the upkeep of the home particularly if family or friends are not close at hand to help. But renting brings its own problems. In particular our Inquiry heard how the PRS operates in ways that can be problematic for the older tenant:

- The absence of lifetime security of tenure is unsettling; the possibility of being required to leave at short notice – a “Sword of Damocles” – is not good for one’s peace of mind;
- The poor condition of some properties is particularly bad for the health and wellbeing of older people. A quarter of all privately rented properties are “non-decent” – often because they are cold and damp – and these are disproportionately occupied by older people;
- The chances of securing necessary adaptations – from handrails to stairlifts – is much lower in the PRS than in other tenures. Councils may be reluctant to provide Disabled Facilities Grants because the tenant may not occupy the property for 5 years or more and landlords may be reluctant to spend money when adaptations may have to be stripped out for the next tenant;
- Very significantly, rents which may be affordable when a tenant is in work can become too expensive when they are reliant on pension income. And for those who qualify for Housing Benefit, there may be an unbridgeable gap between the actual rent and the help received.

These factors led the Inquiry members to conclude that although some of the problems for private sector renters could be alleviated in ways our report describes, broadly the PRS is not best placed to meet the needs of renters who move into older age.

The corresponding benefits of living in the social rented sector – in the homes of housing associations and councils – are another story. Tenancies are likely to be for life, numbers of “non-decent” homes are very much lower, adaptations are very significantly more likely, and there is the expectation that rents will be at levels that do not cause hardship and distress. But at present there is little sign of the provision of a much enlarged social housing sector geared to the needs of older people. Although we saw excellent developments of more specialist Extra Care housing – often taking the place of residential care homes – we did not detect any signs of a modern-day equivalent to the extensive building of sheltered housing in times past.

The Inquiry considered the internal demands upon local authorities and housing associations to provide accessible downsizer accommodation for their own tenants who are growing old in family properties: "general needs" housing will become less suitable as those tenants grow older. Because there is little incentive for social housing tenants to downsize (pensioners in this sector are excluded from the penalties of the "bedroom tax"), internal demand may well be muted. But under-occupation will inevitably become more prevalent and not all the existing stock of social housing is suitable for adaptations. Nor is the existing sheltered housing in this sector – mostly built in the 1960s and 1970s – attractive enough to encourage tenants to move out of family homes.

It seems the social housing sector will have plenty to do in catering for its own ageing population and we would certainly press housing associations and councils to plan ahead for growing demand. But it does not seem likely that social housing landlords will be in a position to support everyone who will find themselves needing to leave the PRS when they retire.

So what the Inquiry sees ahead is substantial demand for secure, decent, affordable rented homes for older people; but little prospect of housing associations and councils addressing this issue.

Our Inquiry sheds light on the numbers involved and spells out the scale of the challenge ahead. It sets out our recommendations for using the window of opportunity that now presents itself to head off an otherwise inevitable catastrophe for the pensioners of tomorrow.

I conclude with sincere thanks to Peabody for sponsoring the APPG Inquiry; to Anya Martin, from Peabody, for acting as the Inquiry's Secretary and report author; to Greg Ineson the APPG Secretary; to the Inquiry Members (listed in Appendix A) who have guided this initiative with wisdom and clarity; to the Social Market Foundation for providing analysis and forecasts; to staff at Anchor Hanover, Central Bedfordshire Council and Jewish Care who all went to great efforts to organise site visits for us; and the residents of Limetree Court (Hackney) and Selig Court (Barnet) who kindly welcomed us into their homes.

We hope the efforts of all concerned will be translated into a new impetus for meeting the needs of older people for rented homes in the years to come.



Lord Best
Chair of the APPG

Conclusions and Recommendations

1. A National Strategy

1.1. A strategic plan to head off a crisis

Our Inquiry has concluded that there will be very significant demand for affordable rented homes for older people over the next 30 years: we estimate a need of an average of 38,000 homes a year for rent, of which at least 12,000 should be Extra Care or sheltered. This totals over 1.1 million homes by the late 2040s.

We note that, since three quarters of people over pension age currently live in their own homes, immediate pressures to build age-friendly accommodation to rent are relatively modest. However, in the years ahead we can see a massive increase in demand for rental housing from the much larger population of older people who will then be in the rented sector but will need to move.

We conclude that there is now a window of opportunity which can be used to avoid severe problems that otherwise lie ahead. We strongly recommend that government brings together a strategic plan, a National Strategy, to increase provision of purpose-built rented homes for our ageing population. Mostly this means new homes that are let at genuinely affordable rents as well as being accessible and manageable for those in later life, or are flexible enough to be adapted as the need arises.

1.2. Affordability in the private rented sector is the greatest challenge

We note the forecasts that numbers of households in the private rented sector (PRS) headed by someone aged over 64 will more than treble over the next 25-30 years (from around 450,000 today to over 1,500,000 in 2046). We have also learnt that, assuming rents grow in line with earnings, around half of these older households in the PRS will no longer be able to afford the rent they could manage before they retired (although we acknowledge the substantial regional differences in affordability).

We conclude, therefore, that something in the region of 630,000 PRS households aged 65 and over will need lower-cost rented accommodation in less than 30 years. This means building an average about 21,000 suitable homes per annum. These homes need not be specialist accommodation (such as Extra Care or supported housing) but they should be designed appropriately for older people, incorporating the HAPPI design principles set out in our previous Inquiry reports.

The consequence of there being nowhere affordable for these households to go is bound to be homelessness for some and a move into temporary accommodation, at the state's expense, for others.

To head off the severe problem caused by a mismatch in the PRS between retirement incomes and rent levels, we recommend the government's National Strategy for meeting the need for affordable retirement accommodation recognises the need for a shift from renting in the PRS to renting in the subsidised/social housing sector.

Demand stream	Need by 2050	Yearly target
Need for rented specialist older people's housing for older renters with disabilities	360,000	12,000
Social rented housing to take low-income older renters out of the private sector	630,000	21,000
Downsizer units for social renters in family housing	150,000	5,000
Total	Over 1.1 million	38,000

Conclusions and Recommendations

1. A National Strategy

1.3. Demands from within the owner-occupied sector

A rented solution may also be appropriate – and sometimes essential – for many of the 600,000 older owner-occupiers who are living in unfit properties (concentrated particularly in the Northern regions) that are harmful to health – with greater risk of falls, poor insulation, and other deficiencies.

In many cases, their properties do not lend themselves to upgrading to meet the occupier's needs; and even where the necessary home improvements are feasible, the owner-occupier may be deterred by the cost or hassle of organising them.

To ease the health and social care needs of this group, without the necessity of a move into residential care, some moves to the rented sector could be the answer. Providing a rented solution for these owners over the next 20 years or so would add several thousand rented homes to the annual total required.

We recommend that, to eliminate the horrors of so many older home owners suffering the hazards and hardships of living in homes not fit for human habitation, their needs should be included in a National Strategy for rental housing for later life.

1.4. Demands from within the social housing sector

We note the rising numbers of social housing tenants in “general needs” housing who will pass retirement age in the next quarter century. The figure for households aged 65 and over in this sector is set to grow by around 1 million: from about 1.4 million today to about 2.4 million in around 30 years.

For some, there will be opportunities to move into the social housing sector's own sheltered/purpose built housing. However, we see the likelihood of a significant shortfall in the available places within the current stock, since at present few new retirement schemes are being created. Moreover, we note that a lot of the sheltered housing from the 1960s and 1970s is now in need of updating. And we heard how some of this stock is being replaced with homes for younger people.

Without sufficient accommodation within this sector that is tailor-made for the older generation, problems of under occupation in “general needs” housing will grow. The estimate is for over 300,000 social sector homes with two or more extra bedrooms, 25 years from now. Excluding those in need of specialist accommodation, this suggests a programme of around 11,000 homes a year – although we would not expect all these under-occupying households to choose to move home.

The Inquiry was clear that building specifically for older social housing tenants releases desperately needed family housing at social rents for younger households.

We recommend the National Strategy plans for at least 5,000 new purpose-built rented downsizer homes every year specifically for older people currently living in the social housing sector.

1.5. All new homes to “lifetime homes” standards

As our HAPPI 3 Inquiry found, most older people will prefer to stay in their existing home rather than rightsize in older age. And since options are likely to remain limited even for those who are keen to move, we urge government to be bolder in requiring space standards and “lifetime homes” features that prevent new properties from becoming inaccessible as the occupiers grow older. This means determining that in due course all new homes meet the Category 2 levels in Part M of the Building Regulations. This approach prevents or postpones the need for a move into residential care and assists support in the home for those with long-term conditions; it saves the NHS huge costs for hospital admissions, delayed discharges and readmissions.

As a stepping stone to requiring these higher levels of accessibility and adaptability, we recommend Local Planning Authorities introduce minimum targets for Category 2 standards and for full wheelchair-user homes, as the Greater London Authority has done.

We are also encouraged by the widespread adoption of the HAPPI design principles by architects and developers and urge continued take-up of the HAPPI standards.

Conclusions and Recommendations

2. Central and local government action

2.1. Increased grant aid for social housing for older people

We join with the many voices calling for the next Spending Review to allocate more resources to social housing. And we see no alternative to the government investing significant resources in social renting to meet the needs of older people. The support for this age group needs to build up over the next 25/30 years to meet the substantial and predictable demand our Inquiry has identified.

The cost of grant to councils and housing associations to achieve this goal will in due course be recovered by reductions in the benefit bill which otherwise is predicted to rise to unsustainable levels, as well as other savings recouped by the public purse from older people living in age-appropriate housing.

To take this programme forward, we recommend that the Ministry for Housing, Communities and Local Government (MHCLG) agrees annual targets with Homes England, the Greater London Authority and local authorities themselves for a significant number of new social housing units to be created specifically for older people.

2.2. Shared ownership for less affluent owners

To assist older homeowners for whom a move to more suitable accommodation has become necessary, but for whom outright purchase of a retirement home is not affordable, we recommend greater use of the shared ownership model. However, it is essential that service charges and rents are kept at truly affordable levels: if so, shared ownership can take the place of rental provision at a lower level of subsidy.

We note, for example, the model of 75% ownership with nil rent on the remaining 25% share. But affordability will vary from place to place and a flexible level of equity share will be needed to support many of those whose current property cannot generate sufficient funds to finance a down-sizing move.

We also recommend that housing associations that create shared ownership accommodation for older people, allow, at the association's discretion, "staircasing down": equity release whereby the occupier sells back some of their equity to the association to finance care and support costs.

2.3. Adequate benefit support

We have noted that for those on lower incomes there will be problems of affordability with the switch from earnings to pensions. While additional social housing at lower rents would reduce the need for state support with rents, moving into social housing will not be an option for many, so savings in benefits cannot be expected in the short term.

We strongly recommend that the Department for Work and Pensions (DWP) makes sure restrictions on benefits to support rental payments – caps, ceilings, freezes – do not push more older people into poverty. Payment of Housing Benefit (or the housing element of Universal Credit) must not leave a shortfall between the rent an older tenant must pay and the support they receive to pay it. As an immediate step, we recommend government re-evaluates the Local Housing Allowance (LHA) rent cap to ensure it covers, once again, around a third of properties in the PRS, ending the current LHA freeze and returning to uprating the benefits in line with increases in market rents.

2.4. Extra help for housing with care and support

Our Inquiry has been concerned principally with the provision of rented homes for older people who do not need to live in accommodation with 24-hour care facilities. However, we strongly support the development of more Extra Care and sheltered housing schemes. As those in straightforward rented accommodation become frailer, demand for housing with a higher level of support is set to grow.

The estimated figure for rented housing for those for whom specialist accommodation will be essential is some 12,000 homes a year over the next 25-30 years.

Conclusions and Recommendations

2. Central and local government action

Here we note the need not just for the capital grants that keep production costs down but for a funding regime that gives security to providers that revenue costs will be met. We were pleased to note that government set aside plans for funding supported housing through a new system that had caused many organisations to put their supported housing developments on ice, or even to abandon them. These schemes may only be a necessity for a minority of older people but they represent a significant strand in overall provision of affordable/rented homes.

However, we express concern over the delayed Adult Social Care Green Paper and the uncertainty over future funding of personal care, including within more specialist accommodation for older people.

We recommend, as a matter of urgency, that government brings forward its long-awaited proposals for funding care costs for older people, to enable all concerned to plan for the future.

2.5. More creative use of the planning system

We conclude that Local Planning Authorities can play a leading role in seeing sufficient homes are built for the growing numbers of older people in their area. We recommend all Local Plans set out clearly the projected needs and demands, and require delivery of age-friendly housing accordingly.

We recommend the Secretary of State for MHCLG uses the powers created by the Planning and Neighbourhoods Act 2017 to provide guidance to Local Planning Authorities on housing for older people. We recommend the Secretary of State

emphasise the need to assess future requirements and places obligations on house builders and developer-landlords to include sufficient provision in all larger developments. If new homes are future-proofed by achieving proper accessibility (“Category 2”) standards (see 1.5), there will be less need for planners to require housing designed exclusively for older people. But specialist accommodation should always be part of the consideration and age-exclusive schemes with some communal space can meet social needs.

New Garden Towns, urban extensions and other major projects all afford the opportunity to create a mix of ages in housing for rent – often through Section 106 planning agreements – as well as in housing for sale. As Sir Oliver Letwin has pointed out, achieving a variety of provision in larger developments helpfully speeds up the build-out rate. And including housing for the older generation can mean adding people able to provide stability and local leadership – “community anchors” that help a place to thrive. Ambitious development targets must be coupled with proactive planning to make communities that work for everyone.

We also note the continuing arguments over classification for planning purposes of projects that contain an element of care. Those designated “C2” are excluded from the usual requirements to include affordable homes (and planning consent may be easier if they are on a Green Belt site). The Inquiry’s concern is to see enhanced provision of rented homes for older people, making us wary of policies that could diminish planning requirements for these. But we find the current position confusing and recommend the position is clarified by MHCLG.



Conclusions and Recommendations

3. Action by others

3.1 Councils and housing associations should give greater priority to older people

Irrespective of pressures from central government, we strongly recommend social housing providers – councils and housing associations – turn their attention to building more homes tailor-made for older people. By doing so, they will achieve “two for one”, helping younger households through the release of larger homes. Both in investing in new developments and in regenerating/re-provisioning existing sheltered housing schemes, we see these landlords as the main source of much needed accommodation for an ageing society.

But we are not convinced that the social housing providers have recognised the scale of demand which will fall to them to meet. Their current annual output of 2-3,000 rented homes for older people is going to be woefully inadequate in the face of demand for more than 10 times these numbers in the years ahead. Indeed, evidence provided to the Inquiry suggests that the production of accommodation designed for older people has flatlined, when the demolition or switch of developments to younger tenants is taken into account.

The Inquiry recommends that housing associations and local authorities, when reviewing and repurposing their existing stock, ensure the full replacement of homes for older people.

As councils consider how best to use their new freedoms to borrow for housing provision, we recommend all relevant authorities give greater priority to older people’s housing. Many existing social housing estates present the opportunity for a small number of bungalows or purpose-built apartments on infill land (such as redundant garage sites): those otherwise reluctant to rightsize can be attracted to move when the opportunity is on their doorstep. Local authorities also have the opportunity to use Homes England grant for new developments on publicly owned land, and to set up Local Housing Companies to intervene in their local housing markets.

3.2. Transitional arrangements

In some areas, the pressures from older people in need of rented housing are not yet at the critical level we are estimating for the future. We have heard how some retirement housing has taken time to find tenants.

Bearing in mind the very substantial growth in future demand which our Inquiry has uncovered, we recommend that social housing providers consider creating developments suitable for older people but which can meet the needs of younger households today. This may require more flexible, intergenerational approaches to allocations. As demand from the older population becomes increasingly acute, re-lets in such developments can go to them.

3.3. Greater security in the PRS

We have identified extra problems for those “ageing in place” in the PRS: as well as difficulties with affordability and fitness, we have noted problems with a lack of tenure security, that older people must have for their peace of mind. We welcome the government’s commitment to introducing more secure tenancies by abolishing Section 21 (of the Housing Act 1988) “no fault” evictions. Alongside the extra security the government’s new measure will bring, we also recommend government takes forward proposals for introducing Housing Courts (perhaps by giving additional powers to First Tier Tribunals) to resolve PRS landlord-tenant disputes swiftly and cheaply.

3.4. Securing adaptations in the PRS

We are pleased to see an increase in the availability of Disabled Facilities Grants (DFG) but we note the very low take-up in the PRS compared with the social rented sector: although twice the proportion of tenants are eligible, less than a quarter as many receive any help.

To make sure more DFGs reach tenants in the PRS, we recommend all local authorities end the requirement that tenants must be likely to remain in place for at least 5 years, since this stipulation is hard to evidence. And to prevent the need for landlords to remove adaptations (like handrails and stair lifts) we recommend local authorities maintain a database of adapted properties in their area so those with a disability/mobility problem can locate a suitable home.

Conclusions and Recommendations

3. Action by others

3.5. New-style private renting for the older generation

With the rise of the “Build to Rent” phenomenon, whereby institutional investors finance long-term private renting, we recommend more developers explore the opportunities for good quality, open-market lettings for the older age group.

We note anxieties by some owners who fear moving to new retirement housing for rent will mean disqualification from benefit entitlements; and extra service charges and rents will absorb their assets over time. But for others, a move into the PRS can avoid the transaction costs – like Stamp Duty – of purchasing a new home and free up capital for the next generation.

Although this may not represent a large market compared with the demand for low-cost/subsidised rental homes, for some homeowners, selling their property and becoming the tenant of a reliable, long-term landlord will be a sensible and convenient alternative to continued owner-occupation. This tenure removes many of the hassles of maintaining a home. Prerequisites for this niche market will be good design and the assurance of both security and high-quality management.

For investors in Built to Rent, there is a problem that appropriate accommodation for the older generation is likely to involve higher space standards and the creation of some communal areas. These developments are, therefore, more expensive than building for younger

age groups. To bridge this gap, we see the potential for incentives to encourage investment for the new Build to Rent developers of quality housing for older people.

We recommend government explore the opportunities – as with Venture Capital Trusts – for using fiscal instruments to encourage investment in retirement housing for rent.

3.6. Innovative new schemes

The Inquiry welcomes the fledgling “senior co-housing” movement whereby a group of older people work together – perhaps in partnership with a housing association – to provide for their own housing (and social) needs. We hope – as with the pioneering scheme by the Older Women’s Co-Housing Group, as featured in HAPPI 3 – these developments will incorporate some homes to rent alongside those for home ownership.

The Inquiry also heard about emerging models of intergenerational housing and we look forward to seeing how these progress.

Finally, we see opportunities in the rented sector, as in the private house building sector, to enhance later life by use of new technology. We look to our APPG to progress work on this front alongside the Housing LIN’s TAPPI initiative (Technology for our Ageing Population: Panel for Innovation) and others.



Chapter 1. Background

1.1 Membership and purpose

In December 2018, the All-Party Parliamentary Group on Housing and Care for Older People established an Inquiry to consider our nation's growing need for rental housing for an ageing population. Chaired by Lord Richard Best, it brought together a group of cross-party Parliamentarians and independent sector experts to serve as the panel.

The Inquiry aimed to investigate:

- How many homes for rent the nation should build to meet the needs of its ageing population.
- Who should build those homes.
- The barriers to the supply of affordable and secure rental housing.
- The design, care and provision characteristics that these homes should include.

The Inquiry sought to propose policies to achieve the needed quantity and quality of homes to rent. We perform forecasts for the whole of the UK, but as housing policy is devolved we focus largely on policy recommendations for the English government. Our other recommendations will also be valid in the devolved countries.

The panel met four times between December 2018 and May 2019 to hear evidence presented by witnesses from a broad range of organisations in the housing sector, including both public and private bodies. They visited five rental housing schemes for older people, private and social, to learn about how the developers tackled the barriers to delivering new homes. They also met residents of these schemes to learn about their perspectives, and invited individuals and organisations from all backgrounds to submit evidence. A full list of members, witnesses and evidence can be found in Appendix A.

This report is the fifth in the HAPPI series. The first report in 2009 focused on the design principles required for older peoples' housing. The second, in 2012, set out a plan for implementing these principles. The third, in 2015, examined how retirement living could be made into a positive choice for older people. The fourth, in 2018, looked at how rural communities can increase the supply and quality of age-friendly housing.

As most older people are homeowners, the focus thus far had been on properties for purchase. This report supplements the series by looking at rental housing, the barriers to its supply, and the significant social and economic benefits it can bring.



Chapter 1. Background

1.2 The ageing population

- 1 Cumbo, J. (2015) "UK pensions: tough choices as 'old age support ratio' shrinks" in Financial Times, June 23 2015.
- 2 Kingston, A. Comas-Herrera, A. and Jagger, C. (2018) "Forecasting the care needs of the older population in England over the next 20 years: estimates from the Population Ageing and Care Simulation (PACSim) modelling study" in The Lancet. Vol. 3, Issue 9. PE447-E455.
- 3 Wenzel, L. et al. (2018) Approaches to social care funding: social care funding options. Working paper number 2. The King's Fund.

In the United Kingdom, there are currently just over 12 million people aged over 65 (18.2% of the population), and the population is ageing rapidly. The latest projections by the Office for National Statistics (ONS) suggest that in 50 years' time, there are likely to be an additional 8.6 million people aged 65 and over. This is a population roughly the size of London.

Chart 1 shows a population pyramid based on the ONS' 2016 data and their forecast for 2066. It shows a substantial "bulge" in those aged over 65, with many hundreds of thousands more older people, but with far more consistent numbers of younger people.

There are two main factors behind this growth in the number and proportion of older people. Firstly, we have greatly improved our ability to prevent and delay the "big killers": such as cancer and heart disease. As a result, life expectancy at age

65 has increased from 13 for men and 16.9 for women in 1980, to 18.6 years for men and 20.9 years for women today. The second factor is a decline in fertility, as people have fewer children and wait until later in life to have them. This means that the number of working-age individuals for every retiree (or the "dependency ratio") is expected to fall from 3.3 for most of the latter part of the last century to 2.9 by 2050¹. This will necessitate greater spending on pensions and healthcare, but from a proportionally smaller base of working taxpayers.

Healthy life expectancy has also risen. This gives us the opportunity to enjoy a healthy, active retirement. However, many also suffer from long-term health conditions, and our ability to prevent the big killers does also mean that many older people live for an extended period in poor health or disability. As a result, there has been a substantial increase in complex needs such as dementia. At the same time as people are able to live independently for longer, the need for care and support for older people is also expected to grow substantially². This places great pressures on the NHS and the social care funding system, which health think tank The King's Fund argues already faces a spending shortfall and is in urgent need for reform³.

■ Male
■ Female

Chart 1. 2016 Population pyramid

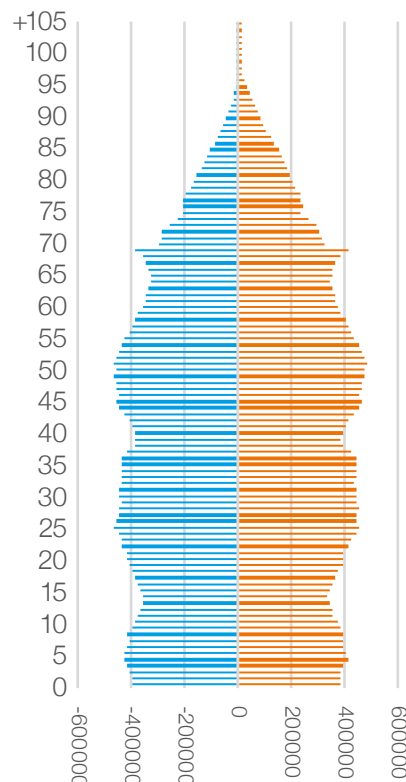
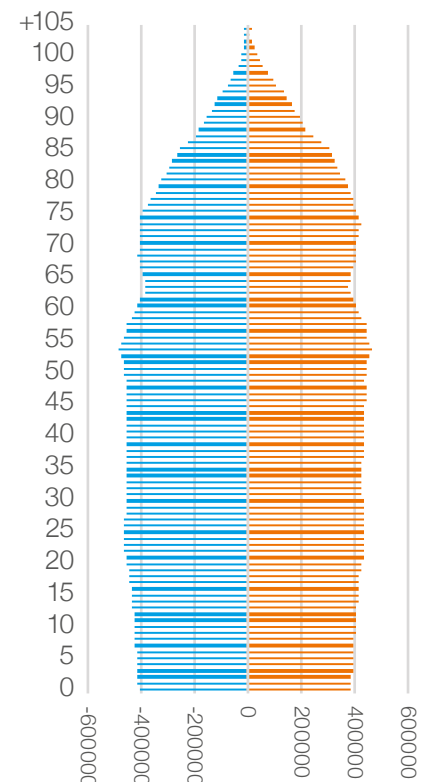


Chart 2. 2066 Population pyramid (forecast)



Source: ONS

Chapter 1. Background

1.3 Housing for older people

4 Housing that is not specifically designed for older or disabled people. Note that some “mainstream” housing may be accessible and appropriate to older people if it meets certain design standards, such as the HAPPI principles.

5 Savills (2018) Spotlight on Retirement Living.

6 ARCO (2017) Written Evidence [submitted to CLG Committee]

7 Savills (2018) Spotlight on Retirement Living.

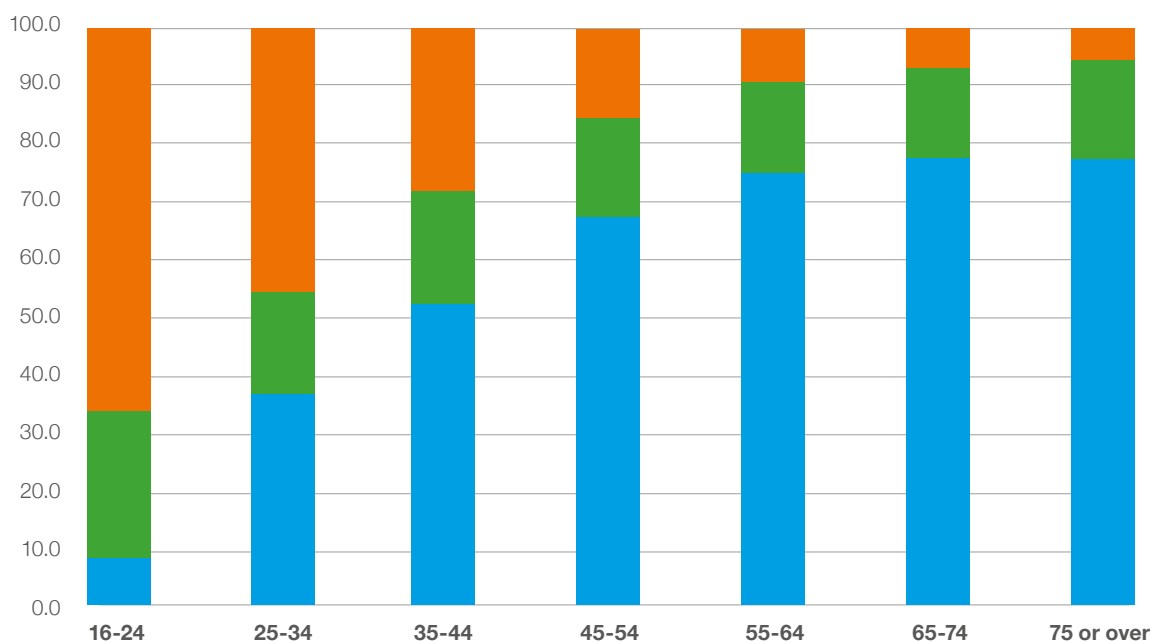
8 Beach, B. (2018) Stronger Foundations: International Lessons for the Housing-with-Care Sector in the UK. Report for ARCO and Legal & General.

The housing that older people live in can be broadly divided into two categories: mainstream housing⁴ and specialist housing for older people. The vast majority of older people currently live in mainstream housing and most in housing that they own (see Chart 2). Around 16% rent social housing, most of whom are in “general needs” homes: mainstream, low-cost rented units originally developed for families. The remainder – a very small proportion compared to younger age groups – rent privately.

There are a range of estimates of the number of specialist homes for elderly people in the UK. The Elderly Accommodation Counsel (EAC) suggest that there are 726,000⁵, while the Associated Retirement Community Operators suggest just over 500,000⁶. This compares to a population of over 65s of approximately 8 million households. Whether mainstream or specialist housing is a more appropriate choice depends on the level of need of the resident, but Savills suggests an appropriate international benchmark for the proportion of older people who should be in specialist housing is about 15%⁷. This means that comparatively few households (6-9%, depending on which stock figure you use) headed by an older person in the UK live in specialist homes. 0.7% of over-65s live in some form of “housing with care”, compared to 5-6% in Australia, New Zealand, and the USA. These countries have much more advanced markets for retirement properties⁸.

Chart 2. Tenure by age group, 2016-17

■ Owner-occupation ■ Social housing ■ Private renting



Source: MHCLG

Chapter 1. Background

1.3 Housing for older people

9 Age UK (2018) Factsheet 64: Specialist housing for older people.

10 Savills (2018) Spotlight on Retirement Living.

Age UK defines three broad categories of older peoples' housing (or "retirement housing"): "age-exclusive" housing, where residents have to be over a certain age but receive little or no support, "housing-with-support" where residents receive support services (such as a warden on call) but no care, and "housing-with-care" where staff provide care services such as help with daily activities⁹. In the UK, housing-with-support for older people is often referred to as sheltered housing, and housing-with-care is often referred to as Extra Care. However, developers and landlords will often use their own nomenclature.

Associated Retirement Community Operators (ARCO) have also prepared a guide to explain the different types of housing for older people (see graphic 1).

Three quarters of older peoples' homes in the UK are operated by social landlords (most of which are councils or housing associations). Most of these were built during the 1970s and 1980s. Just under a quarter of the retirement homes in the UK are privately owned by the resident, and the remaining small proportion are split between shared ownership and other tenures (including a very small number of private rented homes)¹⁰.

Quayside, The Guinness Partnership

Quayside is an Extra Care housing development near the River Dart in Totnes, Devon, which opened in November 2017. It offers a unique collection of retirement apartments for people aged over 55, with half for sale through shared ownership, and half for affordable rent.

Built and decorated using dementia-friendly design, with each floor level colour coded to aid wayfinding, corridors are intended to be open ended providing a visual link to the outside. Additional facilities include a bistro which is open to the public, a hairdressing salon, spa bathroom, meeting and activity rooms and landscaped shared gardens to create vibrant outside spaces.

Guinness provides both the onsite care and dedicated 24 hours a day "Peace of Mind" service to customers so assurance and support is always available.

Quayside was developed in partnership with Homes England, Devon County Council and South Hams District Council. Grant funding from these partners contributed to the build costs as part of the Care & Support Fund Phase 2, which was launched by the Government in 2015. The fund welcomed bids aimed at providing innovative housing opportunities for older people, including those living with dementia, in line with the then-Prime Minister's "Challenge on Dementia".



Chapter 1. Background Supply

1.3 Housing for older people

- 11 Ibid.
 12 Knight Frank (2018) Retirement living comes of age.
 13 Ibid. (Savills visualisation of EAC data)

Much like mainstream housing supply, the last three decades have seen much lower levels of supply of new homes for older people. At the peak in the late 1980s almost 30,000 retirement units were developed in one year. While new retirement homes for private sale have substantially increased in recent years (more than doubling since 2010), currently less than 10,000 new units per year are being built, of which over half are for private sale¹¹. Supply has become more dependent on the private sector, whereas historically the state developed much of it. The largest private developer, McCarthy & Stone, has also announced it intends to reduce its output. That said, the number of retirement living units (of all tenures) is expected to increase by almost 30% from 2017-2022: massively faster than other housing types¹².

Housing associations have focussed their supply on family housing rather than older peoples' housing, in contrast to the early 1980s when around 15,000 social rented units a year were developed (in addition to several thousand private sale units). There has been a revival of shared ownership models in the last five years, although the number of units developed remains in the hundreds¹³.













National building targets do not include a minimum proportion or number of units specifically for older people. Local Plans are however required to be compliant with the National Planning Policy Framework, which specifies that needs for different groups in the community must be assessed and reflected in planning policies. We are currently waiting for MHCLG guidance on how local planning authorities should plan to meet the needs of older and disabled people. Research conducted for the Royal Town and Planning Institute in 2017 suggested that 42% of local authorities provide housing specifically for older people, and older people were the top priority in terms of meeting special needs.

Graphic 1. ARCO guide to living options for older people

Living Options for Older People



Setting Standards for Retirement Communities

Retirement Housing Also known as sheltered housing or retirement flats	Retirement Communities Also known as extra care, retirement villages, housing with care, assisted living or independent living	Care Homes Also known as Nursing Homes, Residential Homes, Old People's Home
 Self-contained homes for sale, shared-ownership or rent	 Self-contained homes for sale, shared-ownership or rent	 Communal residential living with residents occupying individual rooms, often with an en suite bathroom
 Part-time warden and emergency call systems	 24-hour onsite staff with optional care and domestic services available	 24-hour care and support (including meals)
 Usually have a lounge, laundry facilities, gardens and a guest room	 Range of facilities including a restaurant or café usually alongside leisure and wellness facilities such as gyms, hairdressers, activity rooms, residents' lounges and gardens	 Range of facilities and activities, including gardens, lounges and dining rooms
 Typically 40 - 60 units	 Typically 60 - 250 units	 Sizes vary considerably

Source: <https://www.arco.uk/what-retirement-community>

Chapter 1. Background

1.3 Housing for older people

Accessibility

Across the general population, around 9% of all households had one or more person with a long-term limiting disability that required adaptations to their home, according to the 2014/15 English Housing Survey, which included a special report on accessibility.¹⁴

- 14 This may be an underestimate as it was only asked of those who reported they had a disability.
- 15 Savills (2015) Spotlight: Housing an Ageing Population.
- 16 English Housing Survey 2014-15 (latest available survey featuring a report on accessibility).

National government has not set a target of what proportion or number of homes should be suitable for disabled people. Part M of the Building Regulations specify that all homes should be “visitable” (Category 1), but “accessible and adaptable” (Category 2) and

“wheelchair user” (Category 3) dwellings are optional; local planning authorities may require them as part of planning consent. In London, the Greater London Authority’s London Plan specifies that 90% of homes must be accessible and adaptable while the remaining 10% must be wheelchair user dwellings.

Savills analysis of the most recent census suggests that less than 50% of those aged over 64 have good health without limitations in their daily activities; this drops to just over 10% of those over 85.¹⁵ Despite this, the English Housing Survey shows that just 7% of homes in England had all four accessibility features that make it visitable for those with mobility impairments: level access, a flush threshold, sufficiently wide doors and circulation space, and a toilet at entrance level.¹⁶

McCarthy & Stone

Despite traditionally providing only owner-occupied retirement housing, last year, in line with their new strategy, McCarthy & Stone began to incorporate rented and shared ownership properties within their development pipeline to adapt to the changing needs of those in later life.

Initially, rental properties were available at 11 different schemes that promote independent living, as well as including flexible care packages. The organisation found that older renters were particularly keen to live in its Extra Care developments (called Retirement Living Plus) which cater for those with greater support needs and have care facilities on site, with 24-hour access to the service.

McCarthy & Stone believe there is a gap in the market for modern, purpose-built, rental accommodation for older people. They predict the levels of investment in this model across the private sector will be similar to that of the rise in purpose-built student accommodation over the past few years. Investors are already seeing promising returns due to the reliability of older renters and the high demand for these properties.

Due to their foray into the rental market being positively received by customers, McCarthy & Stone envisage that 20% of their portfolio will be for rental and shared ownership in the future.



Chapter 1. Background

1.3 Housing for older people

- 17 Evidence submission to the APPG Inquiry, Design Museum.
- 18 Habinteg (2019) A forecast for accessible homes. Insight report.
- 19 See Housing LIN's report for Keepmoat Regeneration/ ENGIE: Housing Lin (2017) Demonstrating the Health and Social Cost-Benefits of Lifestyle Housing for Older People.
- 20 Note that "savings" to the NHS may be better interpreted as an improved re-allocation of resources rather than actual savings, as the money is still "spent" for the hospital bed, but it is allocated to someone else.
- 21 Savills (2018) Spotlight on Retirement Living.
- 22 Campaign to End Loneliness (n.d.) "The facts on loneliness". Web page.

There has been a trend towards newer homes meeting visitability standards: 34% of homes built post-1990 meet all four. Level access is five times more likely in homes built from 2001 onwards (68%) compared with those built before 2001 (13%). However, most homes that older people will live in in the coming decades are built already, leading to a substantial risk of older people living in unsuitable housing. Many existing homes are not easily adaptable: for instance, according to the Design Museum, 28% of homes cannot be installed with handrails or wet rooms.¹⁷

The English Housing Survey also found that one in ten households requiring adaptations do not have their required adaptations because their landlord would not pay for them, whilst 5% said the landlord would not allow them. Of those that have adaptations, the most common were within the home and relatively simple: grab rails (40%), bath or shower seat and other bath aids (30%), specialist toilet seat (25%) and a shower to replace the bath (19%).

A recent report by Habinteg, a provider of accessible housing, showed that less than half of all Local Plans (draft or adopted) set a specific requirement for a proportion of new homes to meet any form of accessibility standards, and less than a third set requirements for homes to be constructed to Category 2 or 3 standards. Of those that do set requirements, almost a third specify older, outdated standards.¹⁸

The benefits of housing for older people

A huge array of evidence exists suggesting that appropriate housing can lead to better health outcomes and thereby reduce costs to the health and social care systems, which has been covered at length in other reports.¹⁹ Savills estimate for instance that the cost saving to the state of a specialist retirement property, capitalised in perpetuity, is £24,700 to £41,100.²⁰ This is largely through reducing falls and permitting hospital patients to be discharged into appropriate housing sooner. It follows that even if a home is not specifically for older people, appropriate age-friendly mainstream housing can also improve health outcomes. However, Savills also highlight that retirement housing providers typically compensate for high land values by developing premium homes, and more disadvantaged households have their needs met by sheltered housing, there is little choice for middle income households.²¹

An additional benefit of older peoples' housing is loneliness prevention. Older people are especially vulnerable to loneliness, and the Campaign to End Loneliness has highlighted its particularly pernicious effects on health and wellbeing; it is even associated with early death.²² Older peoples' schemes often involve community activities or facilities, and living in close proximity to other retirees means older people may have more opportunities to meet and socialise with others.

"Increased life expectancy should be celebrated. Whilst physical decline is inevitable as we age, this does not mean that wellbeing should decline amongst older people."

Design Museum, evidence submitted to the APPG Inquiry.

Chapter 2. The Emerging Crisis

2.1 Older people and the private rented sector

- 23 English Housing Survey, 2017-18.
- 24 See Appendix B for further information.
- 25 JRF (2018) Housing costs and poverty: private rents compared to local earnings.
- 26 English Housing Survey, Headline Report 2017-18.

At present, just 5.6% of people aged over 64 live in the private rented sector (PRS).²³ This represents about 380,000 people, up from 250,000 in the 2011 census. However, as Chart 2 shows, 9.3% of 55-64-year-olds (363,000 people) and 15.8% of 45-54-year-olds (719,000 people) rent privately. For these households, many will be expecting to retire in their mid-to-late 60s and are therefore unlikely to have time to take out and pay off a mortgage independently, if they have not done so already. While many such individuals will either inherit property or eventually get allocated to social housing, it is quite likely that many will end up renting privately into their retirement.

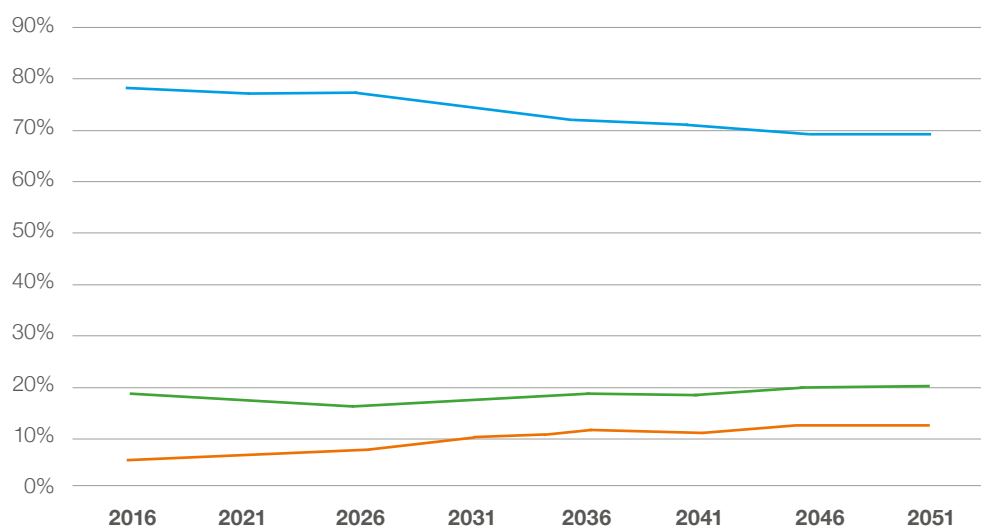
The Inquiry commissioned the Social Market Foundation (SMF) to forecast future growth in the private rented sector. The forecasts are based on the current tenure distribution of age groups in the UK, trends in housing affordability (forecasted by the Office for Budget Responsibility; OBR), and ONS projections of household and population growth.²⁴ Considering these factors, the SMF estimated that the proportion of households aged over 64 who are privately renting will increase from around 5% to 12% by 2046, more than doubling. This is largely due to an expected fall in the proportion of older households who own their property, from 78% to 69%. Most of the decline in this group is expected to translate into increases in the private rented sector.

Affordability in the PRS

It is no small matter that more retired people may end up renting privately. Private renting is the most expensive tenure²⁵, and private renters spend more as a proportion of their income on rent than those in any other tenure (despite the lower incomes of those in social housing).²⁶ Across all age groups, around 33% of private renters' income is spent on rent after Housing Benefit is taken into account.

Chart 3
Forecasted housing tenure for households with a household reference person aged over 64

- Owner-occupation
- Social housing
- Private renting



Source: SMF analysis

Chapter 2. The Emerging Crisis

2.1 Older people and the private rented sector

- 27 Valuation Office Agency (2018) Private Rental Market Summary Statistics – April 2017 to March 2018.
- 28 DWP (2019) Data tables: Pensioners' income series 1994/95-2017/18. Table 2.1.
- 29 Affordable Housing Commission (2019) Defining and measuring housing affordability – an alternative approach.

Nationally, the median monthly rent for a property is £675, but this masks substantial regional differences. In the North East, where rents are lowest, the median monthly rent is £495. In Inner London, however, the median is £1,600.²⁷ In some regions with very low housing demand, private rents are similar to or lower than social rents and can be covered by Housing Benefit for households with low incomes.

Private renting can pose serious affordability challenges for working-age households, but the risks are even greater for older people. On average, pensioner households have a net income before housing costs of £344 per week (median).²⁸ This means that the median private rented property would cost almost 46% of the median pensioner's income nationally: considerably above the commonly-used affordability benchmarks of 30-40%. For low-income pensioners, private renting would be simply unaffordable in areas with higher rents.

The SMF also estimated the future affordability of private rents for the Inquiry. Drawing on data from the 2017/18 Living Costs and Food Survey, they estimated rents as a proportion of household income across private renters in different age groups. They then considered what would happen to these groups under different scenarios for rent price growth:

- Rents growing in line with headline inflation (2% per annum)
- Rents growing in line with household incomes/earnings (3% per annum)
- Rents growing faster than earnings and overall inflation (4% per annum)

The Affordable Housing Commission (AHC) has been working on definitions of housing affordability. The AHC considers that problems may well emerge where more than a third of household income is spent on the rent, and housing costs simply become unaffordable if they exceed 40%.²⁹ Table 1 below considers the proportion of older people renting privately who will be devoting more than 33% of income to their rent, while Table 2 considers the more extreme case of those devoting over 40% to their rent.

As Tables 1 shows, even in the optimistic scenario, almost half of over 64s are expected to be paying over a third of their net incomes on private rents by 2048. In the pessimistic scenario this could be as high as 82.5%.

Table 1
Proportion of older private renting households with rents in excess of 33% of net incomes (equivalised)

	Optimistic scenario	Central scenario	Pessimistic scenario
2017/18	54.1%	54.1%	54.1%
2027/28	50.8%	55.1%	57.7%
2037/38	54.9%	64.7%	77.3%
2047/48	48.5%	66.9%	82.5%

Table 2
Proportion of older private renting households with rents in excess of 40% of net incomes (equivalised)

	Optimistic scenario	Central scenario	Pessimistic scenario
2017/18	44.2%	44.2%	44.2%
2027/28	39.5%	44.1%	48.1%
2037/38	43.9%	52.3%	62.2%
2047/48	36.7%	50.1%	70.2%

Source: SMF analysis

Chapter 2. The Emerging Crisis

2.1 Older people and the private rented sector

- 30 IFS (2019) "Doubling of the housing benefit bill is sign of something deeply wrong". Paul Johnson. Article 04 Mar 2019.
- 31 Healey, J. (2015) High aspirations, sound foundations: a discussion report on the centre-ground case for building 100,000 new public homes. Smith Institute.
- 32 DWP (2018) Housing Benefit caseload statistics: data to May 2018.
- 33 Rugg, J. and Rhodes, D. (2018) The Evolving Private Rented Sector: Its Contribution and Potential. University of York: Centre for Housing Policy.
- 34 Resolution Foundation (2019) "To build, or not to build: that is the question". Stephen Clarke. 12 April 2019.

Under the central scenario, for recently retired households (aged 65-74), the proportion with unaffordable rents is set to increase over the next two decades, reflecting the higher proportion of low income households in the private rented sector compared with prior generations (where such households were more likely to be social renters). However, this proportion is expected to then fall back slightly in 30 years' time, reflecting a cohort of relatively high-income households in the private rented sector: households at income levels that would have permitted homeownership in the past.

The 33% and 40% affordability thresholds used in Tables 1 and 2 are not perfect measures for affordability problems: the amount of disposable income left after rent will naturally vary substantially according to income level and other spending needs. However, Table 3 shows that older private renters will disproportionately be on lower incomes (defined as those with less than 70% of the median income for their age group), especially those aged over 74. High income is defined as those with incomes 1.3 times the median, and middle income is those in between. This means we can safely expect affordability problems for a substantial proportion of older private renters.

Clearly those for whom housing costs mean sliding into poverty in older age will need support. It is hard to see how they can sustain their tenancy, quite apart from their accommodation proving costly to heat and care for. What is required for so many of those who fall into this affordability trap, is the opportunity to downsize to a place where rents are genuinely affordable.

Looking into the more distant future, the effects of auto-enrolment into occupation pension schemes may well reduce the numbers for whom private rents will be unaffordable, but the surge in demand as Generation Rent reaches retirement age will still be highly significant.

Housing Benefit and the PRS

The high cost of private renting has implications not only for individuals but for government. Pensioners whose income does not cover the cost of their rent will require more support in the form of Housing Benefit (HB). The growth of the PRS for younger households has already directly resulted in a booming of HB costs: spending on this benefit has doubled since the early 2000s to £22 billion a year, largely driven by the growth of private rented housing as well as more expensive forms of social housing.³⁰ It is expected to reach £45bn in real terms by 2050-51³¹, although it is difficult to identify how much of this is specifically due to the PRS.

Over a quarter of Housing Benefit claimants are aged over 65.³² 45% of older private renters claim HB, a very high proportion compared to other age groups.³³ As the retired population is expected to grow substantially this poses significant risks for the welfare system.

Resolution Foundation (RF) has estimated that without a substantial increase in social rented supply, the Housing Benefit bill could increase by 150% by 2060.³⁴ Even with a significant increase to an additional 34,000 social rent homes per year, the HB bill is still anticipated to increase by 70%. They emphasise that in the long-run the decision to increase grant for social housing pays for itself in terms of reduced welfare spending.

Table 3
Income distribution of older private renting households (by age of household reference person)

	Low income		Middle income		High income	
	65-74	75+	65-74	75+	65-74	75+
2017/18 (actual)	42.9%	40.7%	35.7%	40.7%	21.4%	18.5%
2027/28	48.1%	42.9%	24.7%	35.7%	27.3%	21.4%
2037/38	58.5%	48.1%	27.2%	24.7%	14.3%	27.3%
2047/48	39.8%	58.5%	39.4%	27.2%	20.8%	14.3%

Source: SMF analysis

Chapter 2. The Emerging Crisis

2.1 Older people and the private rented sector

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- 35 Intergenerational Commission (2018) A New Generational Contract: The final report of the Intergenerational Commission.
- 36 Until 2001, benefits were administered by the Department of Social Security (DSS).
- 37 The Big Issue (2019) "Rightmove is following the crowd in banning 'No DSS' adverts". Liam Geraghty.
- 38 WPC (2019) "No DSS" clauses – restrictions on benefits recipients in the private rental sector. Letter.
- 39 Shelter analysis of Freshfields research in: Shelter (2016) Time for reform: How our neighbours with mature private renting markets guarantee stability for renters.
- 40 London Age UK (2017) Living in Fear
- 41 Shelter analysis of 2016/17 English Housing Survey results.

Analysis by the Intergenerational Commission (convened by RF) looked at pensions and found that existing pensioner incomes have performed strongly due to "defined benefit" pensions, and auto-enrolment means that younger cohorts have got off to a relatively good start (wider economic risks aside).³⁵ However, there is a risk of a "bubble" of those in the middle, who require more state support as they are less likely to have defined benefit pensions and did not start saving from a young age.

Lastly, for those pensioners who do receive Housing Benefit, there is an additional risk. Years of problematic administration of the welfare system, as well as a perception that low-income tenants are less reliable, has led many private landlords to avoid taking on tenants who use Housing Benefit (or its replacement for working-age households, Universal Credit). This is particularly concerning for older tenants who are more reliant on it. The result is often a blanket "no DSS" policy³⁶; according to the National Landlords Association (NLA), only 18% of landlords nationally accept tenants on Housing Benefit, and just 11% in London.

Recent media debates have resulted in several major property websites banning the phrase "no DSS" from advertisements³⁷, but it is unclear that banning the words themselves will prevent landlords from refusing tenants on HB, especially as many cannot accept HB claimants under the terms of their mortgage. The Work and Pensions Committee recently wrote to banks requesting that they ensure that their terms do not indirectly violate equalities legislation.³⁸

Security of tenure in the PRS

Security of tenure is another problem faced by private renters. Currently, England has relatively limited protections from eviction: private renters can typically be evicted with two months' notice, assuming they are not within the first six months of a tenancy. This makes England quite unusual by European standards: most countries with large private rented sectors offer permanent security.³⁹ Landlords are not required to provide grounds for the eviction if they use a "Section 21" notice (although they may also use other grounds to evict, for instance in the event of rent arrears). In April 2019, Government announced that it would abolish Section 21 evictions in England pending consultation. Scotland and Wales have also already moved towards indefinite tenancies.

Our Inquiry heard from a number of witnesses that limited security of tenure was a particular concern for older people, as many seek a long-term home to spend their later years in. London Age UK's report "Living in Fear" found that security of tenure was a major concern for older tenants on ASTs. Older tenants were described as avoiding investment in their home in case the landlord evicted them to get higher paying tenants, and in some cases even limiting the number and size of possessions so that moving would be less challenging if they were evicted.⁴⁰ Older private renters are the most likely age group to be evicted, with 30% forced to move because their landlord gave them notice.⁴¹

Our Inquiry heard that there are certain challenges for landlords wishing to offer longer term security of tenure to older tenants. While leases of over 21 years benefit from zero VAT – especially useful for new builds, where the developer could claim back VAT costs for the development – tenancies over 20 years open the risk of enfranchisement and are therefore undesirable for landlords looking at long-term returns.

Chapter 2. The Emerging Crisis

2.1 Older people and the private rented sector

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- 42 Nicol, S. et al. The cost of poor housing in the European Union. BRE Briefing Paper.
 - 43 English Housing Survey, Headline Report 2017-18.
 - 44 Centre for Ageing Better (2018) "Strategies for older people's housing must focus on general needs". Press release.
 - 45 BEIS (2018) Annual Fuel Poverty Statistics Report (England: 2016 Data)
 - 46 E3G and National Energy Action (2019) "17,000 people in the UK died last winter due to cold housing". Press release, 15 February.
 - 47 Evidence presented to the Inquiry by the Centre for Ageing Better.
 - 48 Office for National Statistics (2018) English Housing Survey 2016 to 2017: social rented sector. [Latest available release]

We also heard that Stamp Duty Land Tax (SDLT) is payable on all leases where the net present value (NPV) exceeds £125,000. As private rents in some areas of the country – especially for higher-end properties – can easily run into the thousands per month, relatively short tenancies may trigger SDLT liability (for which the tenant is responsible). Indefinite tenancies are treated as a "growing lease" whereby the NPV is recalculated for each additional year. In other words, there is a risk that longer tenancies may create tax liability. Assured Shorthold Tenancies (ASTs) longer than seven years also require the tenant to register with the land registry. This contributes to landlord reluctance regarding longer tenancies.

Quality of the PRS

The UK has the oldest housing stock in Europe, with nearly 38% of our homes dating from before 1946.⁴² The private rented sector has the worst stock condition of all tenures, with 25% failing to meet the Decent Homes Standard. This compares to 19% of owner-occupied homes and 13% of social rented homes. There has however been a substantial improvement across all tenures in the last 10 years, with the proportion of non-decent homes in the PRS falling from around 35% in 2007.⁴³ Newly built rented homes by specialist private sector developers are to a much higher standard than the PRS stock of yesterday.

Nevertheless, older people today are more likely to be living in non-decent homes than other age groups.⁴⁴ Independent Age informed the Inquiry that 40% of older private renters are living in non-decent homes, almost double the rate of owner-occupiers and triple the rate of social renters. Over a third reported problems with their accommodation (this implies that some are living in non-decent homes without reporting this as a problem).

Older homes are also harder to heat and therefore exacerbate the risk of fuel poverty. Households in the private rented sector are twice as likely to be in fuel poverty than the national average.⁴⁵ National Energy Action and E3G estimate that 17,000 excess winter deaths over the last five years can be directly attributed to fuel poverty and a further 36,000 are attributed to conditions relating to living in a cold home. This makes the UK one of the worst in Europe for cold-related deaths.⁴⁶

Accessibility in the PRS

Accessibility is also a huge challenge in the private rented sector. In particular, there is a huge disparity in access to adaptations between the PRS and the social rented sector. While 19% of households eligible for the Disabled Facilities Grant (DFG) rent privately, they receive just 7% of the awards. This compares to 9% of households in the social rented sector who receive 32% of the grant.⁴⁷ In addition, many social landlords also spend directly on adaptations for their tenants, further skewing the expenditure in favour of social renters.

DFG is normally subject to a requirement to prove the recipient intends to live in the house for at least five years, which is difficult to prove in the private rented sector where six-month or one-year tenancies are typical. The Inquiry heard that some local authorities are loosening this requirement. Landlords may also be reluctant to permit adaptations as the cost of returning the property to its original condition, in the event that the tenant leaves, can be high.

According to the English Housing Survey, there are over 1 million pensioner-headed households in the social rented sector, or 15.8% of the total. A further 1.5 million are aged 45-64, so there is a substantial group of social tenants who will be expected to reach retirement in the coming 10-20 years. However, the number of "older old" households (headed by someone aged over 74) living in the social rented sector has declined drastically since the late 1990s, from 854,000 to 530,000.⁴⁸

Chapter 2. The Emerging Crisis 2.2 Older people and the social rented sector

49 Shelter (2012) Bricks or benefits? Rebalancing housing investment. Policy report.

Most older social renters live in “general needs” or mainstream housing, rather than specialist units. The Inquiry heard that while sheltered housing was popular when developed in the 1970s and 80s, it has since seen a drop in desirability. Some housing associations described sheltered units as “hard-to-let” comparative to family homes, for which there is enormous unmet demand.

The Inquiry asked the housing association Riverside about how many of its tenants in family accommodation would pass the age of 65 over the next twenty years and whether it would have sufficient downsizer accommodation for them. Riverside estimated that around 12,000 households in family homes (with 2 or more bedrooms) would have a main tenant turning 65, or an average of 600 a year. Over the last 10 years, it has had an average of just over 500 vacancies in its sheltered accommodation per year. This would mean that there are sufficient vacancies arising to house a significant proportion of its potential internal downsizers. Many of these will not desire to move, and some may have additional family members that make a two- or more bedroom property appropriate. In other words, assuming that existing sheltered units are kept updated,

Riverside is unlikely to encounter a crisis in housing its own tenants as they age. While it is not possible to say whether this applies for other associations (given the substantial variation in both stock type and tenant base), it does suggest that much of the unmet demand for retirement housing will originate from the private rented sector.

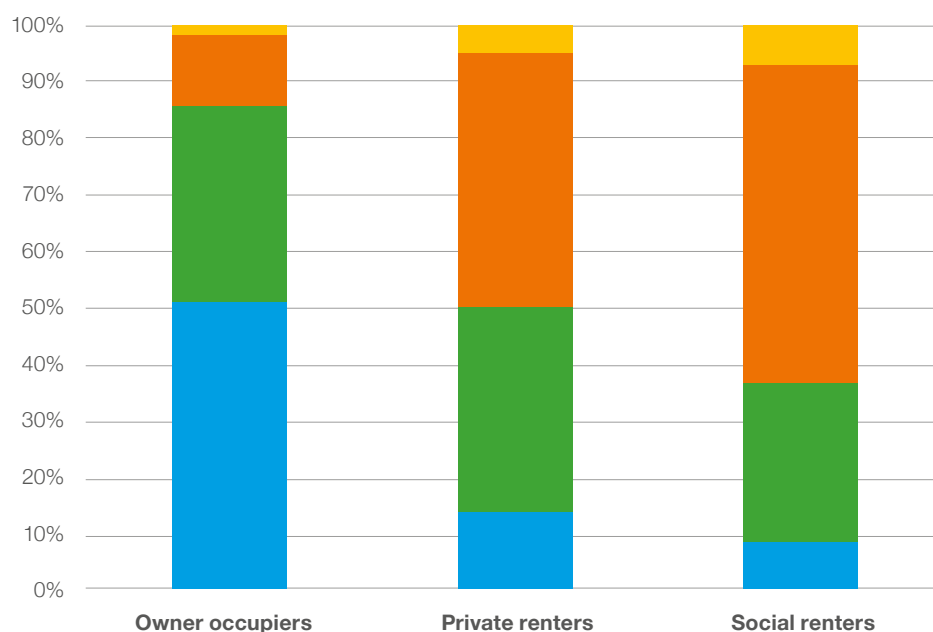
The UK has seen a substantial decline in investment in social housing in recent years and a move towards more market-based provision of housing. This has been evidenced in the trend towards subsidy to individuals (such as Housing Benefit) rather than subsidy through the form of guaranteed low rents. There are arguments in favour of this: namely that individual subsidy can be more effectively targeted at those in need over the long term.⁴⁹ However, investment in “bricks and mortar” through the development of sub-market rented homes can ensure against a spiralling of welfare spending and provide long-term returns to the public purse, in addition to the benefits of security and affordability to the individual.

Under-occupation

The issue of older social renters and under-occupation of social housing is often raised, although on average fewer social renters are under-occupying than in any other tenure (see Chart 4).

Chart 4. Under-occupation and overcrowding by tenure

■ Under-occupied
■ One above standard
■ Bedroom standard
■ Over-crowded



Source: English Housing Survey (three-year average). MHCLG 2016-17. Determined by the Bedroom Standard.

Chapter 2. The Emerging Crisis

2.2 Older people and the social rented sector

Analysis by the Ministry for Housing, Communities and Local Government (MHCLG) suggests that age of the household reference person is strongly associated with the likelihood of under-occupation (with older tenants most likely to under-occupy).⁵⁰

This poses a number of potential issues. While pensioners are not subject to benefits restrictions such as the Benefit Cap or the “removal of the spare room subsidy” (most commonly known as the “bedroom tax”), which reduces Housing Benefit/Universal Credit entitlement for renters with spare bedrooms, under-occupation prevents families from accessing family homes. This is of concern in any sector when housing supply is constrained, but especially so in social housing when demand vastly outstrips supply. Secondly, large homes are harder to maintain: both in terms of cleaning and in terms of energy usage, and are less appropriate as we age. As mentioned in Chapter 1, fuel poverty is a serious issue and living in an oversized home (especially if it is not energy-efficient) is a risk factor.

Need for specialist accommodation

The Inquiry asked the SMF to estimate the proportion and number of older households that could benefit from specialist accommodation over the coming years: while not all of this is necessarily in the social sector (it includes private retirement units), the majority of current specialist stock is social housing.

Social housing has the lowest rate of older people living in unsuitable accommodation, at just 13% compared to 22% of owner-occupiers and 34% of private renters.⁵¹ Applying these proportions to the tenure projections discussed above, the SMF estimated the proportion of households that would benefit from specialist accommodation (see Appendix B for further information). They estimated that the number of households will increase from 729,000 to about 1.2 million by 2046, as the population ages. Private renters are expected to account for about two fifths (38%) of this growth – a disproportionately high amount. The model does not account for the number of older households that will adapt homes that are unsuitable, rather than relocate, as this is difficult to predict.

50 MHCLG (2018) English Housing Survey: Variations in housing circumstances, 2016-17.

51 SMF analysis of English Housing Survey 2010/11 and 2011/12.

Table 4
Number of over 65s households with long-term illness/disability, living in non-decent homes, UK, by tenure.

	Owner-occupied	Private rented	Social rented	Total
2016	574,349	56,471	98,241	729,060
2021	616,680	80,349	102,600	799,630
2026	677,554	103,393	109,940	890,887
2031	730,765	141,370	128,475	1,000,609
2036	769,160	188,307	143,487	1,100,955
2041	794,490	207,378	153,471	1,155,340
2046	797,395	236,522	167,322	1,201,239
2051	832,403	233,145	173,179	1,238,727

Source: English Housing Survey, SMF analysis

Chapter 2. The Emerging Crisis

2.2 Older people and the social rented sector

- 52 The Smith Institute (2017) *Safe as houses: the impact of universal credit on tenants and their rent payment behaviour in the London boroughs of Southwark and Croydon, and Peabody.*
- 53 DCLG (2009) *Research into the financial benefits of the Supporting People programme, 2009.*

Barriers to the supply of social housing

Witnesses to the Inquiry made clear that financial barriers to new social supply originate in four key areas:

- Initial capital funding for the development of new social homes (i.e. development grant). The precipitous drop in supply of social homes over the last decade has been largely attributed to the government’s decision to reduce capital commitment. While there has been a slow recovery in the past few years – partially due to housing associations’ decision to cross-subsidise through private sales – supply remains considerably below historical levels.
- Revenue funding, or welfare support for tenants who may struggle to meet their rent liability alone. Successive welfare reforms – including the introduction of Universal Credit – have hindered social landlords’ ability to collect their rent due.⁵² The importance of assuring these revenue streams was highlighted in 2015 when the then-Chancellor announced that all social rents would be limited to the Local Housing Allowance (LHA) level. Supported schemes, due to the extra services they offer, typically have rents that are higher than the LHA levels. Many social landlords immediately cancelled planned developments which would no longer have been viable. Fortunately this decision was then reversed in 2018, the year it had initially been planned to take effect.
- Support funding: while the decision not to apply the LHA cap was exceedingly welcome, the Inquiry heard that around 85% of housing-related support funding has dried up in recent years, despite evaluations demonstrating that the Supporting People programme was enormously cost effective.⁵³ Older people are one of the key groups that benefitted from this programme.
- Social care funding: our Inquiry heard that the precarious nature of social care funding has caused housing associations to drop planned schemes. Unlike general needs or mainstream schemes, specialist housing cannot be easily converted to other types of housing in the event that appropriate funding for the client group is not available. This means that development needs to “stack up” before the scheme can be developed. We also heard that in the current funding environment, local authority commissioning of care is a huge challenge: payment offered for some contracts is less than the cost of delivering them.

Maidford Road, Riverside

In 2015, housing association Riverside opened a 46-unit downsizer scheme in Maidford Road, Liverpool. It includes both apartments and bungalows and is aimed at over-55s; it is not a sheltered scheme so only housing management is provided. It was developed in response to the “bedroom tax” and an identified need for manageable accommodation for older people who don’t require support. The units were designed with modern energy efficiency features, meaning that the average combined fuel bill for a two-bedroom apartment is £350 a year, compared to over £1000 for a typical two-

bedroom bungalow. Residents reported feeling health benefits straight away.

However, Riverside informed the Inquiry that despite the clear need for the units, they struggled to attract older people to downsize. As a result few of the units were ultimately occupied by older people, and Riverside had to repay a portion of the grant received from the then-Homes and Communities Agency (HCA). Riverside said they would continue to build properties suitable for over 55s, but they would require flexibility over lettings when bidding for grant.

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- 54 Northern Housing Consortium (2016) A New Framework for Housing in the North: Report of the Commission for Housing in the North.
- 55 Savills (2015) Spotlight: Housing an Ageing Population.
- 56 NHBC Foundation (2017) Moving insights from the over-55s: what homes do they buy?
- 57 Centre for Ageing Better (2018) Rightsizing: Reframing the housing offer for older people.
- 58 Shelter (2012) A better fit? Creating housing choices for an ageing population.

Older people overwhelmingly live in owner-occupied housing, as Chart 2 demonstrates. 78% of those aged over 65 own the home that they live in. Those who are aged 55-64 are slightly less likely to own their home, at 75%. For those aged 45-54 this drops to just 67%. People in their 50s are substantially less likely than younger people to move into a different tenure, so it is very likely that as these groups age, we will start to see a lower homeownership rate for retirees.

While our Inquiry focused specifically on renters, it became clear during our investigations that there are some owner-occupiers who may not be in the most appropriate tenure and could benefit from moving to a rented property.

Condition of owner-occupied properties

As Table 4 shows, the vast majority of disabled older people living in non-decent housing over the coming years will be living in their own properties (although this is because the vast majority of older people live in owned properties; the tenure is not disproportionately inappropriate). There is currently around 570,000 older households with a long-term illness or disability living in non-decent homes that they own in the UK. This number is expected to grow by almost 260,000 (45%) over the coming three decades.

Owner-occupier pensioners have largely paid off their mortgage by retirement and thus do not have the same ongoing rent concerns as those in other tenures. However, our Inquiry heard that many pensioners who purchased using the Right to Buy were relatively low-income households who thus face even lower incomes in retirement. As a result, even without ongoing rent costs, the costs of appropriately maintaining or adapting the property can be challenging. The Northern Housing Consortium's report suggests that homes unfit for habitation are a particular issue in the North.⁵⁴

Downsizing and rightsizing

As older people own over £1 trillion in housing equity – many in properties that are not ideal for ageing in – encouraging older people to unlock their wealth and move into more appropriate accommodation has long been a matter of interest to investors.⁵⁵ Moving into a smaller, rented property could release equity which could either be used to fund care costs or indeed simply improve quality of life, in addition to the wellbeing and health benefits of living in retirement housing discussed in Chapter 1. This is especially the case where the older

person is on a low income and may not be able to afford maintenance or utilities for the property.

The Inquiry heard that discussions around older homeowners have been dominated by this downsizer or “rightsizer” narrative. A great amount of research has been dedicated to uncovering older peoples’ motivations for moving or staying. The NHBC Foundation found that while some were motivated by equity release, almost half bought a more expensive home and a third “upsized”. For those who did downsize, two-bedroom properties were typically sought.⁵⁶ Older people often want a room for visitors, or indeed for a carer if their health is declining.⁵⁷ The report focused on buying homes rather than renting but demonstrates that many older people are not necessarily motivated by the same efficiency or equity release arguments which interest policymakers.

One barrier is that because private rents are so high in some areas, renting is not an appropriate option. An owner who sold a £300,000 property (above the national median price) upon retirement could easily see much of this asset depleted by their mid-80s in rent without even factoring in things like service charges and care costs.

A further barrier is fear or worry about moving. Despite the well-evidenced benefits to living in retirement accommodation, including better health and wellbeing, older people tend to want to stay in place. Often older people are intimidated by the prospect of moving; especially with a lifetime of accumulated possessions. Moving into rented accommodation is often the result of a crisis: such as health crises or the death of a spouse, further worsening the intimidation and upset that an older person can feel.⁵⁸

These barriers are compounded by stigma relating both to specialist accommodation, or “old people’s homes”, and to renting more broadly. Older people may feel a sense of shame around requiring support or being cared for by someone they do not know. This has been worsened by the ageing condition of the stock; the Inquiry heard that in some instances this includes unpleasant bedsits and schemes in dire need of maintenance. Stigma in the social housing sector has also recently become a focus of government, but witnesses also described a wider stigma around all forms of renting (including private), which is often seen as an “inferior choice” to owning property.

Chapter 3. Housing supply and demand: solutions

59 Hanover (2014) Sizing up the situation: the advantages of downsizing.

60 Savills (2018) Spotlight on Retirement Living.

61 Demos (2014) The affordability of retirement housing. Report for the APPG on Housing and Care for Older People.

Having established the scale of the emerging crisis in housing our ageing population, and many of the barriers faced in addressing it, this chapter turns to the potential solutions. We focus on five key areas:

- A national strategy
- Substantial increase in social provision
- Specialist provision by the private rented sector
- Helping older owners into appropriate rented housing
- Intergenerational rental housing

Recommendations are listed in the **“conclusions and recommendations”** section at the start of this report.

3.1 Building new homes to suit all ages

A strategic plan to head off a crisis

Despite a high proportion of older households likely to benefit from specialist housing, the number of tailor-made retirement properties constructed each year has decreased – from around 30,000 in the 1980s to 8,000 today.⁵⁹ Moreover, the emphasis has switched from the building of sheltered housing at modest rents by social landlords to homes for sale for homeowners wishing to “rightsize”. Today only around 2,000 rented homes

a year are being built by social landlords specifically for the older generation, plus a few hundred shared ownership units.⁶⁰

Previous reports from the APPG on Housing and Care for Older People have considered the scale and nature of the market for older home buyers. Survey research for the APPG carried out by DEMOS suggests that about a quarter of owners over 60 years old are interested in rightsizing⁶¹, creating a potential market of some 30,000 buyers per annum – five times the current programme of the specialist private sector providers. Some housing associations are contributing to the supply for this market, on a small scale. And the specialist retirement community providers are producing some imaginative developments with an extensive range of facilities, again on a modest scale.

We thus expect that in the future there will be a substantial growth in demand for rental housing for older people, and believe that there is now a window of opportunity to act before the need becomes a crisis. We recommend that government should plan strategically for the growing need for rental housing of our ageing population, through a National Strategy. This should recognise the likely growth in the private rented sector, the challenges that this creates, and encourage investment in the social rented sector to head off this eventuality. It should also consider that in some situations older homeowners may benefit from moving to rental housing to free up some equity; consideration should be given to how their needs can be met.

Millcroft, One Housing

One Housing is one of London and the South East’s largest providers of supported accommodation to people with complex needs, giving care and support to around 9,000 people.

Millcroft is an Extra Care scheme based in Oxfordshire. Completed in August 2017, it has forty affordable apartments with ten for shared ownership and thirty for affordable rent. The scheme is part of One Housing’s “Season” portfolio which

promotes independence and active lifestyles among residents for as long as possible. The range of amenities located on site include a hairdressing salon, a licensed bar, gardens, cinema and spa.

Properties are let out where there is a genuine care need to customers that require at least seven hours of care per week. One Housing also provides personalised lifestyle support when needed with care packages that can assist with household tasks, shopping, and medication management.

To qualify for an affordable rent home at Millcroft, customers can have no more than £60,000 in savings and must be unable to afford a similar property on the open market. Millcroft was built as part of a Section 106 agreement with private developer David Wilson Homes. This partnership allowed One Housing to mitigate the financial risk of the development.



Chapter 3. Housing supply and demand: solutions

Demand for rented retirement accommodation

We have forecasted three “streams” of housing demand for rented units for older people.

First, there are the older private and social renters with limiting disabilities or illnesses, who are living in unsuitable housing. These households may benefit from more specialist forms of housing – at affordable rents – such as sheltered housing or Extra Care. We estimate in Chapter 2 that we will need an additional 360,000 specialist rented units to meet the needs of this group, around 12,000 per year.

Second, there are the households living in the private rented sector for whom a move is likely to be a necessity. As income declines substantially in retirement, we are expecting the greatest need – around 630,000 units over 30 years (excluding those covered under the first stream) – to come from those facing unaffordable rents in the private sector. This would equate to 21,000 units per year. We have described this group in more detail in Chapter 2 and the figures here are certainly alarming.

We expect that these households will require rented homes in the social sector.

Third, there is the stream of renters who are currently living in the family-sized properties of local authorities and housing associations. These are under occupying accommodation very badly needed by younger households but we would be much opposed to placing pressure upon them to move, in older age, against their wishes. Building new well designed apartments and bungalows that are properly age friendly ought to be high on the agenda of the social housing providers since such accommodation achieves “two for one” with the release of the family home. As our other reports have made so clear, there are considerable gains for health and social care services if older people are relocated – preferably within the same community – to purpose built, accessible housing.

We estimate that 11,000 homes per year that would need to be constructed to offer every under-occupying older person a “rightsizer” home. It is hard to speculate what proportion of those who are over pension age and currently in general

St Peters' House, Peabody

St Peters' House is located in Hackney and was completed in 2016 on the site of two pre-existing sheltered schemes. The scheme contains 39 homes at social rent, with one-third of these providing an intermediate level of care service, and the remaining two-thirds being sheltered accommodation. Peabody consulted with both the Alzheimer's

Society and the Dementia Design Centre at the University of Stirling to ensure the scheme was sufficiently dementia friendly. This led to several design features such as colour-coordinated doors, themed decoration to aid wayfinding, and good visibility of access points into the building. The design also made good use of the available space, maximising scale and return on investment without negatively impacting on the quality of the homes or restricting communal space.

Capital grant funding was provided by London Borough of Hackney (LBH) to aid initial build costs, which allowed Peabody to deliver the accommodation without the need to consider intermediate rent models. As a result of their close ties with LBH, Peabody is in the process of securing long term funding for the Extra Care model, and will also be assisting the local authority to re-map and modernise delivery of housing with care for its ageing population across Hackney.



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62 LGA (2017) “‘Residential revolution’ needed for England’s ageing population, says LGA”. Article published 08 Sep 2017.

needs social housing would happily move to more suitable homes. We thus suggest a ballpark target might be 5,000 homes per year, but we would suggest that providers maintain flexibility to allocate the properties to younger age groups if the demand is not forthcoming in the near term.

Adding these three streams together, it can be seen that in the years to come we can expect very considerable need which, on the basis of present production, stands no chance of being met.

The Local Government Association, in their report on Housing an Ageing Population, called for a “residential revolution” in the supply of purpose-built older people’s accommodation.⁶² It is also clear from our analysis and from the information received from participants that a substantial increase in the supply of homes for older people is required. Government has accepted the need to drastically increase overall housing supply, including of social housing, but much less has been said about the benefits of providing homes for older people. Not only do these directly meet need, but it allows need to be met “further down the chain” by freeing up unnecessarily large family homes which are currently occupied by small older households. Based on combining the above figures (assuming the 5,000 target for downsizers), there will be a shortfall of over 1.1 million rented retirement housing units in thirty years’ time: around 38,000 per year.

It is worth remarking that these 1.1 million rented units meet a need for those whose current housing is inappropriate: further supply of retirement housing for purchase by rightsizers will also be necessary and should be encouraged.

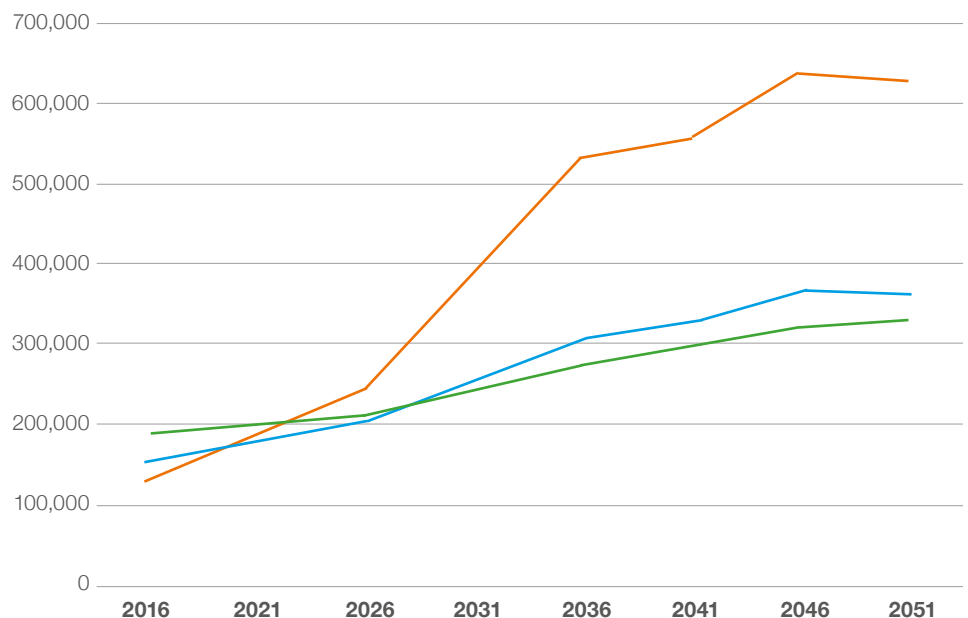
Additionally, we recognise that most older people prefer to stay in their home rather than rightsizing. Drawing on the HAPPI principles, we urge government to be bolder in requiring homes to be built to certain space standards and “lifetime homes” features that prevent them from being appropriate to older and disabled people. Over the long run, this may include requiring all homes to meet Category 2 Part M of the Building Regulations. We recognise that this is an ambitious target and thus have recommended that in the meanwhile, Local Planning Authorities introduce targets for these standards and for full wheelchair-user homes, as the Greater London Authority has done.

Planning for older peoples’ housing

Many of the Inquiry’s witnesses raised one point: that there is no one “older person”. The definition of “older” varies depending on the context. In this report we have typically focused on retirees, as this is a useful demarcation given the expected change in income and lifestyle that comes with retirement. However, for planning purposes, often units are reserved specifically for those aged 55 and over. Our witnesses highlighted many people aged 55 are still very active, and have no need (or desire) for any specialist type of housing.

Chart 5. Estimated demand for and supply of housing for older people

- Shortfall of specialist retirement homes for rent
- Under-occupying older social renting households
- Over 65s struggling to afford private rents



Source: SMF analysis. See Appendix B.

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- 63 Joseph Rowntree Foundation (2019) Pensioner poverty. Data resource.
- 64 Race Equality Foundation & Housing LIN (2019) Housing and the older ethnic minority population in England.
- 65 Stonewall Housing (2016) Building safe choices – LGBT housing futures: a feasibility study.
- 66 Beach, B. (2018) Stronger Foundations: International Lessons for the Housing-with-Care Sector in the UK. Report for ARCO and Legal & General.
- 67 See: <https://www.housinglin.org.uk/Topics/browse/HousingExtraCare/ExtraCareStrategy/SHOP/>

Talking about “older people” also belies huge differences across the group. While discussion often focuses on older people as a relatively affluent group with substantial housing equity, there remains a substantial minority of pensioners who live below the relative poverty line.⁶³ Housing LIN and the Race Equality Foundation recently investigated housing outcomes for older people of different ethnic groups and discovered that most minority ethnic groups experience higher rates of housing deprivation than white British.⁶⁴ LGBT older people may also face particular concerns about moving into more communal living environments (such as sheltered housing), and having to hide their sexuality from other residents or even staff.⁶⁵

As a result, we caution against considering older people as a monolithic group. In order to address the looming crisis, a wide range of housing types, at various price points, will be necessary.

In this vein, uncertainty about the definitions of scheme types was raised repeatedly during the course of the Inquiry. Our witnesses argued that the definitions of scheme type should be based on need. Associated Retirement Community Operators (ARCO) have created a classification system which they believe covers 95% of UK provision (see graphic 1), but government should take the lead with clear definitions for the different levels of provision. An ILC-UK report for ARCO and Legal & General suggests that sector-specific legislation

and regulations for housing-with-care, in line with countries with developed retirement market sectors, could provide better consumer confidence and certainty to investors and operators.⁶⁶

With that said, our witnesses repeatedly pointed to the fact that local authorities are not required to assess how many new homes they need for older people specifically. This could be remedied by requiring local authorities to assess how many units they require and proactively plan for this.

Some local authorities, such as Newcastle City Council, have a specific Specialist Housing Delivery Plan focusing on older people as well as those with disabilities or conditions that require specialist housing. Tools such as the Strategic Housing for Older People (SHOP) Toolkit⁶⁷, developed by Housing LIN, can be used to support local authorities to understand supply and demand of housing for older people and ensure adequate provision of certain types of housing, across tenures.

Our Inquiry heard that some local authorities were concerned about permitting the development of older peoples’ housing, as their adult social care budgets are already struggling to meet demand. However, this is a false economy. The evidence that appropriate housing can improve health outcomes and reduce the need for support is compelling, and by restricting the development of such housing, local authorities risk worsening future budgetary pressures.

Prory View, Central Bedfordshire Council

Opened in 2016, Prory View is an award-winning 83-unit Extra Care scheme developed by Central Bedfordshire Council. It contains a mixture of Affordable Rented and Shared Ownership homes and on-site care and support is available

24-hours. The facilities are designed to create a sense of community and include five lounges, a café, a public bar and restaurant, spa therapy rooms and even a hair and nail salon.

Central Bedfordshire Council have been proactive in assessing the need for older peoples’ housing. Building on research, including as the HAPPI reports, they conducted their own in-depth research into propensity to move, drivers for moving, preferences and downsizing. They estimate that if they can meet demand with the right range of products they could free up at least 5,400 homes with 3 or more bedrooms. Accordingly, they have proposed policies in their Local Plan to require at least 20% of new developments to be downsizer dwellings.



3.2 Substantial increase in provision of social housing

Our Inquiry found that, in its current form, the private rented sector is likely to be inappropriate to older people seeking affordability, security, and quality. Yet, as our forecasting suggested, some 12% of older people are expected to be renting privately by the late 2040s. Some of the challenge may be alleviated by reforms to the private sector (see section 3.3), but amongst our witnesses and panel members there was an overwhelming agreement that a substantial increase in provision of social housing for older people is necessary.

As supply of social housing has waned over the last decades, in higher-value areas of the country has gone from being a mainstream tenure expected and desired across the income spectrum, to being an “ambulance service” for those unable to cope in the private rented sector. The enormous gains made against slum housing during the post-War building boom – and the associated benefits to health and happiness – have begun to be eroded by high housing costs and strict gatekeeping of limited social supply. We also heard, however, that in some areas of the country such as the Northeast it is considered a highly desirable tenure sought after by a wider range of households; those who are excluded from social housing end up in the PRS.

We have already seen the impact of this on the younger generations: far higher housing costs than previous generations resulting in a lack of wealth accumulation.⁶⁸ Carried forward this creates huge risks for older people too. This Inquiry thus believes that a substantial increase of social housing supply, including new homes targeted at older people, can help to head off the crisis. Supplying smaller flats for older people (and bungalows, in areas where land supply is less of an issue) – if they are well designed and desirable – also has the benefit of allowing older people who are in inappropriate and oversized general needs properties to free up family properties.

As the report has shown, a proportion and number of older people in the private rented sector is expected to grow rapidly over the coming decades. This risks creating a future funding crisis as Housing Benefit (and its replacement, Universal Credit) costs are higher for private renters than social renters. Our Inquiry thus believes it would be more effective to pay to develop more social housing now than it is to pay greater subsidy through housing benefit. Network Homes highlighted in recent research that the cost of developing homes has increased by over 15% since 2010, but grant availability has fallen by two thirds. As a result, 75% of overall development costs have to be funded through cross-subsidy, as opposed to 50% just ten years ago.⁶⁹

68 Resolution Foundation (2018) A New Generational Contract: The final report of the Intergenerational Commission.
69 Network Homes (2019) Why aren't housing associations building more social rented homes?

“We should be aware that there is no longer a ‘retirement age’, but should take account of ill health and providing good housing, with a range of stock suitable for ageing populations.”

Quote from a roundtable participant at the Housing Forum’s Working Group on Older People, submitted to the Inquiry.

Chapter 3. Housing supply and demand: solutions

70 Homeless Link (2013)
Who is supporting people now? Experiences of local authority commissioning after Supporting People.

However, we were warned by social housing providers that capital grant funding alone is not necessarily enough. Developers and investment need to be assured of long-term revenue funding security of their schemes. Supporting People funding, for instance, has almost disappeared: in some areas housing-related support budgets were expected to fall by as much as 85%⁷⁰ and there is uncertainty of how care is assessed and subsequently commissioned and paid for. Housing associations warned us that the hourly rate offered for support services by some local authority commissioners does not cover the cost of delivering the service.

In addition to developing new stock, we also heard that some of the existing stock for older people has declined in quality over the years or is being demolished; we thus recommend that housing associations and local authorities review their existing stock and ensure that homes for older people are adequately maintained and replaced.

We have given ambitious targets for the development of new rented units. It is possible that, in the early years of our 30-year period, demand (or need) for these units is not as strong as it will be by the end. As such we suggest that providers are flexible with their allocations policies, and if demand from older people is not forthcoming, to allocate the units to younger age groups. This serves the double benefit of supporting other age

groups in need while ensuring that age-appropriate homes are available for the future.

We also we considered incentives to encourage older social renters to downsize from family homes into more appropriate smaller units. The “bedroom tax” does not apply to pensioners and we would not advocate extending it to them, considering the limited availability of appropriate downsizer units and the potential for creating hardship. Many landlords offer help to move “carrots” instead: payments for freed bedrooms, or support with moving costs. We would encourage landlords to investigate which types of programmes are most effective and share best practice. This may include developing smaller but desirable units on in-fill spaces such as garages on existing estates, so that there is a local offer. It may also include being more flexible around allocations procedures if it means freeing up larger properties.

Lastly, we heard that some vulnerable older people are excluded from social housing, or have specific needs such as those who are leaving prison, homeless, or living in hostels. These groups are highly at risk of living in non-suitable housing due to low incomes, and are often in ill health. We heard that Sunderland City Council work with the charity Changing Lives to offer focused support to these older people and recommend that other councils work proactively with these groups as well.

Quadra Court, Anchor Hanover



Built in 2017 as a partnership between Anchor Hanover and Hill, Quadra Court is a downsizer mixed-tenure estate of 29 properties which overlooks London Fields Park in Hackney. It includes 15 properties for sale and 14 Affordable Rent homes, all of which feature a park view balcony. They are a mixture of one- and two-bedroom apartments restricted to over-55s.

We heard from Anchor Hanover representatives Claire Anderson and Nick Hodgskin that the local authority, Hackney, were supportive and understanding of the concept of the downsizer scheme. By developing pleasant, spacious properties in a highly desirable location, they were able to create “aspirational” homes that encouraged older people in family homes to downsize. They estimate that by encouraging downsizing, over 20 spare bedrooms were released due to the development.

71 MHCLG (2018) Press release: "James Brokenshire unveils Housing Court proposals"

3.3 Provision by the private rented sector

During the course of this Inquiry, it became very clear that the private rented sector, in its current state, is not appropriate for the majority of older people. This is because it offers little security of tenure for those looking for a lifetime home, offers comparatively poor quality at the bottom end of the market, and is likely to be unaffordable to retirees in many areas of the country.

The main recommendation of this Inquiry is thus that government should commit to vastly increasing the supply of social rented housing for older people, in order to ensure that no one's choice is limited to an unsuitable privately rented property. However, it is also clear that in the meantime, older people's experiences could be vastly improved by several reforms. Additionally, for a minority of older people who wish to avoid the burden of maintenance responsibility and free up housing wealth, specialist private rented schemes may be appropriate.

Reforming the private rented sector

Security of tenure is a key challenge for older renters. In April 2019, government announced that they would abolish Section 21, or "no-fault" evictions. The Scottish government has also abolished Section 21 evictions and the Welsh government has likewise committed to doing so. We believe this is the correct step, as it would ensure that tenancies are essentially indeterminate with exceptions that acknowledge justifiable grounds for repossession including for sale of the property as well as rent arrears. It would bring renting in England to a similar level of tenure security as offered by most European countries.

The National Landlords Association (NLA) warned the Inquiry that the Scottish approach to the sales ground for possession would not be directly transferable to England, as a simple offer letter would suffice to demonstrate the landlord's intent to sell. This would mean it would be relatively simple to abuse the ground. Government must therefore work to ensure there are no loopholes in the final approach.

The Inquiry also heard that investors tend to be nervous about the use of indefinite tenancies (such as assured tenancies), and generally expect developers to use ASTs where possible. In order to prevent the abolition of Section 21 evictions discouraging the development of new rented units, we propose that government should go ahead with proposals announced last year to introduce a Housing Court.⁷¹ This would mean that both landlords and tenants could receive faster resolutions in the event of property disputes. Moreover, we note the government's intention to introduce a Redress/Ombudsman scheme to resolve complaints about landlords from tenants.

Another issue is that adaptations are challenging to secure in the private rented sector. The Inquiry heard from the NLA that while the vast majority of their members were willing to accept adaptations, landlords do not typically expect to pay for these adaptations. A particular concern was that the landlord would have no guarantee that the tenant would remain in the property for long enough to justify the expense, especially as removing adaptations can be as costly as installing them in the first place. We also heard that Disabled Facilities Grant is not easily accessed by private tenants, as there is normally a requirement to evidence that the recipient will remain in the property for at least five years. Assured shorthold tenancies (ASTs) make this difficult. Some local authorities are now amending this requirement; this Inquiry recommends that others follow suite.

Our Inquiry also heard that regarding adaptations, there are both information and incentive failures for tenants and landlords. Local authorities have a key role in supporting landlords who may be concerned about permitting an adaptation in their property; for instance by providing registers or other services to link up landlords with adapted/adaptable properties and tenants who require them. Local authorities could also do more to support private renters by better publicising available support options.

We also heard that the Local Housing Allowance cap, which determines the maximum amount of Housing Benefit and Universal Credit that private renters may claim, is substantially below market rates in some areas of the country. This is due the rise in market rents after the freeze was implemented in 2016. This means that many low-income private renters need to "top up" the money for their rent,

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sometimes restricting food or utilities spending to do so. We thus strongly recommend that the Department for Work and Pensions (DWP) ensures restrictions on benefits – including ceilings, caps, and freezes – do not push older people into poverty.

Development of new specialist private rented units

Notwithstanding the above issues, the private rented sector has much to offer. For older homeowners who find themselves needing to move because of a relationship breakdown, because they want to move to a more expensive area to be closer to family, or because they want to release equity, the private rented sector has the potential to offer the solution.

Our Inquiry heard that, much like with purpose-built student blocks, the viability of new retirement developments is very sensitive to location. Central locations with good transport links are most desirable. We also heard that there is some evidence that variations in rents are not as great as variations in property values, meaning new schemes are most likely to “stack

up” in good locations in low value areas. However, we also heard that investors look kindly on retirement developments due to perceived low void levels, long-term tenancies and an affluent client base.

At the moment, most specialist private rented units for older people are on the luxury end of the market. This is driven by the fact that older peoples’ housing typically offers more generous sizing, including communal areas. As a result, it is less space-efficient. Operational costs are also necessarily higher. Developers therefore struggle to compete against mainstream housing developers who can secure greater profits per square foot of land, permitting them to bid more for the land.

To bridge this gap, we recommend that government explore opportunities – as with Venture Capital Trusts – for using fiscal instruments to encourage investment in retirement housing. Government may also look abroad to countries such as the USA, Australia, or New Zealand, to investigate means of developing a more mature market for retirement housing.

Queensgate Apartments, Birchgrove

Queensgate Apartments is a newly launched, 74-unit private rented scheme in Sidcup, developed by Birchgrove. One, two, and three-bedroom apartments are offered to over 65s on an “assisted living” basis: a care and support team are available on a flexible basis, and the rent includes one hour’s assistance per week. All apartments are wheelchair accessible.



Birchgrove apartments were designed specifically to fill the void of mid-market retirement accommodation. Uptake has been strong amongst those who do not qualify for affordable rent, but who don’t want to buy in later life due to the costs associated with conveyance, SDLT and exit fees. This unfamiliar model of tenure does take some getting used to for those who have been homeowners for their entire adult lives, but existing residents who have already moved in are clear that without this model they may well have chosen to stay in their family homes.

The Sidcup development is the first of a eight planned retirement schemes in and around London over the next five years, the next two being in Woking and Ewell Village, both in Surrey, suggesting a growing demand for and acceptance of the rental model.

Chapter 3. Housing supply and demand: solutions

- 72 Harrison Clark Rickerbys (2016) C3 or not C3? Planning use classes for retirement housing. Blog.
- 73 Family Mosaic (2017) "Take-up on downsize: how to improve housing mobility in social housing".

We heard particular concerns around the definition of different planning use classes. Use Class C3 (residential dwelling houses) encompasses typical mainstream housing. Use Class C2 (residential institutions) includes some sort of care provided to residents. Retirement housing tends to straddle these boundaries and we heard that debates about which class is appropriate can often cause substantial delays in planning. The importance of being designated C2 cannot be understated: C2 schemes are often permitted on sites where C3 housing would not be permitted, and C2 is normally exempted from Community Infrastructure Levy payments and the requirement to provide affordable housing.⁷² Our Inquiry heard that for private developers, viability often depends on the awarding of C2 Use Class, as the additional communal facilities offered by retirement housing make the schemes uncompetitive compared to traditional market schemes. We recommend that government clarify the position to avoid wasted time on planning disputes, while pointing to the importance of including affordable housing requirements on new developments.

3.4 Helping older owners into rented housing

Our Inquiry heard that for a limited number of older owner-occupiers, their circumstances may be better suited by rented housing (private or affordable). We heard that when older people do move into specialist units, it tends to be in response to a crisis: the death of a spouse, or becoming unwell or disabled. As a result, the experience can be frightening and unsettling. We heard, however, that satisfaction with older peoples' housing is very high and that it can help to prevent or delay health problems, especially those caused by falls. There is also a substantial social benefit to supporting older people to move into more appropriate accommodation, as their family homes become available to families.⁷³

Thus far, almost all policy focus has been on encouraging social renters to downsize, although older pensioners (the most likely to be under-occupying) have been excluded from the "stick" element: the removal of the spare room subsidy, or "bedroom tax" as it is more commonly known. Evaluations suggested that the policy did not encourage more moves, but of those that did move they

Selig Court, Jewish Care

Grainge Photography



Selig Court is a development of 45 one- and two-bedroom apartments in Jewish Care's Maurice and Vivienne Wohl Campus in Barnet. It was completed in 2010. Most of the apartments are privately rented, while eight are reserved for low-income households nominated by the London Borough of Barnet. Residents must require at least three hours a week of support.

Selig is one of a small number of privately rented developments in the country so Inquiry members visited to learn about how Jewish Care overcame the "gap" in viability between older peoples' housing and mainstream market schemes. We learned that the scheme costs were £12.8 million, all of which were met by charitable donations. We also learned that the decision to have a rented scheme turned out to be very fortuitous as the scheme was developed during the financial crisis; had the units been for sale, Jewish Care may have struggled to find buyers. This experience demonstrates both the potential benefits of build-to-rent for developers and investors, as well as the challenges in making good quality schemes "stack up" given the necessary additional costs of building for older people.

- 74 Gibbons, S. Sanchez-Vidal, M. and Silva, O. (2018) "The bedroom tax" in *Regional Science and Urban Economics*.
- 75 Garland, E. (2017) *Learning from Intergenerational Housing Projects in the USA*.
- 76 Letwin, O. (2018) *Independent Review of Build Out: Final Report*.
- 77 OWCH website: <http://www.owch.org.uk/>

were more likely to downsize, suggesting some limited success.⁷⁴ However, it was very much hindered by a lack of appropriate available properties as well as widespread reports of hardship caused to those who were unable or unwilling to move, something we hope will in part be remedied if government adopts our recommendations to drastically increase the supply of units for older people.

We were unable to come to an estimate of the number of rented units that might need to be constructed for older homeowners to move to, given that it may only stack up financially in limited circumstances, and that few older owners will want to move to renting. As a result we do not recommend a target supply figure for this group. But we recommend that should government follow our recommendation to create a National Strategy for older renters, they consider the potential for homeowners to move into renting as well.

We heard from providers of shared ownership homes that there are some regulatory issues with "staircasing out" of shared ownership (although we understand that some providers do offer this option). Specifically, "downward staircasing" (selling a portion of the equity in the property) is not recognised as an option in the Homes England Capital Funding Guide, which determines the rules for providers developing affordable homes (including shared ownership) through one of Homes England's affordable housing programmes. The After-Sales and Staircasing sections of the Guide only provide for an increase in ownership. Downward staircasing could serve as a tool for older people to free up equity for care or even leisure costs in their retirement, so we encourage providers to offer it at their discretion. Homes England can support this by amending the Funding Guide.

We also encourage older people, and indeed younger people, to plan proactively for their retirement years and consider the type of housing they would like to live in as they become less able. Planning in advance could help to alleviate some of the anxiety that older people feel about moving, as well as potentially improving health outcomes through being in better suited housing.

3.5 Intergenerational rental housing

Our final recommendations relate to intergenerational rented housing. We heard that some older people are put off by the concept of retirement-only communities and prefer to live with

mixed aged groups. As a result there has been growing interest in recent years in intergenerational housing schemes. These schemes are typically focused on bringing different age groups together to tackle problems faced by them both: a "two birds with one stone" approach.

Intergenerational housing projects are also well-established in other countries such as the USA, Germany, and the Netherlands. They can meet a range of needs (in addition to the older residents'), such as young people struggling with housing costs or young mothers. As intergenerational rented housing has yet to take off, it is difficult to estimate how successful the approach might be if used more widely in the UK. However, early indications are that such schemes are very beneficial and well-loved by the communities that live there.⁷⁵ As a result, we recommend that developers of specialist older peoples' housing also consider the possibility of making those schemes intergenerational, if they feel that more than one type of local need can be met.

Accordingly, local authorities should also keep an open mind regarding such schemes and support developers wishing to develop intergenerational schemes. This could have the added benefit of reducing the need for commissioned care and support services and lowering costs for the local authority.

Dr Emma Garland's Winston Churchill Memorial Trust Travelling Fellowship report "Learning from Intergenerational Housing Projects in the USA" addresses how the approach can be expanded to the UK and some of the challenges that might be experienced in borrowing it. One particular challenge is that, because the concept is not well known or established in the UK, funders are understandably reluctant to get involved. Justin Shee, founder of The Kohab, also informed the Inquiry that this is a particular challenge.

Finally, we welcome efforts to diversify the offer of housing for older people, including to very small developers. The importance of this was highlighted recently by Sir Oliver Letwin in his Independent Review of Build Out.⁷⁶ We point to the possibilities of the fledgling "senior co-housing" movement whereby a group of older people work together – perhaps in partnership with a housing association – to develop their own housing. We hope that, as with the pioneering scheme by the HAPPI award-winning Older Women's Co-Housing group⁷⁷, they will incorporate units for rent as well as buying.

Appendices

Appendix A. Contributors

The All Party Parliamentary Group (APPG) on Housing and Care for Older People

The APPG on Housing and Care for Older People is a cross-party group of MPs and Peers which works to raise awareness of housing and care issues for older people amongst parliamentarians and the wider world.

HAPPI 5 Inquiry: Panel Members

APPG members were joined on the Inquiry panel by external sector experts.

Lord Richard Best (Chair)

Peter Aldous MP

Baroness Kay Andrews

Phil Bayliss, Legal & General Capital

Ruth Cadbury MP

Tom Lord, Inspired Villages

Liz McEvoy, Sunderland City Council

Trevor Moross, Dorrington

Brendan Sarsfield, Peabody

Lord Ben Stoneham

Dame Clare Tickell DBE

Inquiry Secretariat

Anya Martin, Peabody

Gregory Ineson, Office of Lord Best

Supported by

Antrim Ross, Peabody

Dan Preston, Peabody

Evidence in person

Bruce Moore, Housing & Care 21

Chris Norris, National Landlords

Association

Laurence Bowles, Savills

Lindsay Judge, Resolution Foundation

Alistair Smyth, The Guinness

Partnership

Gary Day, McCarthy and Stone

Peter Girling, Girlings Retirement

Rentals Ltd

John Glenton, The Riverside Group

Catherine Foot, Centre for Ageing Better

Jill Mortimer, Age UK

Michael Voges, Associated Retirement

Community Operators

Sarah Lewis, Royal Town Planning

Institute

Justin Shee, The Kohab

Nigel Saunders, Pozzoni Architecture

Kathleen Dunmore, Retirement

Housing Group

Julia Atkins, Retirement Housing Group

Jane Fuller, Centre for the Study of

Financial Innovation

Written evidence received from:

Jeremy Porteus, Housing Learning and Improvement Network

Centre for Ageing Better

The Housing Forum

The Design Museum

Independent Age

-
- 78 Shelter (2018) Grey renting: the rising tide of older private tenants.
- 79 Pensions Commission (2005) A New Pension Settlement for the Twenty-First Century: The Second Report of the Pensions Commission.
- 80 Office for National Statistics (2016) Five facts about... older people at work.

The Inquiry asked the Social Market Foundation to forecast:

- The expected tenure distribution of older households over the next 30 years;
- The proportion and number of private renting households who will face affordability problems;
- The proportion and number of older households that could benefit from specialist accommodation; and
- The supply of new homes that will be required to adequately meet the needs of our ageing population.

Below we summarise the approach.

Tenure distribution

The SMF base their tenure forecasts on:

- Recent and current distribution of housing tenure across age groups in the UK. To a large part, future trends in housing tenure among those over the age of 65 will be determined by existing tenure levels among those in middle age (aged 45-64). This is due to the fact that changes of tenure are not very common once individuals are in their 50s (see the English Longitudinal Study of Ageing; ELSA).
- Trends in housing affordability (which we define as house prices as a % of employee earnings) – given that this will have a significant bearing on homeownership trends among those in their 30s and 40s. The SMF use Office for Budget Responsibility (OBR) forecasts of house price growth and employee earnings growth.
- Office for National Statistics (ONS) projections of household and population growth.

The ELSA dataset suggests that, on balance, more over 50s household stop, rather than start, being homeowners. This suggests that, at least among the current tranche of older households, factors such as divorce (which decrease homeownership rates), have a greater impact than inheritances (which should increase homeownership rates). This might reflect the fact that, even in receipt of inheritance, many renting households are unable to finance a house purchase. We note recent research by Shelter which found that 755,000 middle-aged renting households had no savings at all in 2016/17, with a further 163,000 having less than £16,000 in savings, raising questions about their ability to transition to homeownership without a very sizeable inheritance.⁷⁸

Affordability estimates

The SMF considered rents as a proportion of household income across private renters in different 10 year age bands, drawing on data from the 2017/18 Living Costs and Food Survey. They then considered what would happen to these groups if they aged while remaining private renters, under different scenarios for rent price growth:

- Rents growing in line with headline inflation (2% per annum)
- Rents growing in line with household incomes/earnings (3% per annum)
- Rents growing faster than earnings and overall inflation (4% per annum)

Relative to incomes, rents across the UK as a whole have been relatively stable in recent years, unlike house prices which have grown much more rapidly than incomes (hence the decline in rental yields across the UK).

Upon reaching retirement age, the SMF make a standard assumption that household incomes will fall by about a third as individuals leave the labour market and lose earnings⁷⁹, which are only partly compensated for by pension income. While some might struggle to achieve this from pension income alone, we note a growing number of people choosing to remain in work beyond the State Pension Age⁸⁰, suggesting efforts to achieve something closer to this recommended “replacement rate”.

These forecasts do not take into account potential downsizing or relocation by individuals in an attempt to reduce private rental costs. This would be difficult to model. Essentially, they are based on the costs such individuals would face if they wished to maintain a similar “quality” of housing. Further, for many private renters, downsizing might not be possible (for example if they already live in a one bedroom home).

Households needing specialist accommodation

As a starting point, the SMF considered the 2010/11 and 2011/12 English Housing Survey which included reports on accessibility and used these to estimate the proportions of older households, in private or social rented housing, with a long-term disability or illness that live in non-decent housing not suitable to their needs. A home is classified as non-decent if it is not in a reasonable state of repair, does not have modern facilities or has ineffective heating or insulation.

81 ARCO (2017) Written Evidence [submitted to CLG Committee].

For households with long-term illnesses and disabilities, this can be particularly problematic, and such individuals could potentially benefit significantly from specialist accommodation.

Applying these proportions to the aforementioned tenure projections, they estimate the proportion of older households that would benefit from specialist accommodation. To do this they assume that the proportion of non-decent homes by tenure remains the same over time, and that the proportion of individuals with a long-term illness or disability by age and tenure remains the same. While healthier lifestyles should contribute to lower rates of long-term illness among the more recently retired, we note that longer life spans (such as more people living into their 90s) will act in the opposite direction and increase the proportion of older individuals with significant needs. As such, we believe this assumption is reasonable. Healthy life expectancy is not keeping pace with life expectancy and this could increase the proportion over 75 who have an illness or disability.

The SMF also refer to the current stock data supplied by Associated Retirement Community Operators to the Communities and Local Government Committee⁸¹, and apply proportions from the English Housing Survey on long-term sickness/disability and non-decent homes to the UK as a whole. This is likely to be a reasonable assumption given that England accounts for the overwhelming majority (84%) of the UK population.

One uncertainty is the number of older households that will adapt homes that are unsuitable, rather than relocate. This is difficult to estimate so has not been factored in. As our report identifies, adapting properties is a particular challenge for private renters.

Estimates of supply shortfalls

Finally, we estimated the supply shortfall of housing for older people over the coming few decades. This accounted for three “streams”:

- The households needing specialist rented accommodation (identified above), who we assume would be better suited to a more specialist type of accommodation (including Extra Care or sheltered housing).
- Private renters facing affordability problems (identified above), who we assume would be more appropriately housed in “lifetime homes” in the social rented sector (excluding those needing the more specialist types of homes).
- Social renters who are living in general needs housing substantially (2 or more bedrooms) too large for them and who would be more appropriately housed in a smaller social property built to lifetime standards. We recognise that not all social renters will want to move (although highlight Anchor Hanover’s experience that older residents are enthusiastic about moving if the offer is suitably high quality). Instead, we suggest a target of 5,000 units per year, which would provide ample opportunity to house those willing to move while representing a more realistic target for social housing providers. We also suggest flexibility over allocation procedures to let to younger households should demand from older people not match supply in the short term (as in Riverside’s approach to new developments).

Due to the difficulty in making such estimates and our findings that, under current market conditions, switching from ownership to renting is unlikely to be a financially beneficial decision for most homeowners, we do not include a stream for older homeowners who may wish to move into rented housing in their later years.

Copies of this report can be downloaded from Peabody's website:
<https://www.peabody.org.uk/about-us/what-we-do/research>

To find the previous reports in the HAPPI series, please visit:
<https://www.housinglin.org.uk/Topics/browse/Design-building/HAPPI/>

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