Understanding the factors that can influence the resale values of newly-built retirement properties

A report, written by Elderly Accommodation Counsel, considering the resale values of traditional retirement housing-with-support, built between 1995 and 2018.

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Abstract

Elderly Accommodation Counsel's (EAC) aim as a charity is to help older people make informed choices about meeting their housing and care needs. A key resource underpinning our information and advice services is our directory of housing for older people.

In recent years we have noticed that a common enquiry from those looking to buy a newly-built retirement property is whether their home will lose value when it is resold. It is this, combined with the media coverage of some individuals that have lost significant sums upon the sale of their retirement property, which encouraged us to use our unique data to explore this issue.

There are many types and tenures of specialist housing for older people across the UK but the most common option, for those looking to purchase, is leasehold retirement housing with support, also known as sheltered or 'warden-assisted' housing. It is this group that this report focuses on. Other reports have considered resale values in the housing-with-care sector.

The report itself considers a number of factors that can influence the resale values of retirement properties. These fall under three broad headings:

- Reporting of Sale Prices
- The Resale Process
- Developer & Manager Practices

Within these headings we explore the so-called 'new-build premium', the role of incentives paid by developers, the resale process and involvement of specialist estate agents, the importance of location & size for developers, the leasehold charges associated with retirement housing and the role of on-site management services.

The report adjusts new-build sale figures by the average incentives paid by developers in that year and compares that figure with the resale prices reached between five and nine years later. This process was done for properties sold between 1995 and 2013.

The years with the greatest falls in value were those new-build properties bought between 2004 and 2008, with those properties having their first set of resales in the years ranging between 2009 and 2017. These years tally with the properties often being either bought or sold during a time of economic recession.

In contrast, the report also showed that **new-build properties bought in recent years appear to have improved in value, with consumers benefiting from an increase in value for new properties sold in 2009, 2011, 2012 and 2013**.

EAC make a number of recommendations to policy makers, developers and managing agents at the end of this report and it is our hope that exploring this particular issue in detail helps improve consumer awareness of the various factors that can influence resale values.

Limitations of this report

The chapters within this report will highlight any limitations of the data referred to; however, the following are fundamental limitations:

EAC data set - EACs dataset of specialist housing for older people in the UK is acknowledged as the most complete available, however there is still data that will be out of date or inaccurate. EAC work hard to ensure the accuracy of the dataset but financial and practical limitations mean that it is not possible to fully guarantee this.

HM Land Registry Price Paid data - before 2014 the Land Registry did not require the reporting of sale prices for properties with restrictions on their occupation, and as a result they estimate they only captured 60% of retirement property sale points.

Sample sizes - Throughout the report we refer to the views of professionals within the sector and visits to retirement housing developments. We have aimed to include a wide range of views, though our reach has been necessarily constrained by the time resources available.

Survey samples - The report refers to two surveys done by EAC. One targeted those who were '*Considering buying a retirement property'* and another on '*Planning for Retirement'*. Whilst the sample sizes were considerable, with over 500 and 2000 people reached respectively, the method of contact was limited to online responses.

Identifying first time resales - HM Land Registry data does not identify where a property has been 'resold' for the first time. EAC therefore adopted an approach of using the resale values that were recorded between five and nine years after the development had its first sale. Whilst this approach cannot guarantee that all resales were 'first time' resales, it is a period that developers reported as being the average length of residence.

Industry data on incentives - EAC are not able to reveal the sources of this industry data. The information has been obtained through the good will of industry stakeholders and has been verified, as far as is possible, by EAC prior to its inclusion in this report. We believe that the data, even anonymised, provides readers with a useful insight into the role and value of incentives.

Business to Business transactions – HM Land Registry's 'Price Paid' data includes instances where properties have been sold to another business. For example, from a developer to a lettings business. We have chosen to exclude these sale points from our analysis as their inclusion may distort the picture of purchases by individuals.

Subsequent resale points – EAC have decided to only focus on the 'first' resale points rather than subsequent resale values over time. This was decided as it is often the first resale that has the most noticeable change in value and the exercise of tracking and analysing the cause of subsequent resale price fluctuations was not something EAC had the resources to investigate.

Introduction

Elderly Accommodation Counsel's aim as a charity is to help older people make informed choices about meeting their housing and care needs. A key resource underpinning our information and advice (I&A) services is our national directory of housing for older people, which we created because we regard specialist housing as an important option for many of our users to consider.

Recent concerns about the reputability of managing agents, 'event' fees, service charges and, more recently, ground rents, have caused a degree of concern that threatens to stifle growth in the leasehold retirement housing market. However, there is one main issue that prospective purchasers raise with EAC on a regular basis, and that is whether their brand-new retirement property will lose value when it is eventually resold.

This is why EAC elected to conduct preliminary research in 2017 into the extent of which new-build 'traditional' retirement housing can lose its value[1].

The result of this initial work was an overwhelming level of interest from members of the public and professionals alike. The key questions asked of our research was to what extent values in retirement housing have historically fallen, what the causes of this may be and whether initiatives pursued by some retirement housing providers have led to any improvement in recent years. EAC concluded that a more thorough report, exploring the factors that can lead to falls in the value of previously new retirement properties, as well as those that can have a positive impact, would be of benefit to older people, their families and the sector.

Understanding the importance of retirement housing

EAC believe that retirement housing can help prolong the independence of older people wishing to live safely in their home for as long as possible. Our experience is that it can also help fight the mental and physical health problems associated with isolation and loneliness in later life. These benefits are not just felt by the person living in the property, but their family members, friends and society as a whole.

Independence

It is widely accepted that good quality retirement housing can help homeowners to retain their independence for longer - a Department for Communities and Local Government (DCLG) Select Committee report in 2018[2] commented that:

[1] BBC News, Half of new-build retirement homes sell at a loss, https://www.bbc.co.uk/news/business-41200686 (last accessed 05/03/2019)
[2] House of Commons, CLG Committee, *Housing for Older People*, February 2018

> "The right kind of housing can keep older people healthy, support them to live independently and in the longer-term reduce the need for home care or residential care and lead to savings in health and social care budgets."

Falls amongst older people are estimated to **cost the NHS £2.3 billion every year**, according to research by NICE in 2013[3]. A report by Demos in 2017 on *Quantifying the social value of sheltered housing*[4] estimated that **specialist housing for older people saves the NHS £486 million every year.**

The above reports confirm that the value of living in retirement housing is not only longevity of independence for the people that live there, but real financial savings to health and social care services. These financial savings are also experienced by the people living in retirement housing, with those living longer often not needing to engage paid-for care services until an older age.

Isolation and loneliness

There are clear social benefits of living within a retirement development. The London School for Economics (LSE) reported in 2017 that the cost to society of an older person being lonely is £6,000 per year. This is largely due to the proven links between loneliness and physical and mental health problems[5].

A guide to loneliness produced by Erosh in 2018 evidenced some of the key ways in which retirement housing can reduce loneliness in older people[6]. Further evidence was recorded by Birmingham University in 2016, who found that residents in one specialist housing development displayed a 14.8% reduction in depressive symptoms over 18 months[7].

The majority of people that move into these properties do so for the reasons set out above, to improve their quality of life and sense of wellbeing. **However, it is important that prospective purchasers understand the financial implications of buying and owning a retirement property, including the potential for it to lose value upon resale.**

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[3] NICE, Clinical Guideline [CG161], June 2013
[4] Demos, *Quantifying the social value of sheltered housing*, June 2017
[5] BBC, *Loneliness: The cost of the last 'taboo'*, September 2017, https://www.bbc.co.uk/news/education-41349219 (last accessed 26/11/2018)
[6] Housing LIN, Erosh good practice guide, May 2018, https://www.housinglin.org.uk/_assets/Resources/Housing/OtherOrganisation/Good-practice-loneliness-and-social-isolation-final-May-18-pdf.pdf (last accessed 26/11/2018)
[7] The Guardian, *Loneliness kills – yet housing that could help is under threat*, June 2016, https://www.theguardian.com/housing-network/2016/jun/15/loneliness-kills-housing-threat-older-people (last accessed 26/11/2018)

Focus of this report

Leasehold housing developments for older people fall broadly into three categories - age restricted only, **age restricted with an on-site support service to residents (often referred to as 'traditional' retirement or sheltered housing)**, and age restricted and providing both support and personal care to residents (often referred to as 'housing-with-care' or 'retirement villages').

EAC have decided not to consider housing-with-care/retirement villages or straight forward age-exclusive housing as there are additional factors present within these models that would require additional time and resources to fully explore. For research on the resale performance of housing-with-care/retirement villages, EAC would suggest reading the *Housing with Care index* by JLL, published in 2017[8].

This report will therefore focus on developments with on-site support only, the most common form of retirement housing. These developments make up over 75% of all English age restricted leasehold housing[9].

The support service in retirement housing is generally provided by a development manager, who may be full- or part-time.

A range of shared facilities are a common feature of retirement developments with 77% having a residents' lounge, 82% a garden and 61% a laundry[10].

The above clarification regarding the focus of this report is further set out in the table below:

[8] JLL, Housing with Care index, Retirement Living, 2017
[9] Elderly Accommodation Counsel, UK Specialist Housing Provision for Older People directory
[10] Ibid

	Age exclusive housing	Traditional retirement housing	Housing-with-care
Names used for this sector	Age restricted housing	Sheltered housing, Independent living	Retirement villages, Extra Care housing, Assisted living, Retirement communities
Communal facilities	Possibly a resident's lounge, Possibly communal gardens	Residents' lounge, Guest rooms, Communal gardens	Resident's lounge, Guest rooms, Communal gardens, Restaurant, Leisure facilities
Services available	Minimal support, Possibly a community alarm system.	A scheme manager, Community alarm system, Courtesy Calls	Scheme manager, 24 hour on-site care services, Catering staff also present.
Approximate number of leasehold units in England	15,000	120,000	20,000

FOCUS OF THIS REPORT

The numbers of owner-occupied retirement developments in Scotland, Wales and Northern Ireland are very small and can be subject to other tenure models. We have therefore confined our research to England and restricted it to the most common form of tenure, leasehold. This decision was taken as virtually all retirement properties to purchase in England are leasehold, leaving a very narrow data set of other ownership models from which we could do a detailed analysis.

Finally, following an initial exploratory analysis of available data, we concluded that our research should focus on the initial sale of new retirement properties and their first resale. This was decided after we established early on that it was between these two points that properties were most at risk of experiencing a fall in value.

Purpose of this report

A Demos report in June 2013[11] identified that 32% of older homeowners, living in under-occupied homes, said they had considered moving to a smaller property in the last 5 years, but only 7% had done so.

The primary reason given for not following through on a move was a lack of suitable properties. The report commented on the "chronic undersupply of age-specific housing".

EAC calculate that there are over 160,000 units of owner-occupied specialist housing in England and Wales in 2019. The leasehold market is comparably small when the same figures are revealed for the rental retirement market, of which there are over 550,000 properties, meaning that almost 75% of the retirement housing market is for social rent, rather than to buy[12].

In addition to this lack of supply, EAC believe that there is a lack of consumer understanding and confidence in retirement housing caused by an absence of transparency, exacerbated by a confusing range of terminology used by providers to describe their products.

Concerns around retirement resale values have been raised in Parliamentary discussions[13], with such coverage helping to trigger reformatory action for the benefit of consumers - such as the Law Commission's consultation into *Event Fees in Retirement Housing*[14], whose recommendations were welcomed by the sector. The Law Commission noted that increased transparency could help improve consumer confidence and may have a positive impact on demand.

This report aims to build on that message of consumer transparency, by reporting on the resale values of recently new-build retirement housing. It is EAC's hope that the recommendations made at the end of this report will be embraced by the sector and result in improved consumer confidence.

To help understand the resale performance of retirement properties, the report will consider three broad areas:

- Reporting of Sale Prices
- The Resale Process
- Developer & Manager Practices

[11] Demos, Claudia Wood, Top of the Ladder, June 2013
[12] Elderly Accommodation Counsel, UK Specialist Housing Provision for Older People directory
[13] House of Commons, 12 Jan 2016, Col 782, https://publications.parliament.uk/pa/cm201516/cmhansrd/cm160112/debtext/160112-0003.htm (last accessed 05/03/2019)
[14] The Law Commission, *Event Fees in Retirement Housing*, Law Com No 373, March 2017

To better understand resale performance, the report will look at the fluctuation in new-build resale values over time. This allows for wider comparison between periods of strong housing growth with that of the economic recession.

Our preliminary research showed that on average, the value of new retirement properties built since 2010 have increased upon resale. This report therefore hopes to identify some of the key changes that have occurred within the sector and highlight the steps developers, managing agents and homeowners can take to help improve resale property values.

This report aims to explore the factors specific to retirement housing, which can affect resale values in new-build developments. We will begin by considering the value of 'new'.

1. The value of new and the 'retirement new-build premium'

The focus of this report is to explore the factors that can potentially lead to an improvement or fall in value upon the resale of a recently new-build retirement property. By better understanding *why* some retirement properties can experience changes in value between first-sale and resale, we hope to make recommendations to developers, managers and consumers on how to mitigate a fall in value.

To begin, we need to isolate a factor that is common across the residential housing market.

The 'New-Build Premium'

In short, the new-build premium is the amount that a person is prepared to pay for a new-build property solely because it has not been previously occupied. Research has put the new-build premium in the general housing market as being anywhere between 10% and 25%[15].

There are numerous reasons why prospective purchasers are prepared to pay extra to own a property that has only recently been built:

> **Privilege:** For some it is knowing that you are living somewhere that has no previous owners and can then be made to feel like 'your home'. Being able to move straight into a property, that operates as a 'blank canvas' for you to apply your personality, can be an attractive proposition.
>
> **Financial:** There can be considerable financial benefits for those buying a new home, with the Home Builders Federation (HBF) claiming that the cost of updating an older property to the standard and quality of a new one can be in the region of £50,000[16].
>
> **Assurances:** A benefit of 'buying new' is that buyers are afforded certain protections through the Consumer Code for House Builders[17]. One example is the National House-Building Council's (NHBC) BuildMark scheme[18]. Under this scheme, all new-build homes are warrantied against various structural repairs and defects for up to 10 years.
>
> **Security and safety:** New homes may come with higher levels of security with front doors and windows fitted with modern locking mechanisms. With regards to safety, electric and gas appliances must meet the most recent legal requirements.

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[15] CountryWide and Gascoigne Pees, *What price is a new home?*, 2017: https://www.gpees.co.uk/media/433016/new-build-premium-gascoigne-pees.pdf (accessed 26/11/2018)
[16] Home Builders Federation, *The price of not buying new?*, 2017: https://www.hbf.co.uk/news/the-price-of-not-buying-new-it-could-be-as-much-as-50000/ (accessed 26/11/2018)
[17] Consumer Code for House Builders, www.consumercode.co.uk
[18] NHBC, Buildmark, http://www.nhbc.co.uk/Homeowners/WhatdoesBuildmarkcover/ (accessed 26/11/2018)

Whilst an older property will have any defects identified as part of a HomeBuyers or Building survey, new home owners can be guaranteed of the age and legal compliance of their fittings. In addition, modern homes are built to strict safety standards, following the NHBC Standards[19]. For example, certain rooms must have windows that open wide enough to allow effective escape in the event of a fire.

Comparing new-build house prices with resales in the general housing market

To help better understand the difference in price between a new-build and resale property in the general housing market, we have used the UK House Price Index (HPI), provided by HM Land Registry[20]. This resource allows us to look at the average house price, by year, according to whether the property was a new-build or an existing home:

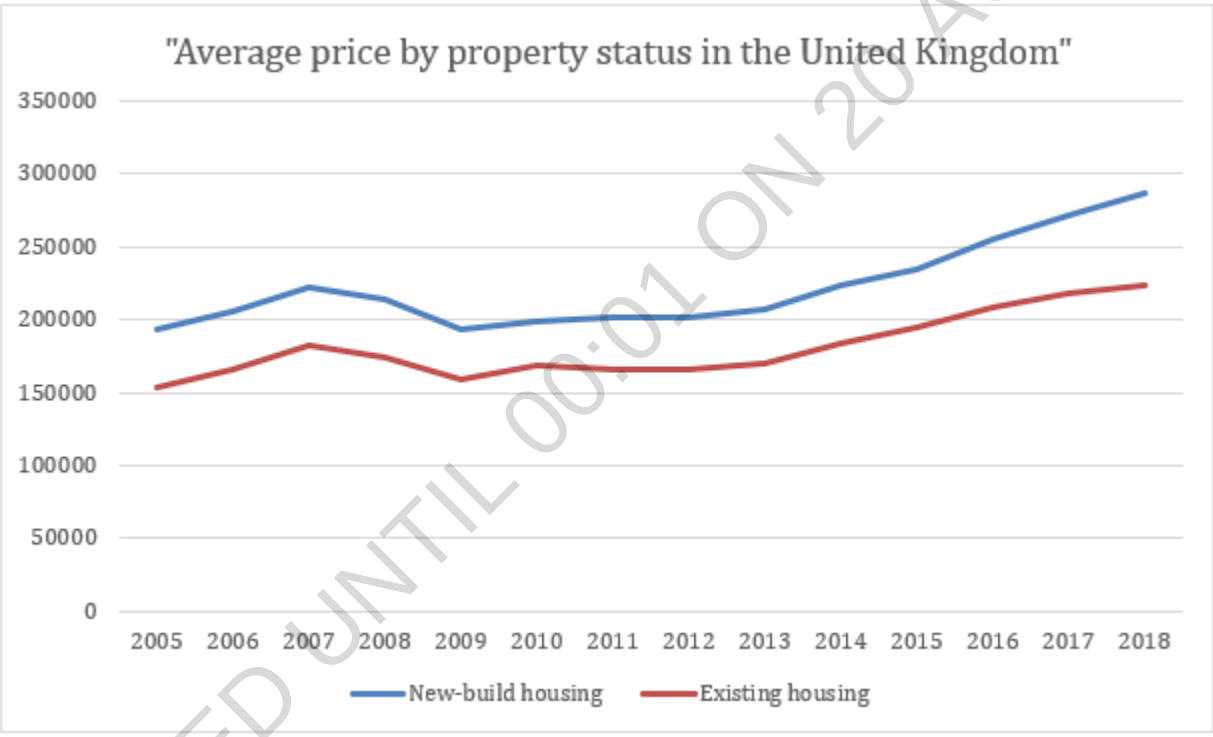

Figure 1: Average price by property status in the United Kingdom

Figure 1 shows that new-build housing has consistently remained more expensive than properties sold from the existing housing stock. Between 2005, the earliest date from which this data is available, and 2018 the difference between new-build and existing properties has remained between 15% and 22%.

Whilst the data from the Land Registry considers the sale of every residential property, it is important for this report to understand whether the premium for a new-build property in a retirement development follows the same trend.

[19] NHBC, Technical Standards 2018
[20] HM Land Registry, UK House Price Index

The ‘new-build premium’ in the retirement housing market

To help explore the ‘new-build premium’ for retirement housing, Elderly Accommodation Counsel (EAC) surveyed[21] over 500 prospective purchasers to ask for their view on a number of topics, including what additional amount they would be prepared to pay for a brand-new property, as opposed to a resale.

Whilst a considerable proportion of respondents (36%) would not be prepared to pay more for a new-build property, the remaining 64% anticipated paying extra. The amount people would expect to pay varied between less than 5% and over 40%.

Figure 2 provides an overview of answers to the question of *How much extra would you expect to pay for a brand-new property*.

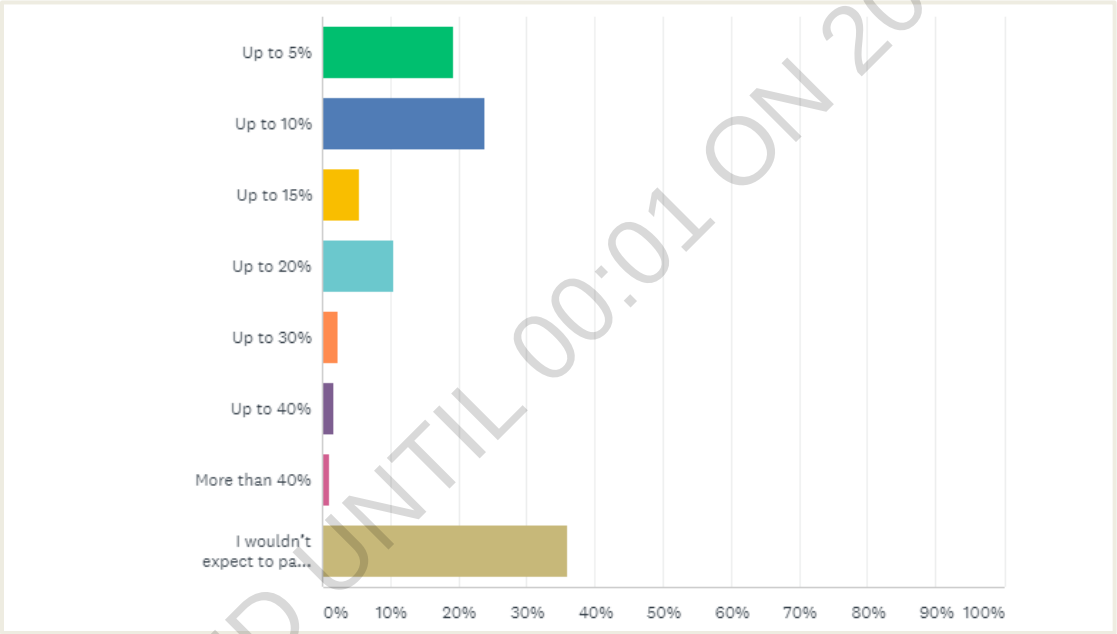

Figure 2: How much extra would you expect to pay for a brand-new property?

The graph shows that the two most popular responses were *up to 5%* (19%) and *up to 10%* (24%). There are also a notable number of respondents who selected *up to 15%* (5%) and *up to 20%* (11%), with very few expecting to pay up to 30% or above.

Next, we contacted four large retirement housing developers and a specialist resale estate agency to ask for their views on what the new-build premium is for retirement housing.
All four developers put their estimates between 10% and 15%. The specialist estate agency put the figure between 10% and 20%, with more ‘exclusive’ properties attracting higher premiums.

[21] Elderly Accommodation Counsel, *Considering buying a retirement property?*, 522 respondents, April 2018.

Figure 1 shows the new-build premium across the whole of the residential housing market as being between 15% and 21%. When considering this, it would seem that the value of a retirement property solely because it is 'new' is of a similar percentage.

Determining the new-build premium in retirement housing

In order to help reach a conclusion on what the new-build premium is within retirement housing, EAC combined its unique specialist housing database with the 'Price Paid' database of HM Land Registry. This allowed us to replicate the graph seen in Figure 1, but with only retirement housing sale points.

Figure 3 considers all sale points marked as a first-time sale by HM Land Registry and compares their average annual value (blue line) against those not identified as a first time sale (grey line). The result shows that, as with the general housing market, there has been a consistent difference between the two values. However, for retirement properties the difference is greater, with the disparity being between 20% and 40%. This suggests that there are factors having an effect on resale values in addition to the new-build premium.

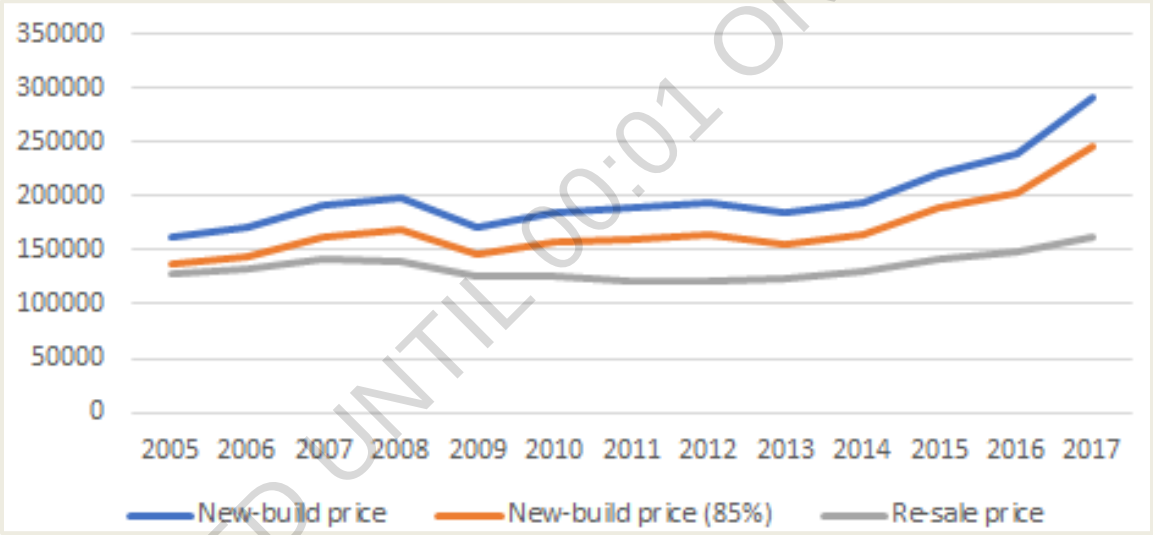

Figure 3: Difference between new-build and resale property prices in retirement developments

Conclusion

Based on information from retirement housing providers, prospective purchasers and general housing data from HM Land Registry, **this report attributes a new-build premium figure of 15%** as being present in the retirement housing sector. To demonstrate what impact this has on new-build values, we have plotted a line in Figure 3 (orange line) which shows the value of new-build sales when 15% of the value has been removed.

This report will now consider the reporting of the incentives that are offered by many retirement housing developers.

2. The role of incentives and official reporting

In order to accurately analyse the value of new-build resale values, the accuracy of any data sets used needs to be considered. This report will be referring to Land Registry Price Paid data, which lists every residential sale in England. However, the Land Registry only records the actual sale price and not the value of any additional financial consideration offered, or 'incentive'.

We will therefore begin this chapter by exploring the significance of financial incentives in new-build retirement properties. Historically, incentives were fairly small payments to help purchasers decorate their new home or towards their removals costs. However more substantial incentives are increasingly common and can include part-exchange enhancements, comprehensive moving services and packages to furnish your new home.

Incentives are not a new concept in the sale of new properties and they are not exclusive to retirement accommodation[22]. UK Finance even has a 'Disclosure of Incentives' form for their members who are processing mortgage applications[23].

Whereas there is generally no expectation of an incentive for a pre-owned property, there appears to be an assumption that an incentive, whether of cash or services, will be included as part of any new-build purchase. Industry data reflecting over 50,000 sale points, which has been made exclusively available to EAC, shows that approximately 70% of new-build sales included an incentive of some form.[24]

Note: *EAC are not able to reveal the sources of this industry data. The information has been obtained through the good will of industry stakeholders and has been verified, as far as is possible, by EAC prior to its inclusion in this report. We believe that the data, even anonymised, provides readers with a useful insight into the value of the incentives that are regularly paid by developers.*

The survey undertaken by EAC of over 500 older people who are considering purchasing a retirement property, found that 48% expected to be offered an incentive on a new-build home.[25]

The types of incentives offered

The incentives offered by the largest retirement housing developers broadly fall into three categories:[26]

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[22] Telegraph, Zoe Dare Hall, *Buying a new property: developer 'freebies'*, September 2013: https://www.telegraph.co.uk/finance/property/property-club/10305006/buying-new-property.html (last accessed 26/11/2018)
[23] UK Finance, Disclosure of Incentives form: https://www.ukfinance.org.uk/disclosure-form/ (last accessed 26/11/2018)
[24] Industry Incentives Data from 1996 to 2017
[25] Elderly Accommodation Counsel, *Considering buying a retirement property?*, 2018
[26] Industry Incentives Data from 1996 to 2017

- **Part-exchange incentives**: A number of retirement housing developers offer part-exchange services. This usually involves the developer buying the prospective purchaser's existing home for a percentage of its true market value. In return, the customer has no estate agency fees, no property chain, and a quick sale on a guaranteed date, which serves to make the forthcoming move easier. Whilst part-exchange has existed in the retirement housing sector for decades, the part-exchange incentive data that has been made available to EAC begins from 2008.
- **Service/Fee incentives**: These can be given either as cash sums to cover move-related costs, such as stamp duty or solicitor's fees, or can be provided as services, such as help with moving or the provision of furniture.
- **Cash incentives**: These are simple discounts from the advertised price of a retirement property, typically offered as a result of negotiation.

This report will **not** focus on the role of **cash incentives**, as these are discounted in the sale prices recorded by the Land Registry, whose data is used throughout this report.

The part-exchange model works on the basis that the developer will purchase the buyer's current home for a percentage of its market value. This is typically between 90% and 95%, with the exact percentage depending on the part-exchange provider and the condition of the property'.[27] However, it is important to note that the 'market value' that part-exchange companies take a discount against, is usually based on what price the property could be sold for within a relatively short period, 6-8 weeks for example. This is the case for one Retirement Living part-exchange specialist[28] and it is EAC's understanding that this approach is commonplace across other such companies. Transparency is key in these arrangements as a part-exchange customer whose current home is in a slow market may find that the 'valuation' of their home is significantly less than it they were prepared to wait for a sale on the open market.

Whilst part-exchange schemes are not unusual across the housing sector, they are a common fixture in the marketing of new-build retirement properties. This may be due to the concerns that prospective purchasers, who are often in their late 70s or early 80s[29], can have when it comes to selling their own home on the open market in order to facilitate a move into retirement housing. Having a guaranteed price and move date is undoubtedly an attractive proposition to many prospective purchasers that are considering a move.

An incentive through part-exchange is typically made when the developer 'tops-up' the amount offered to the prospective purchaser by the part-exchange provider, usually a trusted external organisation. An example of this is provided below:

[27] Ibid
[28] Freeman Homes, *Part Exchange: What's Involved?*, http://www.freemanhomes.co.uk/part-exchange/ (last accessed 26/11/18)
[29] Jenny Pannell & Imogen Blood, *Supported Housing for older people in the UK: An evidence review*, (Joseph Rowntree Foundation, 2012)

Mrs C is considering a move to retirement housing and has her current home valued by local estate agents. They consider it to be worth £250,000, if a quick sale was needed within 6-8 weeks. Mrs C approaches a retirement housing developer who has a relationship with a part-exchange provider. This provider offers Mrs C £225,000 for the property, 90% of its market value. Mrs C doesn't think this is sufficient. In order to encourage Mrs C to go ahead with the move the developer 'tops-up' the offer to £237,500, 95% of its 'quick sale' value. This would have been recorded by the developer as a part-exchange incentive of £12,500.

The value of these additional payments can be considerable, with the graph below (Figure 4) showing the average new-build part-exchange incentive annually since 2008. We have also tracked the total number of residential housing sales[30], by year, to provide some comparison with the health of the wider housing market in recent years.

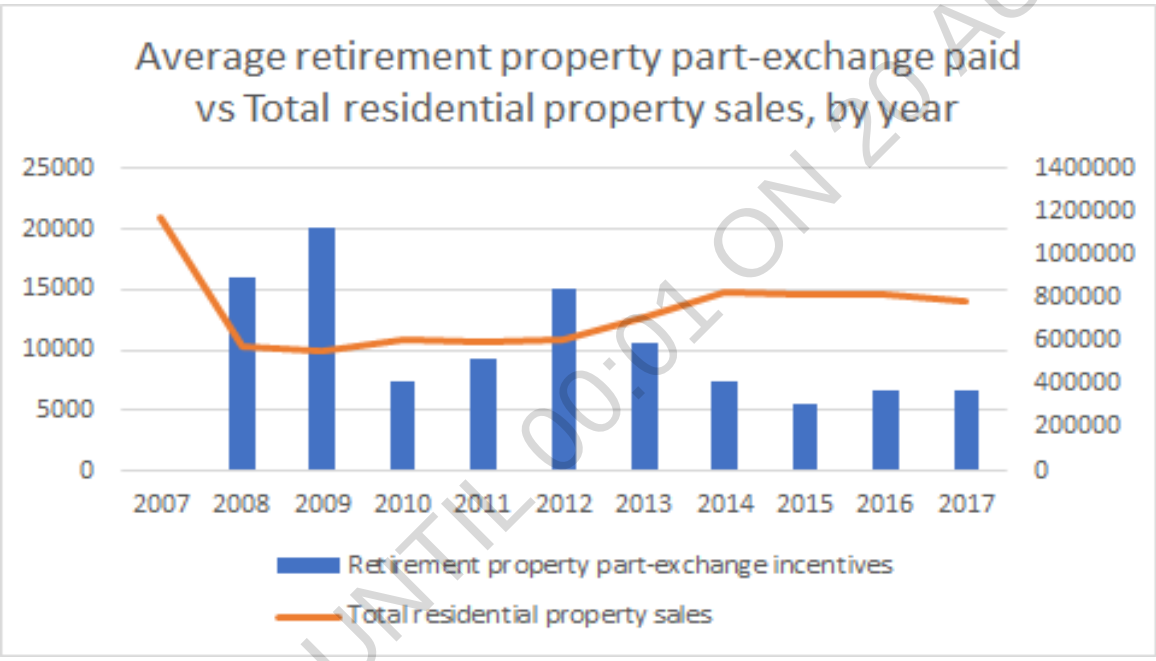


Figure 4: Average retirement property part-exchange paid vs Total residential property sales, by year

It is clear that higher incentives on part-exchanges were offered at times where the housing market was more volatile or stagnant. This is most notably observed in the housing recession of 2008-09 and in 2012, with the amount of incentive being paid reducing in recent years, as people are more willing to consider a move.

The next graph (Figure 5) shows the sum of 'Service/Fee' *and* 'Part-Exchange' incentives by year, when both data sets are combined. However, to give a more accurate picture of what consumers were likely to receive as an incentive in these years we have reduced the figures by

[30] ONS, Residential property sales, 1995 to 2017

30%, as our data set suggests that only 70% of purchasers would have received a part-exchange or service/fee incentive:

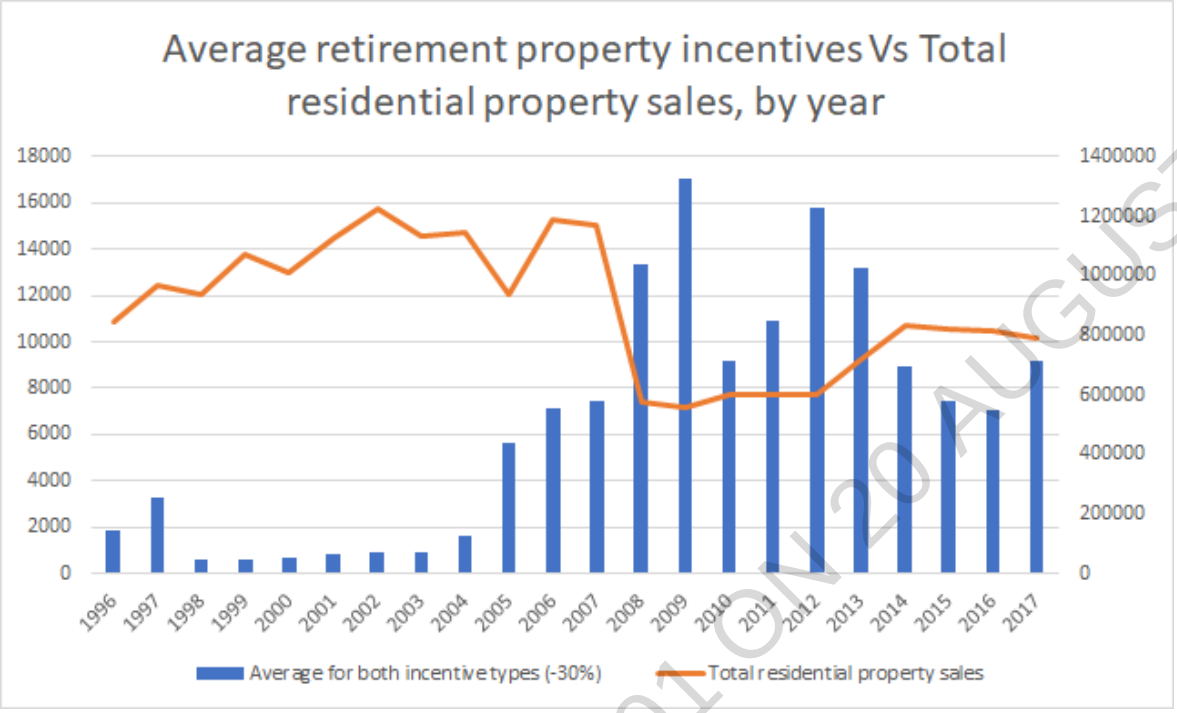


Figure 5: Average retirement property incentives vs Total residential property sales, by year

There are two clear spikes in 2009 and 2012. In these years the average annual incentive payment topped £15,000. There are also noticeable increases in average incentive values in 2008 and 2013, where the amount was over £13,000. In the years prior to 2005, incentive values were low. In the years since 2013, as the number of residential property sales has increased, there has been a reduction in the average value of incentive payments, although they continue to be much higher than in pre-recession years.

Now that we have explored the various types and amounts of incentives that are offered by developers, we will consider their impact on new-build retirement property prices.

Incentives and new-build property prices in the retirement housing market

The following graph (Figure 6) shows the average annual value of the incentives that are paid in the retirement housing market[31]. As explained in the previous section on incentive types, we have not included straight forward cash incentives that are deducted from the sale value, as these are reflected in the price recorded by the Land Registry. We have compared this incentive

[31] Industry Incentives Data from 1996 to 2017

data with the average annual new-build retirement property value over a period of 22 years[32], from 1996 to 2017. Additionally, for context, we have included the average residential property value according to the UK House Price Index (UKHPI)[33].

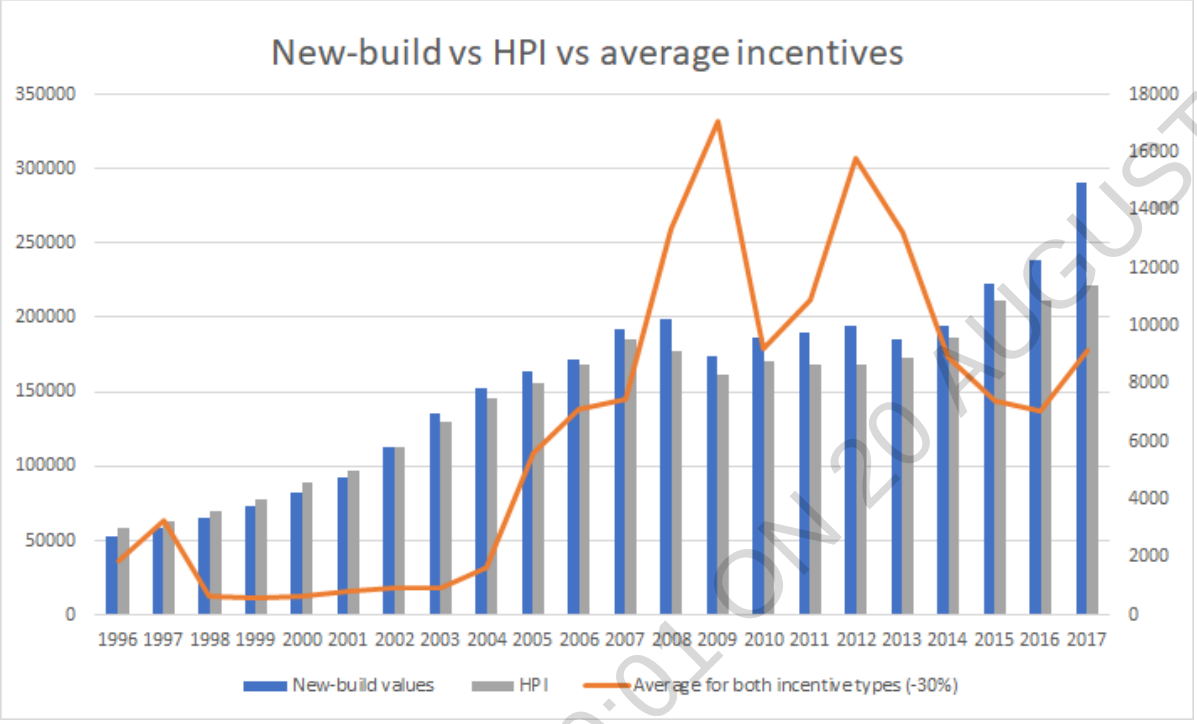


Figure 6: New-build values vs HPI vs Average incentives

The graph shows that, based on the industry data on incentives that we have had access to, from 2004 there is a notable increase in the amount offered through incentives to prospective purchasers. There are clear peaks in 2009 and 2012, with annual averages for these years topping £16,000.

There is a correlation between peaks in incentives and falls in sale prices, notably during the recession of 2008/09 and subsequent falls in quarter on quarter growth between 2010 and 2012[34].

It is therefore a reasonable conclusion to make that developers are more likely to increase the value of incentives during periods where prospective purchasers are more reluctant to move. This may have been deemed a necessity by many developers in 2008/09 due to a stagnant/declining market in which consumers were struggling to sell their own home.

[32] Elderly Accommodation Counsel retirement housing data and Land Registry 'Price Paid Data' (1996-2017)
[33] Land Registry, House Price Index, 1996-2017.
[34] The Guardian, *UK GDP since 1955*, (The Guardian, 2013), https://www.theguardian.com/news/datablog/2009/nov/25/gdp-uk-1948-growth-economy (last accessed 26/11/18)

The graph also shows that in recent years, where the market has begun to recover from the effects of the recession, the average incentive paid has reduced with figures of approximately £7,500 and £7,000 in 2015 and 2016 respectively.

Incentives of course provide instant financial benefit to the consumers of the new property; we can see in Figure 4 that the average person buying a new retirement property in 2009 received the equivalent of almost 10% of the value of their new home as an incentive. In 2012 this figure is just over 8% and in 2017 the percentage has shrunk to just over 3%. In a small number of cases, particularly during the 2008/9 recession, incentives were valued in excess of £100,000.[35] This perhaps underlines the risk-based nature of the housebuilding market, and its close link to the condition of the wider economy and provides some context as to why such considerable incentives can be offered.

As incentives are offered by most retirement housing developers, and the amounts offered to prospective purchasers can be a significant financial consideration, it is important that their role, function and impact be considered by this report. As the purpose of this report is to consider how retirement property prices fluctuate between the first-time sale and their subsequent resale, the next section will consider these trends, with adjustments for average annual incentives.

Incentives and changes in value between new-build and resale

One key challenge for EAC in this report was to define what is meant by a 'resale'. To do this we consulted with developers to better understand the average length of time an owner of a retirement property will own their home. A common conclusion was that purchasers would live in their property for an average of seven years, with some variation depending on region, nature of the development and the age of the purchaser. Based on this we have defined a resale, for the purposes of this report, as being any sale between five to nine years after the first sale, as recorded by the Land Registry.

We have chosen not to analyse every resale beyond the nine-year point as the majority of consumer concerns relate to the first resale point of a new-build home. However, we will look later in this report at how the first resale point can influence future values.

The following graph (Figure 7) shows the average price paid, by year, for a new-build retirement property. **The new-build amounts have been reduced by the average incentive paid in that year**. To reflect our analysis that 30% of new retirement property sales received no incentive, we have reduced the average incentive amount to 70% of its value.

By way of comparison, we have also shown the average resale price of these retirement properties, five to nine years after their first sale point. For example: for a development built in 2003, we have considered the average resale value of properties sold within this development between 2008 and 2012.

[35] Industry Incentives Data from 1996 to 2017

Figure 7: Value of new retirement properties (minus average annual incentive) when sold between 5-9 years later

The resale prices show how, on average, a new-build retirement property will fare when it is sold between five to nine years later.

Note: For the most recent years (2009-2013) we have been forced to reduce the resale year ranges, however the minimum time between a first-time sale and resale has remained at five years.

The graph shows that properties bought new between 1996 and 1999 were likely to see a healthy return on investment, with the value of homes increasing by almost 98% on average. Those properties bought between 2000 and 2002 would still benefit from increases but at a reduced rate (40%). Those purchased between 2003 and 2008 were, on average, likely to see a fall in the value of their home. The average fall in value across these years was 13%. A significant impact on these resale values would also have been the price falls in the wider housing market caused by the recession of 2008/9, which impacted all properties

However, in the years post-recession, this trend has reversed, with properties purchased since 2009 generally seeing modest increases in value. Properties bought in 2009, 2012 and 2013 saw rises of 5%, 5% and 10% respectively. Whilst these early signs of improvement in the sector are encouraging, it will be important to continue this analysis in future years.

To provide some wider context, a new-build property bought in the general housing market in 2009 would have increased in value, on average, by approximately 18% upon its resale in 2017[36]. Note that the relative improvement in value of the property in the general housing market may be greater than this figure, as we have not been able to factor in the average incentive value for new-build properties in the general housing market.

It is reasonable to consider the effects of the recession when considering properties sold between 2008 and 2013. The above graph clearly shows that properties sold between 2003 and 2008 could, on average, expect a fall in their value when resold five to nine years later. It is also noticeable from Figure 4 that between 2007 and 2014 there was a marked increase in the value of incentives offered. Developers have reported to EAC that one of the key reasons for offering enhanced incentives was the economic recession, which they feel was causing prospective purchasers of retirement properties to be hesitant about making a move. Indeed, many older people looking to move are currently in properties that they consider to be too large[37] and may therefore have struggled to sell their homes at a time where the whole housing market had limited mobility 'up the ladder' from first-time buyers and young families. Part-exchange, and the subsequent increase in incentive levels, would have therefore played a role in offering these prospective purchasers the option of a chain-free move in exchange for a reduced sale price of their current home.

Developers state that the increased use of incentives helped to ensure that movement in the retirement housing sector could continue, until the housing market as a whole emerged from the effects of the recession.

The importance of incentives to developers

Following our analysis of the industry data on incentives that were made available to us, there were a couple of key questions raised which we addressed to retirement housing developers:

1. **Would you consider abolishing incentives (beyond simple cash incentives where the sale price has been negotiated down)? If not, why not?**

One developer explained that this was unlikely due to the need to encourage prospective purchasers, who may be reluctant to consider a move without an incentive of some form (such as part-exchange that has a practical application as well as financial).

Another stated:

> *Given the slow sales rates and difficulty in pricing as well as the ever changing general markets which the developer relies upon for the purchaser to sell existing property, it is difficult to foresee incentives being abolished.*

[36] HM Land Registry, UK House Price Index, Average Price by Property Status, 2009 to 2017
[37] Demos, Claudia Wood, *The Top of The Ladder*, 2013

Due to the purpose of this report being to improve transparency, we finished with the following question:

2. **Do you believe that the types of incentives offered by developers (across the whole of the residential property development industry) should be standardised? If yes, do you believe that incentive values should be reported to the Land Registry (or similar authority) in the same way that sale prices are?**

Being able to standardise and record the incentives offered by developers, across both the general and retirement housing markets, would give consumers increased confidence that all financial considerations are tracked and made publicly available. It would also make reporting on the true value of retirement housing a simpler task.

The first developer responded that such as a decision would be:

> *... a matter for the Land Registry. However, it is very important that people recognise what incentives are granted when looking at resale prices. In terms of standardisation, housing comes in various different models and types so we do not want to restrict innovation or flexibility at a time when delivery should be growing.*

Another stated that it would be:

> *Impossible to standardise incentives as they will be development and local market influenced.*

Before continuing to say:

> *...they (incentives) should be reported to the Land Registry so that a true understanding of prices obtained by developers is reported.*

From these answers it appears that there is very little appetite to change the way in which incentives are offered to prospective purchasers of new-build retirement properties. However, there is a willingness to make the process more transparent, so that consumers can better understand the role and value of incentives.

Indeed, with incentives being commonplace across the general housing market, it would appear that for many prospective purchasers these financial perks have a clear benefit that helps encourage a purchase. A move towards abolishing or standardising incentives would therefore need the support and involvement of the wider housing sector.

Conclusions

The offer of incentives to purchasers of newly built retirement properties, above and beyond negotiated reductions to advertised prices, has become normalised over recent years, as it has done for the sale of all new build properties across the residential property market. These incentives are not recorded in the Land Registry.

Incentives tend to be higher during a period of economic recession and/or when the housing market as a whole is sluggish.

By contrast, incentives play little to no part in the resale market.

Simple comparisons of Land Registry data for new and resale properties can therefore be misleading. However, once newly-sourced data on the level of incentives received by purchasers of new retirement properties is brought into the analysis, more accurate comparisons can be made between new and resale prices.

These figures show that the average purchaser of a new retirement property in 10 of the 17 years between 1996 and 2012 saw an increase in the base value of their property's value on resale. Properties purchased in 7 of these 17 years saw, on average, a fall in value.

We will be making recommendations towards the end of this report as to how the retirement housing sector can improve resale values further, both in real terms and how they are recorded by statutory authorities. However, it is apparent from the above data that incentives have played, and continue to play, a pivotal role in the sale of new-build properties.

3. The resale process

When exploring the resale value of a recently sold new-build retirement property, an important consideration should be the sales process itself and the estate agents that market these properties.

New-build retirement properties are typically sold to great fanfare and it is not uncommon to see adverts for a new development in the local newspapers, with large billboards outside of the building. There is often a marketing suite based on site, where those interested can view a show home and address any questions they might have to marketing executives. Many developers also have national marketing operations.

However, when the owners of these properties come to sell their home, they or their families often follow the familiar route of instructing high-street estate agents to value, market and sell their home.

Whilst these estate agents will be familiar with the process of selling a standard leasehold property, such as an apartment in the general housing market, the intricacies of valuing and marketing a retirement property can result in an open market estate agent over or under-valuing the property. This can be common if the estate agent is not used to marketing retirement properties, something which can occur in areas where the retirement sector is relatively small - meaning agents are unlikely to have much experience in marketing this product, and the lifestyle benefit it offers. In other cases, ineffective advertising and guidance can unintentionally mislead prospective purchasers about the nature of the accommodation they are buying.

Beyond the involvement of estate agents, there are a number of factors that can inhibit the re-saleability of a retirement property. The most apparent of these being that the target market for such a property is restricted by the minimum age requirement, often set at 55 or 60. Having difficulty in finding a purchaser is not a recent trend, with reports from as far back as 1994[38] showing that demand for retirement housing is limited in certain areas. Whilst the issue of having a limited market is not unique to resale, with it also applying to new-build properties, there is typically significant investment in development-wide marketing for first time sales. It is often therefore the limited marketing for a property being resold that can impede its speed of sale, rather than simply a limited pool of prospective purchasers.

This is a particularly relevant point as, based on our experience from the FirstStop advice service, many purchasers of retirement properties do not make the decision to move into this type of accommodation until a life event triggers such a decision. The 'pool' of potential purchasers ready to move is therefore often enough to meet the supply of retirement housing in any area, however it can be the case that many of these purchasers do not know that this type of housing is available and that it would be suitable for them. The promotion of resales is

[38] Independent, Mary Wilson, *Retirement flat runs into resale barrier: Disposing of a parent's final home can prove tricky*, February 1994, https://www.independent.co.uk/news/business/retirement-flat-runs-into-resale-barrier-disposing-of-a-parents-final-home-can-prove-tricky-1395310.html (last accessed 26/11/18)

therefore key to ensure that as many prospective purchasers as possible are informed about this housing option.

In EAC's survey of prospective retirement property purchasers, over 93% said they would consider buying a resale **but only 23% said they would know where to look to find available properties**[39]. Ultimately, this lack of awareness can often mean that prospective purchasers are attracted to the well-publicised new-build developments, rather than the existing properties that are now being resold.

Undervaluing

Undervaluing can have considerable knock-on effects, particularly when it is the first property being resold within a recently new-build retirement housing development. A significant undervaluation can set a precedent for the agents and prospective purchasers of future resales.

To illustrate this, we have explored two different developments, built in 2004 and 2009, to explore how their property values[40] have changed over time.

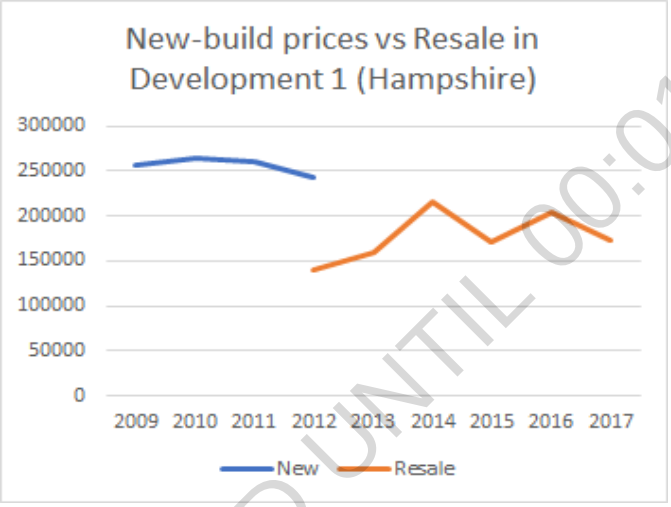


Figure 8: New-build prices vs Resale prices in Development 1 (Hampshire)

Figure 8 shows the new-build and resale values for a retirement development in Hampshire. The properties were built in 2009, during recession, and were sold over a four-year period, a trait that was not uncommon for developments built during, or immediately after, the financial crisis. On average, new properties were sold for a figure in excess of £250,000, although this reduced slightly as the final new-builds were being sold in 2012.

The average price of a resale property, in the same development, in the same year as the final new-build sale in 2012, was less than £150,000 - a drop in value of £100,000. This then set a trend for property prices within the development, with the annual average for a resale improving slightly but still varying between £170,000 and £215,000.

The above graph raises the question of why a vendor would sell a property, previously bought for a figure in the region of £250,000, for less than £150,000 within four years of owning it. Prices did increase in the following years and this is likely to reflect the fact that the resale property sold in 2012 was a one-bedroom apartment and was the only sale point in that year.

[39] Elderly Accommodation Counsel, *Considering buying a retirement property?*, 2018
[40] Land Registry, House Price Index, 1996-2017

Regardless of the reason for the low price of the first resale, this set a precedent for estate agents requested to value properties within this, and other nearby, retirement developments.

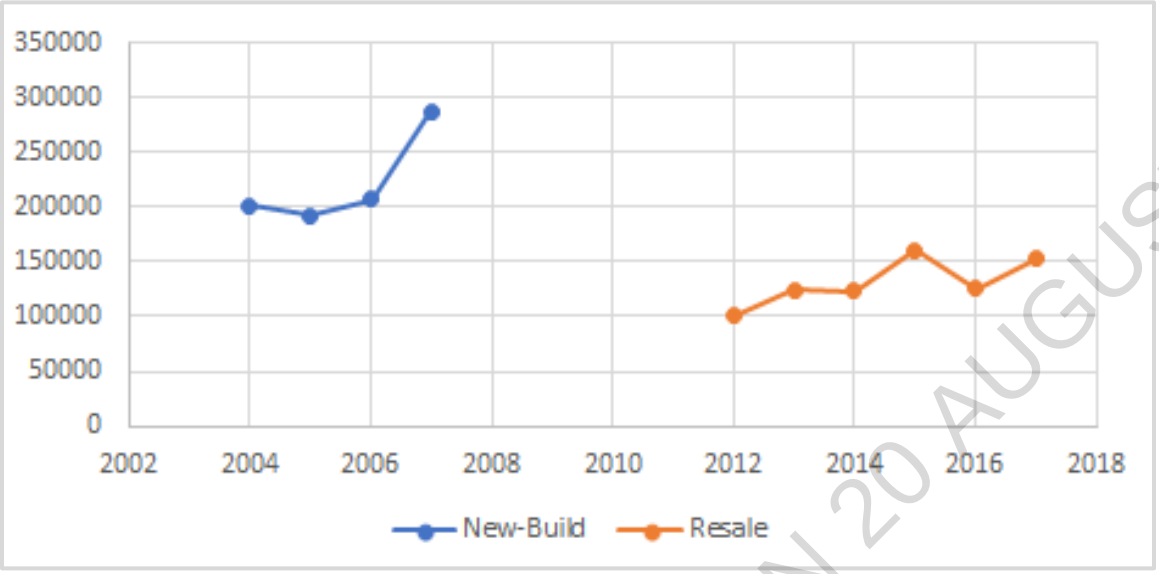


Figure 9: New-build vs Resale values in Development 2 (South East)

Figure 9 shows the average annual new-build and resale values for retirement properties in a development in the South East. As with Figure 8, the new-build sales have occurred over a period of four years, with the final sale point in 2007 being a single sale of a two-bedroom property. These figures have not been adjusted for incentives.

However, unlike Figure 8, the properties in this development were not sold again until after the housing market began to improve following the financial crisis. Upon the first resale the value of the properties fell from an average of £200,000 down to almost £100,000, a fall of 50%. The subsequent resales did improve their value but consistently struggled to achieve more than £150,000.

We have already explored that some depreciation in value is possible, or even likely for those sold in recession years, due to the new build premium being extinguished once the property is sold. However, these falls in value are in excess of the 15%, that can be attributed to this premium or any amount paid through an incentive.

There are a number of reasons why an initial undervaluation can occur. For example, it is common practice for an estate agent to calculate the value of a property through its square footage. However, the vast majority of retirement housing developments will also have communal areas and guest facilities available for residents, these spaces can be overlooked by estate agents, or they can find it difficult to attribute a value to them.

Overvaluing

Valuing a property too highly is not uncommon and risks deterring prospective purchasers. We spoke with one specialist retirement estate agency who reported that:

> *"...the high street can initially overvalue. 'Retirement' property is often 10% or so under the value of comparable non-retirement (properties). Generally because this reflects the smaller buyer pool."*

On the face of it, overvaluing a retirement property does not seem as hazardous to resale values as undervaluing, however an overvaluation can deter prospective purchasers from enquiring about the property.

For the vendor, frequently a family member who has inherited the property, any delay in selling the home will mean paying service charge and ground rent payments. A typical service charge is often in the region of £2,000-£3,000 per year, as is discussed in the next chapter. These costs can lead to the vendor asking the agents to reduce the price of the property for a quick sale. As well as financial pressures, family members may also want to resolve matters of probate quickly, as this can be an emotionally stressful process.

Specialist retirement estate agents

As well as high street estate agents, there are a number of agencies that specialise in the sale of retirement properties. In recent years these services have become more prevalent, with many asserting that users of their service will, on average, see an increase in the value of a property upon its resale through them.

As part of our research for this report we asked questions on the 'resale process' to two specialist 'retirement' estate agencies. Between them they are responsible for the listing of more than 1400 retirement property resales at any one time. EAC therefore felt that they were in a unique position to answer the following questions on the resale process from the position of a specialist estate agency:

1. **It is common for home owners to be responsible for service charges and other ongoing maintenance fees associated with owning a retirement property, even if they are not currently living in the property. How much of an effect does this have on vendors?**

This question refers to a point raised earlier in this chapter, that the costs associated with owning a retirement property are typically immediately payable. The first agency responded that:

> *Yes it is common. It inevitably puts pressure on the vendor. Additionally, Council Tax is also payable (many Local Authorities will levy full charges). But this is no different from a*

non-retirement property sale, and typically Council Tax in a retirement property is lower than in a customer's previous home.

These points were echoed by the second agency, but with an added acknowledgement that other homeowners would be impacted if exceptions were made:

Yes the owner is still responsible for the service charge even if they are not in residence, this is a condition of the lease and without it there would be an unfair burden on the other owners.

As part of our research, EAC had discussions with one developer who did provide leaseholders with some leeway when it came to making service charge payments on an empty property. In the case of this developer, they would allow the service charge liability in a vacant property to be deferred, up to a certain period of time. They claimed that this gave those that had inherited a property time to find the right buyer, without having to pay out considerable service charges immediately.

Our second question considered the expectations of family members that have inherited a retirement property:

2. **Many homeowners selling their retirement property have inherited it from a late parent or other relative. How do their expectations of the resale process compare with older homeowners that are selling as part of a structured and planned move?**

The answer from one agency underlined EAC's anecdotal understanding; based upon the stories we had been told through our advice line, that the majority of retirement property vendors have inherited their property:

About 85-90% of our sellers have inherited the property; they are more motivated to sell as they are suddenly responsible for the service charge and the funds from sale is their inheritance which they will want to begin enjoying.

Our next question focused on the approach taken by specialist estate agents, which might distinguish their service and results from those of high street agents:

3. **When valuing a retirement property, what factors specific to this type of accommodation do you take into account?**

Both agents indicated that there are many similarities with the general housing market, with some additional considerations:

Much the same as open market. Location, condition, cost of service charge/ground rent, what floor it sits on. Also for retirement – Access to doctors/hospital/shops, public transport, security/sociability. We do find that "small" remedial works can sometimes put

buyers off (particularly if they don't have family/friends support/help) so a "small" redecoration can be enough to stop the buyer putting forward an offer.

One of the key services provided in retirement housing developments is that of the scheme or development manager. We asked about their importance when marketing such a vacancy:

4. **What role, if any, do you see the on-site scheme manager (where applicable) as having when you are marketing a property?**

   For us they play a vital role as they show prospective buyers the property on our behalf. We feel this is very important as the Scheme manager is best placed to give accurate information about their development, its culture and the general "lifestyle". It also gives the Manager an opportunity to meet with prospective buyers early in the process.

   (Scheme managers are) Essential! They are the people who know everything about the scheme from the facilities available to the social events which happen. They are the very best ambassadors for the scheme.

It is apparent from these answers that an engaged scheme manager has the potential to help estate agents understand the product they are marketing. Having a thorough understanding of what the scheme offers and the financial and legal obligations of living in such a development can make a scheme manager an effective on-site guide.

We then asked the agencies what mistakes they feel high streets agencies make when marketing retirement properties:

5. **Do you have any observations from the view of a specialist estate agent on some of the common mistakes and errors made by high street agents when marketing a retirement property? Are there any common comments made to you by clients who used a high street agent prior to instructing you?**

The first agent addressed some of the misconceptions that vendors can have, which are not always corrected by high street agents:

We have many anecdotal stories of buyers being mis-informed about services available. Buyers who expect breakfast to be served, an on-site doctor, free transport or those who move in tenants or relatives who are well under the age restriction. High St agents often over value on the basis of a comparison to a similar open market property and then have to "under value" to get the property sold. Most agents don't understand "event fees" or how they work.

The second highlighted the issue of valuing a retirement property based on traditional methods of size and reducing the price too quickly:

Yes, they do not appreciate how to demonstrate the property focusing only on the apartment rather than the communal areas especially the guest suite which is effectively your second (or third) bedroom! They also apply their default tactic of pushing the price down if a sale is not achieved in three months which is damaging to retirement properties, as it is a restricted market it is normal for it to take longer to sell.

We were interested to explore this final point further, as we appreciate that a beneficiary of a retirement property is likely to want to secure a quick sale, whether to satisfy probate or to access their inheritance. We will therefore now take a more detailed look at how quickly a specialist retirement agency can market and find a buyer for their properties.

Speed of sale

To begin, we asked the same two specialist retirement estate agents for details of the average time it takes for them to market and sell a property.

The two agents reported the average time between **instruction and exchange** as being 16 to 21 weeks, on average. These figures are based on historic sales data from the two agencies with a caveat that certain data was omitted. For example, the longest 5% of cases were disregarded from these averages by one agency, the reason for this being that some cases are subject to complex probate and Court of Protection sales.

It is also worth noting that different specialist agencies may have different challenges that affect the sale of their properties. For example, an agency that is working on behalf of a developer may find that the process of obtaining lease details simpler than an agency who need to liaise with a third-party freeholder.

It is logical to compare these average sale lengths with those in the general housing market. A Post Office Money report in 2017, developed with the Centre for Business and Economic Development (CEBR), found that properties took, on average, 96 days **to complete a sale**[41]. This is the equivalent to approximately 14 weeks and is supported by a number of national estate agents, who quote figures of 12-14 weeks[42].

Note: Whilst these figures do allow for some comparison, it is not exact due to the retirement timelines only being up to exchange, rather than completion. The consumer group Which? report that the time between exchange and completion is usually set at two weeks[43].

[41] National Association of Estate Agents, *The average UK property takes 96 days to sell*, November 2017, http://www.naea.co.uk/news/november-2017/the-average-uk-property-takes-96-days-to-sell.aspx (last accessed 26/11/2018)
[42] Yourmove, Selling FAQs, https://www.your-move.co.uk/sell/selling-faqs (last accessed 26/11/2018)
[43] Which? Exchange and completion, December 2018, https://www.which.co.uk/money/mortgages-and-property/first-time-buyers/buying-a-home/exchange-and-completion-a6n6m8p8czvh (last accessed 28/01/2019)

Increased sale value

In addition to finding a purchaser and completing this process quickly, one of the key claims of specialist retirement estate agencies is that they are able to sell retirement properties at higher prices than their high street competitors. Further to this, some have reported that they will, on average, increase the value of the property since its last purchase - whether new-build or resale.

EAC was provided with data from the larger of these specialist agencies, who are currently marketing over 1000 vacancies. They supplied their average sale price between 2012 and 2017. Figure 10, below, shows these figures when compared with the average annual sale price[44] of all retirement properties that are of a similar age of those typically sold by the agency. To arrive at these figures we used Land Registry 'Price Paid' data to obtain an annual average for the amount paid for a retirement sale. To ensure that these figures were not unfairly affected by resales in very recent new-build developments, we only considered resales from properties within developments that were at least five years old.

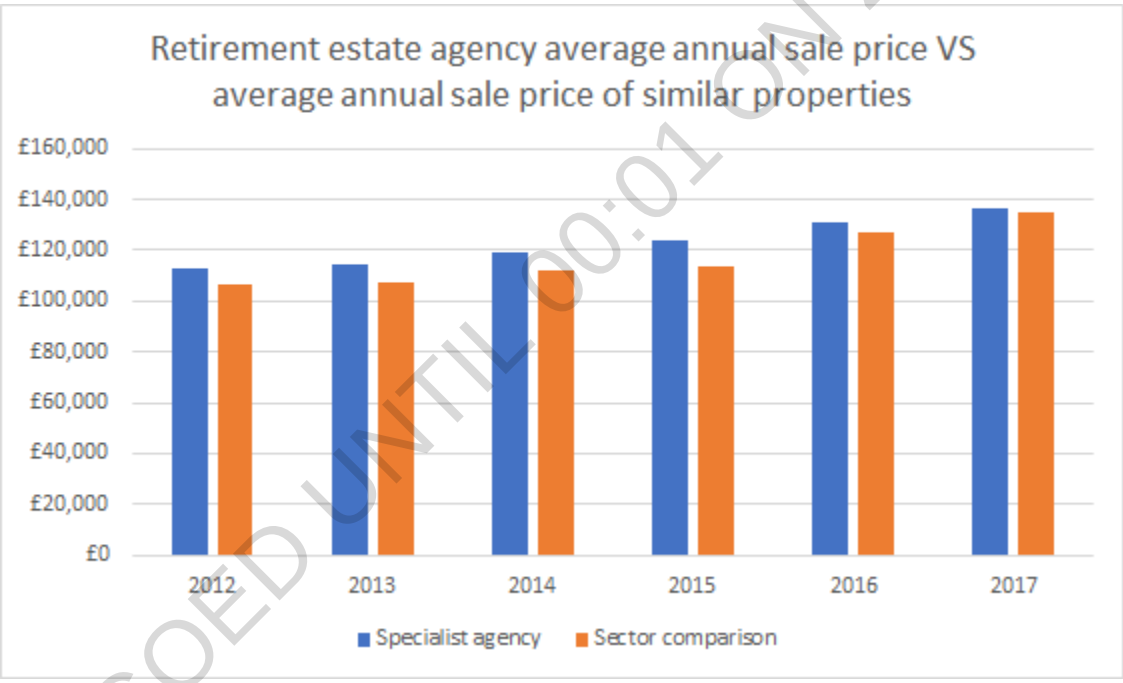


Figure 10: Retirement estate agency average annual sale price vs Average annual sale price of similar properties

The graph shows that in every year the specialist agency had a higher average sale price. This evidences some of the claims made by such agencies that their services *can* help vendors receive higher offers, as well as progressing the sale at a faster rate - as discussed earlier in this chapter.

[44] Land Registry, House Price Index, 1996-2017

However, the graph does also show that in recent years the difference between the figures reported by the specialist agency and all sales has narrowed. This may correlate with the improvements in resale values across the retirement housing sector, as it has begun to recover from the effects of the financial crisis.

Guidance and consumer expectations

Several managing agents of retirement housing developments have reported new residents having unrealistic expectations of the services provided on-site; in each case the managers attributed this to a purchase through a high street estate agent.

To better understand the support available to estate agents, EAC spoke with National Association of Estate Agents (NAEA) Propertymark as part of our research. We asked them whether NAEA Propertymark had produced any guidance to their members about valuing and marketing a retirement property, they confirmed that they had not, but do provide several training courses to estate agents including Mark Appraisal and Valuation of Residential Property.

However, NAEA Propertymark has been educating its members in recent years on other matters relating to retirement housing and campaigning for reform in this area of the property market. In September 2018, NAEA Propertymark released a report 'Leasehold: A Life Sentence?'[45] which sets out 'robust recommendations to tackle the growing problem of life sentence leaseholds'.

With this in mind, NAEA Propertymark has offered to work with EAC, and other representatives from the sector, in order to produce some guidance for its members on the things to consider when valuing a retirement property. EAC will liaise with NAEA Propertymark throughout 2019.

Schemes that help vendors to sell their homes

In addition to the typical sale of property through estate agents, attention should also be drawn to the small number of developers and operators who offer 'buy-back' schemes for their residents[46]. These schemes offer to buy the property back for a fixed price, sometimes at the purchase price but often an independent valuation is arranged and a percentage set by the developer/operator is subtracted.

We have already explored with Figure 8 and Figure 9 that the retirement housing resale market can quickly be affected by a vendor that is keen to secure a quick sale, or by an estate agent that undervalues a property.

[45] NAEA Propertymark, September 2018, http://www.naea.co.uk/media/1047279/propertymark-leasehold-report.pdf

[46] Housing LIN, *Market rent in retirement and extra care housing: a new offer for older people?*, February 2014

A question is therefore raised that if more developers of retirement properties were to introduce a 'buy back' offer on all of their new properties, would this help establish a resale threshold that is closer to new-build values?

EAC has not been able to assemble industry-wide data from agencies that offer this service, however we are aware of one provider, a housing association, who previously introduced a buy-back scheme that guaranteed 95%[47] of an independent valuation of your home. This gave individual homeowners a baseline figure, which they then may feel encouraged to improve upon through using an estate agency. By having a set value that you can fall back upon, this effectively 'protects' the new-build value.

Figure 11 shows the annual resale values achieved by this housing association, when compared with annual new-build values. These figures have not been adjusted by the average incentive paid in that year, as we understand it was uncommon for this developer to make such offers.

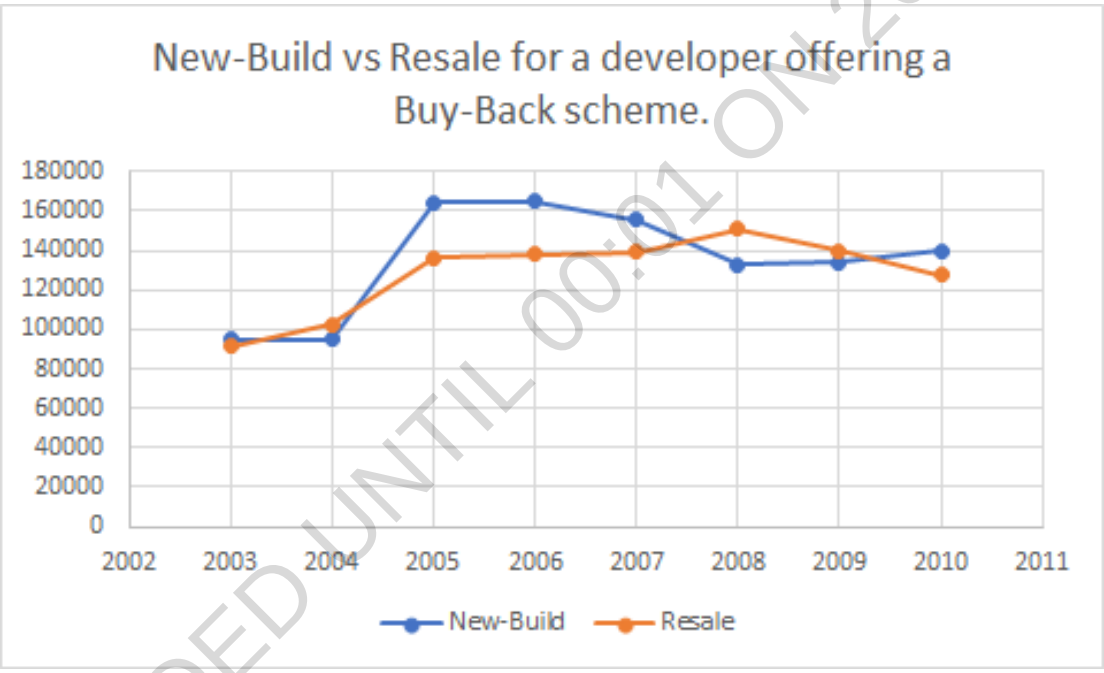


Figure 11: New-build vs Resale for a developer offering a Buy-Back scheme

Whilst EAC has not been able to analyse this data by individual development, due to a lack of suitable data points, the overview suggests that resale values have remained close to new-build values, even exceeding them in some years.

When compared to Figure 7, we can see that the falls in value in the years 2005 and 2006 are roughly the same, with resale values being equivalent to approximately 85% of the new-build value. However, in 2007 the 'buy-back developer' secured resale values in the region of 90% of

[47] Ibid

the new-build values, compared to a continued average figure of 85% for the rest of the sector. In both 2004 and 2008 the ‘buy-back developer’ achieved improved resale values, whilst the average resale value for the rest of the sector continued to be below the new-build value.

Conclusion

There is evidence that specialist retirement estate agencies can help vendors sell their home more quickly and at a higher price. However, this contrast is only likely to be stark when using a high street agent that is not familiar with the marketing and sale of a retirement property.

One of the key facilitators of poor resale values are vendors who feel the need to sell their property for less than its potential value, whether that is through the need to achieve a quick sale or due to an estate agent undervaluing the product.

Following discussions, EAC anticipate NAEA Propertymark working with the sector to develop specific guidance to their members on the key points to consider when accepting an instruction for a retirement property.

4. The costs that come with being a retirement leaseholder

There are a number of charges that are commonplace in most lease agreements – both mainstream housing leaseholds and retirement leaseholds. Services charges, ground rents, sinking funds and certain administration-related costs are expected liabilities with almost all residential leasehold properties. Some costs, like service charges, will replace the costs for day-to-day maintenance services that most homeowners will be familiar with, others like ground rents and administration costs are likely to be a totally new cost to those who have not owned a leasehold property before.

This chapter will focus on the charges that most commonly apply to the leaseholders of retirement properties. Whilst these costs apply equally whether the property is a new-build or resale, the absence of an on-site marketing team can make it more difficult for prospective purchasers to get immediate answers to any questions they have on these charges.

Before discussing and evaluating the impact of these charges, it is important to define the range of fees that can be used in different forms of leasehold retirement housing. To help ensure consistency with the Law Commission's recent report on Event Fees[48], we have used their glossary terms:

Administration charge

A charge payable under the terms of a lease by a leaseholder in addition to ground rent, in connection with (a) the landlord giving approval to something such as internal modifications; (b) the landlord providing information to a third party; or (c) some default by the leaseholder such as breaching one of the terms of the lease

Event fees

A fee payable under a term of or relating to a residential lease of a retirement property on certain events such as resale or sub-letting. Event fees may be referred to by a variety of names including exit fees, transfer fees, deferred management fees, contingency fees and selling service fees.

Service charges (also known as a Management Charge)

A payment made by a leaseholder to a landlord or management company towards the cost of providing services such as repairs, insurance or maintenance of communal areas.

[48] Law Commission, *Event Fees in Retirement Properties*, Law Com no 373, March 2017

Ground rent

A regular payment required under a lease made by a leaseholder to the freeholder of the property.

Sinking fund (also known as a Reserve fund)

A fund held by a landlord or management company to "cover the cost of irregular and expensive works such as external decorations, structural repairs or lift replacement." (Source: The Leasehold Advisory Service). The fund is paid for out of contributions made by leaseholders.

Note that many leaseholders do not make a separate payment for their sinking fund, rather the majority of their contributions towards this pot is factored into their service charge or through an event fee.

Service charges, ground rents, administration charges and sinking funds are common place across nearly all leasehold residential properties. However, Event fees assume greater significance in the 'Housing-with-Care' sector and are minimal for retirement housing.

The cost of ongoing leasehold liabilities

As already discussed in this report, beneficiaries of retirement properties can be placed in a position where they are made legally liable for the ongoing charges detailed in the lease. We have heard anecdotal evidence from EAC FirstStop clients and specialist retirement estate agencies that this, often sudden, responsibility for making payments can result in inheritors/executors pricing the property for a quick sale. Although it should be noted that some of these costs would have still been payable in an empty non-retirement property.

To better understand the position that these beneficiaries might find themselves in, we need to explore the costs associated with owning a retirement property.

Service charges

From data made available to EAC[49] on over 1,000 retirement properties, with a variety of existing and new-build homes, we have calculated that the average Service Charge for a retirement property is approximately **£2,600** per annum, ranging from £1,500 a year for a scheme in the London Borough of Redbridge, to in excess of £4,300 for one in East Sussex.

Across the whole of the leasehold residential housing market, the average annual service charge figure has been put at £1,863 by Direct Line for Business[50].

[49] EAC Vacancy data, Numerous providers, October 2018.
[50] Financial Times, *Leasehold flats: What estate agents won't tell you*, July 2016, https://www.ft.com/content/8148fc96-501f-11e6-8172-e39ecd3b86fc (last accessed 26/11/2018)

The HomeOwners Alliance website refers to average figures for mainstream housing, quoted by the Association of Residential Managing Agents (ARMA), of between £1800 and £2,000 a year in London[51].

Taking Direct Line for Business's average figure of £1,863 for the whole of the residential leasehold sector and comparing it to the average for retirement properties of £2,600, it is clear to see that service charges for retirement properties are more expensive. However, the range of services provided within a development can help explain the cost of this service.

The presence of an on-site scheme manager is commonplace in retirement housing, whereas the equivalent service of a concierge is far from being the rule in the general housing market. In addition, it is common for the communal areas in retirement housing to be more extensive and therefore require more frequent maintenance.

With average salary alone for a scheme/development manager in the region of £18,000[52] – £26,000[53], depending on location, the majority of the difference between general leasehold residential properties and retirement leasehold properties appears generally attributable to the cost of employing a scheme manager.

When considering these prices and allowing a further amount for the additional cleaning and general maintenance required within a retirement housing development, the difference in average service charge values between the general housing market and retirement housing becomes more justifiable.

However, even an average annual liability of £2,600 could become a source of financial stress to the beneficiary of a retirement property. In the vast majority of cases, service charges must always be paid, even when the property is empty.

Ground rents

At the time of writing, the Government has announced plans to cap all new Ground Rent charges to £10 per annum, although retirement housing may be exempted from this ruling. The decision to introduce a cap elsewhere was reached in response to small number of developers in the mainstream non-retirement housing sector who, in some cases, set ground rents that would double in value after a set number of years[54]. This reform appears as though it will only

[51] HomeOwners Alliance, https://hoa.org.uk/
[52] Glassdoor, Sheltered housing scheme manager salaries, https://www.glassdoor.co.uk/Salaries/sheltered-housing-scheme-manager-salary-SRCH_KO0,32.htm (last accessed 26/11/2018)
[53] Indeed Jobs, Sheltered scheme manager salaries, https://www.indeed.co.uk/salaries/Sheltered-Scheme-Manager-Salaries (last accessed 26/11/2018)
[54] Which? Consumer Rights, *What can I do about doubling ground rent clause in a leasehold?*, https://www.which.co.uk/consumer-rights/advice/whats-the-problem-with-doubling-ground-rent-clauses-in-leaseholds (last accessed 26/11/2018)

apply new leasehold developments in the general housing market, although the consultation does propose that retirement housing should give customers the option of paying a higher purchase price in return for a ground rent capped at £10 per annum[55].

Ground rents can vary but are usually not as significant as service charge payments. According to Which?, these fees are usually between £50 and £200 per year, across the whole residential leasehold sector.[56] The national housing charity, Shelter, report that ground rent is "usually between £100 and £200 per year, but it can be much more"[57]. Research into ground rents by Direct Line[58] found that the average ground rent in new-build properties was £371, with it being £327 on existing homes.

With specific consideration for retirement properties, the information provided to Elderly Accommodation Counsel puts this figure, on average, at just over **£360** per year. Once again, there were a range of figures that made up this average, with some properties having no ground rent payable, many having a figure in the region of £100 per year and a few reaching £700. A figure of £360 is more-or-less in line with the ground rent figures recorded by Direct Line for Business, although it is a fair conclusion to make that ground rents within retirement housing can be higher than a property in the general housing market that is of equivalent size. One possible reason for this may be due to a practice that is common amongst retirement housing developers of recovering revenue that is otherwise lost through the sacrifice of apartment space for communal areas, by increasing ground rent. In fact, this is something that some of the largest retirement housing developers draw attention to[59][60].

Having reviewed the figures provided to EAC and historical information from users of our charitable services, we have found no significant evidence that ground rents influence a prospective purchaser's interest in a retirement property. Variations in the amount of ground rent charged for retirement properties are generally minimal and these fees remain minor in comparison to regular service charge payments.

Administration charges

Rather than an ongoing fee that must be paid by the leaseholder, these costs are triggered by an action. For example: doing some internal building work or letting out the property. Managing

[55] MHCLG, Implementing reforms to the leasehold system in England, October 2018
[56] Ibid
[57] Shelter, *Ground rent for leaseholders*, http://england.shelter.org.uk/housing_advice/shared_ownership_leasehold/ground_rent_for_leaseholders , (last accessed 26/11/2018)
[58] Business Insider UK, *How foreign investment firms exploit the UK property market with leasehold ground rents*, July 2017, http://uk.businessinsider.com/what-are-leaseholds-and-ground-rents-and-why-are-they-so-expensive-2017-7 (last accessed 26/11/2018)
[59] Evening Standard, *Churchill Retirement in warning on changes to ground rents*, September 2018, https://www.standard.co.uk/business/churchill-retirement-in-warning-on-changes-to-ground-rents-a3928221.html (last accessed 26/11/2018)
[60] McCarthy & Stone, *Ground Rent*, https://www.mccarthyandstone.co.uk/about/ground-rents/ (last accessed 26/11/2018)

agents that belong to a registered trade body, such as the Association of Residential Managing Agents (ARMA)[61] or the Association of Retirement Housing Managers (ARHM)[62], should ensure that their Administration Charges are reasonable. Where the leaseholder believes that the charges are not reasonable, they can be disputed through Tribunal.

There do not appear to be any considerable differences between the application of Administration Charges in retirement housing and the general residential leasehold market. This report will therefore not be analysing these charges in detail. However, it is relevant to reiterate that as retirement properties can take time to sell, some owners will consider letting their property, to ensure that the service charges and other ongoing costs are covered. Whilst an administration fee of even a few hundred pounds should not be enough to rule this out as a financial option, it is another consideration and potential obstacle for any beneficiary/estate.

Event fees

As set out in the glossary of terms for this chapter, an event fee is an amount usually payable upon the sale of a retirement leasehold property. The reasons for imposing an event fee can be varied, with some developers using it to reduce purchase prices, lower service charges or to ensure regular contributions into the sinking/contingency fund for the development. Developers can also simply take a profit from event fee payments.

Whilst large event fees are common in the 'Housing-with-Care' sector, it is rare to see a fee in excess of 1% in the traditional retirement housing market, with some developers not charging a fee at all. After investigating the event fee practices of the five largest retirement housing developers, we found that they either did not charge an event fee of any kind or charged a flat fee of 1%, which was used as a contribution to the development's sinking fund, rather than as a payment to the developer.

Elderly Accommodation Counsel (EAC) supported the 2017 Law Commission consultation and subsequent recommendations regarding *Event Fees in Retirement Properties*[63]. One of the main conclusions of this consultation was that developers should ensure transparency around their fees. Whilst these recommendations are still awaiting their full legal implementation, EAC is encouraged to see that so many developers, across the whole of the later life housing sector, are making information about their event fees easier to find for consumers.

Whilst larger event fees will almost certainly be an important factor when considering resale values in the 'Housing-with-Care' market, where larger event fees are more common, the largest developers in the traditional retirement housing sector charge minimal fees (1%) or none at all. EAC therefore conclude that these fees have no significant negative impact on overall average resale values within the traditional retirement housing sector.

[61] ARMA, Advice Note: Management Fees, Page 8. June 2014.
[62] ARHM, Code of Practice, Chapter 16, section 2. June 2016.
[63] Law Commission, *Event Fees in Retirement Properties*, Law Com No 373, March 2017.

Comparison with liabilities for home owners in the general housing market

Although these payments are a serious financial consideration for any prospective purchaser of a retirement property, a number of the costs that these charges are designed to cover would be payable by a person living in a general freehold property.

One example would be the liabilities covered by service charges. Buildings insurance and water charges are typically paid through service charge payments, meaning they do not need to be paid in addition to the service charge. These costs average £80[64] and £405[65] per year respectively - although these costs are likely to be less in a retirement property due to the relative size of the properties for those who have downsized.

Leaseholders should also find that the day-to-day maintenance of outside spaces will be covered through their service charge[66], with their contribution to the cost of this service likely being less than the price of any similar service they were previously paying.
Many purchasers of retirement housing have downsized from larger three- or four-bedroom family homes into a one- or two-bedroom apartment. These homeowners are therefore likely to also benefit from a reduction in their Council Tax liability and energy bills.

Finally, with a portion of service charge contributions often going toward the sinking/contingency fund for major works and improvements to communal areas and the exterior of properties, this is a cost that would not need to be met in addition to the leaseholder's contributions.

Impact on resale values

From the main charges this chapter has explored, EAC has concluded that only service charges have the potential to influence resale values.

To investigate this further, we compared new and resale values for five developments with a service charge of less than £2,000 with five developments charging more than £3,500 (Figure 12). The developments were all built within the same three-year period (2002-2004). The new-build values were not adjusted for either the new-build premium or incentives.

[64] MoneySuperMarket, Home Insurance Calculator, https://www.moneysupermarket.com/home-insurance/calculator/ (last accessed 14/12/2018)
[65] Money Advice Service, How much is the average water bill per month?, July 2018, https://www.moneyadviceservice.org.uk/blog/how-much-is-the-average-water-bill-per-month
[66] Leasehold Advice Service, Service charges and other issues, https://www.lease-advice.org/advice-guide/service-charges-other-issues/ (last accessed 28/01/2019)

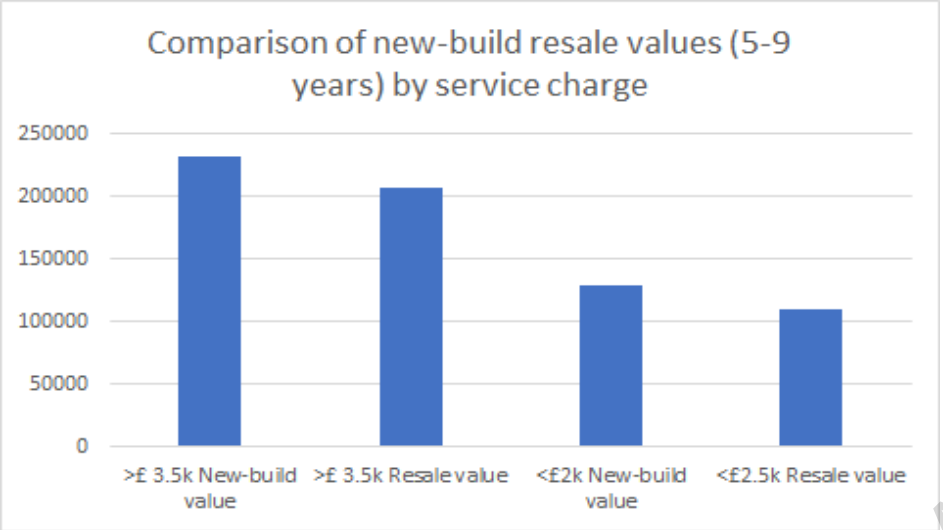


Figure 12: Comparison of new-build resale values (5-9 years) by service charge

Figure 12 shows that whilst there is a considerable difference between property value, possibly due to the quality and quantity of services provided, the average fall in this value upon resale is similar, with the higher value properties performing slightly better. However, it must be noted that there are many other factors that could cause properties with a higher service charge, which are often of a higher value, to perform slightly better upon their resale. Based on this small sample, high service charges would not appear to have a significant impact on resale values. Note that we have no information on the number of potential purchasers who may have been deterred by high service charges, or what would be their view on what is a reasonable service charge to pay.

However, as discussed in the previous chapter on the resale process and the role of specialist estate agents, the simple presence of a service charge liability for a beneficiary of a retirement property can be sufficient to initiate interest in a quick sale; even if this means realising less than the true price of the property.

Conclusion

At the time of writing, Government is continuing its exploration of ground rents and event fees within the wider context of the leasehold sector. The current proposals suggest that the retirement housing sector may be exempt from the £10 ground rent cap subject to consumers being given the option to pay a higher purchase price in exchange for a capped ground rent of £10 per annum. Event fees will continue but subject to increased rules around transparency.

Whilst ground rents, along with administrative charges and event fees, are an important financial consideration for prospective purchasers in the traditional retirement housing market, EAC has found no definitive evidence that these charges have any significant impact on resale values.

Service charges are a more significant cost to consumers, but the range of services, and therefore fees, set by developers and operators are not considerably varied. When comparing average service charges in retirement housing with those in the general housing market, the fees are generally justifiable, and for some people may be comparable to the running cost of their previous home.

However, EAC would always encourage prospective purchasers to ask for a breakdown of how their service charge, sinking fund and event fee contributions are used. This allows them to make fair comparison with the cost of living in the general housing market and to budget accordingly.

An additional consideration is that service charges can, understandably, be of considerable financial concern to beneficiaries of retirement properties. The sudden liability for thousands of pounds each year, in addition to hundreds of pounds for ground rent and the prospect of administrative charges for any amendments made to the property or tenancy, can trigger a ‘sell quickly’ reaction from the new owner. The consequences of this are explored further in our previous chapter on the resale process and the role of specialist estate agents.

5. Best practice and the role of developers and managing agents

Previous chapters have explored the reporting of resale values and the impact that the resale process can have on prices. This chapter will focus on the role of retirement developers (builders), managing agents and operators.

The decisions taken by developers and managing agents, both in terms of the initial construction and subsequent day-to-day management, can have a significant impact on the residents that will live in these communities. Factors such as the size of a development, its proximity to local services and its sense of inclusion and community will all be points of consideration for any prospective purchaser.

Development - Location

The old adage of "location, location, location" is something that holds true in retirement housing. In fact for many prospective purchasers, the need to be well positioned in later life is even more important than when they were younger, although what they consider to be 'well positioned' may have well changed.

When buying a retirement property, consumers typically anticipate not needing to make any further moves. A review by the Centre for Policy on Ageing[67] quoted a 2014 Family Resources Survey which stated that 42% of older people consider themselves to have a disability. With this in mind, prospective purchasers of retirement properties, who are often over 75[68], are likely to desire a property in a relatively central position.

Location is therefore something that developers attribute a huge amount of importance to when deciding where a scheme should be constructed. The Housing Learning and Improvement Network (LIN), in partnership with the Association of Directory of Adult Social Services (ADASS), produced a Strategic Housing for Older People (SHOP) resource pack to "be used by housing, health and social care practitioners to inform and influence their local strategic commissioning"[69]. This resource pack states the importance of location and refers to an influential report by the *Housing an Ageing Population: Positive Ideas* (HAPPI) All Party Parliamentary Group (APPG) panel[70]. This report emphasises the importance of location to ensure that residents of retirement housing groups can access nearby services.

Additionally, giving older people the option to remain close to the community that they are already part of should be a consideration. A report by The Strategic Society[71] found 80% of

[67] Centre for Policy on Ageing, *Diversity in older age - Disability*, 2016
[68] Law Commission, Background Paper 1; Age Restricted Housing with and Without Care, Iain Lock, October 2015
[69] Housing LIN, *Strategic Housing for Older People*, December 2011
[70] All Party Parliamentary Group (APPG) on Housing and Care for Older People*, Housing an Ageing Population: Positive Ideas (HAPPI)* 3, June 2016
[71] The Strategic Society, *Open Plan: Building a strategic policy toward older owners*, October 2015

older people wish to stay where they are – or 'age in place' – and 85% plan to remain in their neighbourhood for a number of years.

With this in mind, EAC was keen to explore whether proximity to local facilities and services improved resale values. In order to analyse this, we compared five schemes from each year with the best resale values (over a five to nine-year period) with five of those that had seen the greatest fall in value. We have done this for each year for new properties built between 2005 and 2012. The results are shown in the graph below (Figure 13):

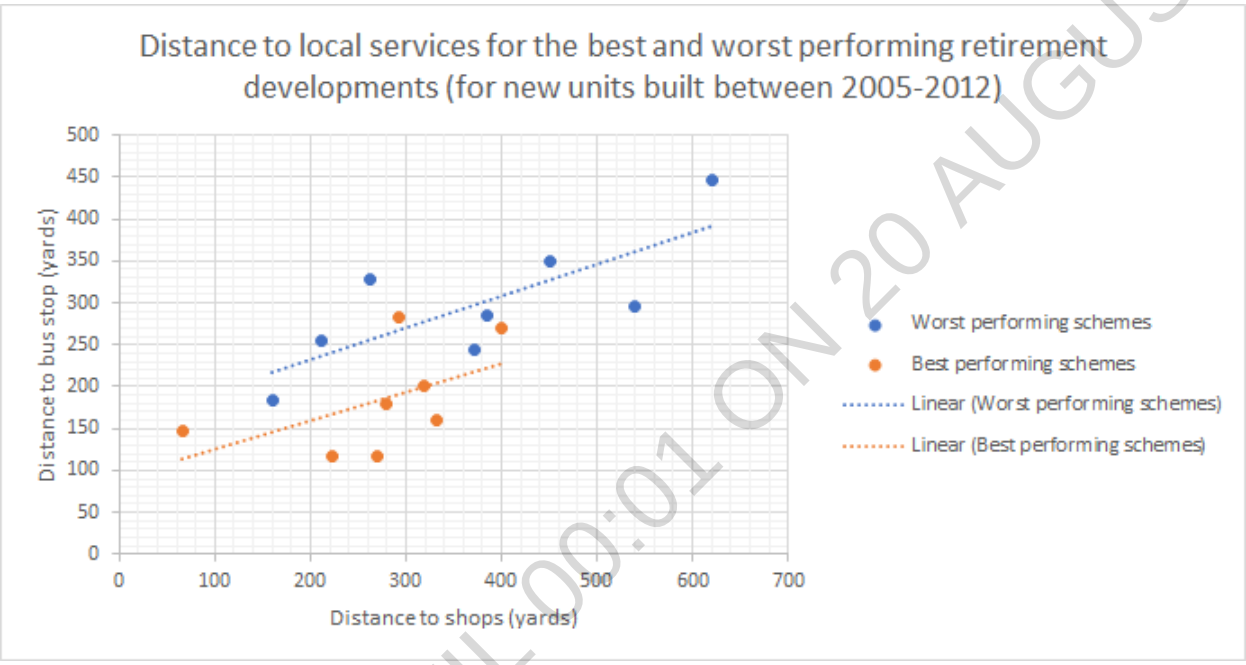


Figure 13: Distance to local services for the best and worst performing retirement developments (for new units built between 2005-2012)

Although based on a small sample size, Figure 13 shows a clear correlation between a proximity to nearby shops and bus stops and the value of properties within a development upon its resale.

Development - Size

EAC explored the resale performance of retirement developments with thirty or fewer units and those with fifty or more, to see whether there was a significant change in new-build resale performance. We have also included those developments between 31 and 49 units, as these sized developments account for approximately 51% of sale points in our data set. The results of this research can be seen in *Figure 14*[72]:

[72] Elderly Accommodation Counsel retirement housing data and HM Land Registry 'Price Paid' data sets (2000-2017).

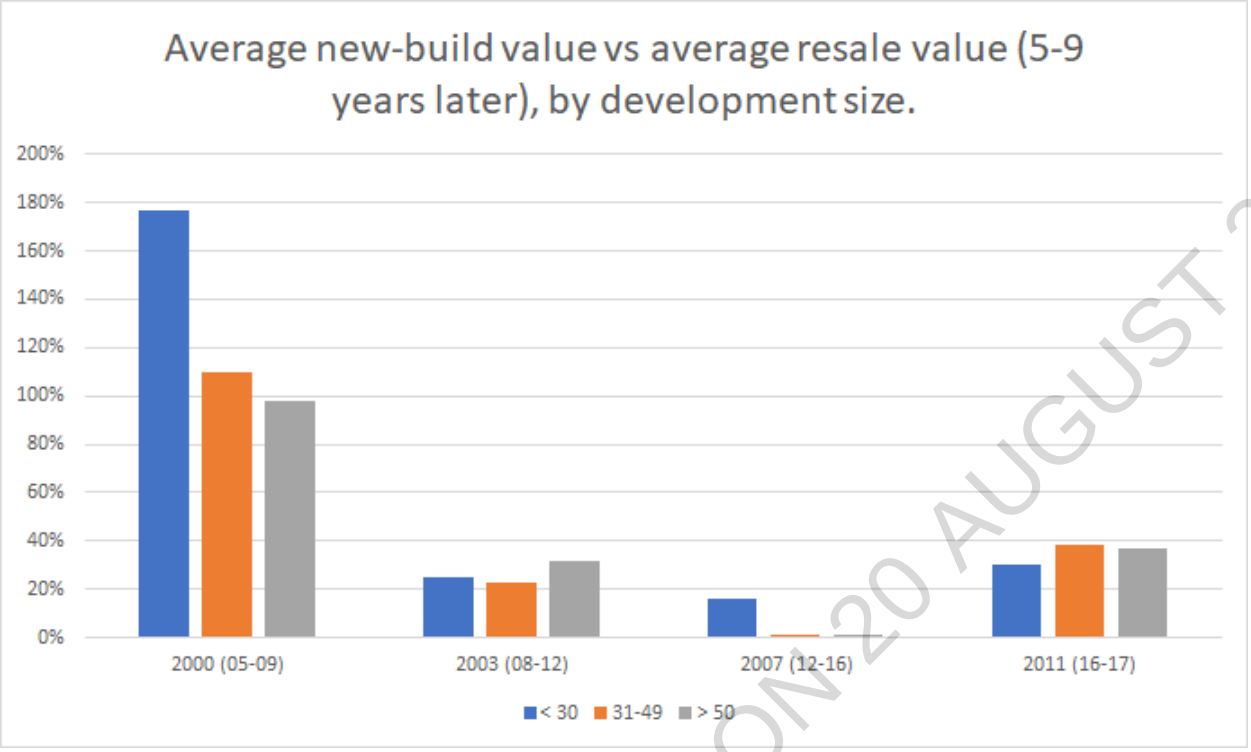


Figure 14: Average new-build value vs Average resale value (5-9 years later), by development size

The analysis was done over a period of four new-build years: 2000, 2003, 2007 and 2011. These years were chosen as they reflected a time prior to, during and immediately after the economic recession. The new-build figures used have been adjusted by a 15% new-build premium and the average incentive paid during that year.

The graph shows that, whilst there has been some variation in the success of developments dependent on their size, there has not been one size of scheme that has consistently outperformed the others. Smaller developments of less than 30 units, built in 2000 and 2007, fared better than larger developments; however the opposite was true for developments built in 2003 and 2011. This suggests that there is no absolute correlation between development size and resale value.

Management - Community

In EAC's survey of over 500 prospective purchasers of retirement housing[73], more than 20% of respondents stated that their *main reason for considering a move into retirement housing* was 'To be part of a community'. This is consistent with the anecdotal evidence EAC has collected over many years of speaking to older people who are exploring their housing options.

Residents in retirement housing are often single, even if they moved into their home as part of a couple. Even with social networks of family and friends, it can often feel isolating to live by

[73] EAC survey, *Considering buying a retirement property?*, April 2018.

yourself. It is the concern of becoming isolated, even for couples, that causes many people to consider a move into retirement housing, where there is an existing community of people in similar circumstances. The provision of communal areas, such as residents' lounges, provides a social space where regular activities and events can occur. From EAC's directory of retirement housing, we understand that events and activities are often resident led, as well as those organised by an on-site manager.

In many ways, beyond the obvious age restrictions in place for retirement housing, it is the presence of an on-site manager and the access to communal spaces that defines a retirement property and separates it from the general housing market. Ensuring that these services and facilities are attractive to residents and prospective purchasers is therefore an important task for the managing agents as these points of distinction will be of interest to any person considering a move to retirement housing.

The role of the on-site manager has changed quite considerably over the last 20 years. Where they used to be referred to as 'wardens' and were associated with a more practical role in supporting residents, they are now typically referred to as 'scheme managers' or 'development managers' and are primarily there to look after the maintenance and day to day running of the building[74].

Managers are typically either:

- 'Live-in' - whereby they have exclusive use of an apartment within the development
- 'Full-time' or 'Part-time' - where they will be the manager for only that development and will typically be present every day in the manager's office for a set period of time, or;
- 'Visiting' - where one manager is responsible for the general maintenance of a number of smaller developments and will spend a limited amount of time at each over the course of their working week.

Management - Repairs and maintenance

A core part of any development manager's role is to be responsible for repairs and maintenance to communal areas. As covered in the previous chapter, every leaseholder of a retirement property will be paying into a service charge, from which the costs associated with the day to day running of a development are met. It is the development manager who will allocate this funding in order to meet the cost of the various contractors used for maintenance.

A development that has employed a manager who is engaged with the residents will ensure that any concerns about the quality of the cleaning, gardening or other services are quickly resolved and that these communal areas continue to look attractive to existing residents and prospective purchasers.

[74] Age UK factsheet 2, *Buying retirement housing*, Section 4, November 2017.

Similarly, it is also often the development manager's responsibility to liaise with residents when it is necessary to use the sinking fund for improvements and renovations to be undertaken. The management of this fund is particularly important as all residents will have contributed towards it and must therefore be in broad agreement on the use of the money, a task that can be difficult in larger developments with active Residents Associations. With this in mind, it is also sometimes necessary for the manager to make a decision that may not be universally popular amongst residents but is important to ensure the development does not begin to look tired or dated.

Speaking with a scheme manager for a larger development in Portishead, she explained that their sinking fund has set 'pots' for certain works. For example, there is an amount reserved for updating the communal areas, one for petty cash that can help meet the cost of activities and a general pot for ongoing maintenance and emergency repairs. Having a sinking fund set out like this means that residents accept it is necessary for the money to be spent in this way and avoids leaseholders potentially deferring decisions on renovations, in the hope that this money will be spent on other improvements.

Lessons from the best performing developments

In addition to the Portishead scheme, EAC visited five other developments, whose values had held or improved between five and nine years after they were first built. The older developments that we visited have continued to see an improvement in their resale values, in line with the general housing market.

To ensure that we experienced a range of onsite services, locations and mentalities, EAC visited one development managed by a social landlord, four managed by mid-market companies and one managed by a high-end agency. The developments were located in the South West, South East, West Midlands and East Midlands. The difference between some, in terms of size and services were noticeable, however there were a number of similarities:

Community

Within the four mid-market schemes and the development managed by a social landlord, it was immediately clear that the heart of the building was its community. Each had a spacious resident's lounge area and a calendar of regular events, some organised by the scheme manager and some by residents. The development manager in each of the schemes enjoyed a seemingly friendly relationship with all of the residents that they interacted with during our visit and showed a willingness to be involved within the community, rather than just being a service that residents pay for.

A manager for a development in Bristol explained that she would regularly stay beyond her normal working hours of 9am - 2pm in order to spend time with some of the more isolated residents. As well as being responsible for the maintenance of the development, which was in

great condition, the manager also explained that she enjoyed the role of being a friendly social contact for those residents without any close friends or family.

Within a larger development in Solihull, the manager explained that she has a simple mantra for herself and the residents: “be kind”. This motto had been readily adopted by the residents, who clearly enjoyed the company of each other and the manager. I was informed by the manager that whenever an event was organised in the residents lounge, there was a concerted effort to get all residents involved. Those who were not able to join through disability or illness would be visited by the other residents, ready to deliver a slice of cake or sandwiches.

Location

In addition to community, the other characteristic all of the developments had in common was location. A visit to a housing association-run scheme in Melton Mowbray was a great example of a developer building a scheme with consideration for the needs of the residents. A supermarket could be found over the road and a cafe was located immediately below the development. For residents that wished to travel into town, it was a five minute walk from the pedestrianised town centre.

The development also demonstrated that location can be subjective. Some of the apartments within the development overlooked a fast food outlet, something that might not be considered desirable by many homeowners; however, for residents it provided a constant source of interest, particularly for those whose limited mobility had restricted them to their homes.

Conversely, we visited a high-end development in South Oxfordshire. Whilst this development was a relatively short walk away from the nearest shop and bus stop, the main attraction of its location was the stunning Edwardian building it was contained within and the carefully landscaped grounds overlooking the River Thames, a view that most apartments benefited from. Whilst this development did not have a communal area, the apartments did enjoy a greater square footage than in most traditional retirement properties, allowing residents to establish regular activities, such as art classes, within their own homes.

We evidenced in Figure 13 that proximity to local services can help retirement properties to maintain or increase their value. After speaking with the residents at the developments we visited, it was clear that they all saw location as one of their main factors when they were looking for their new home.

Resale values - Important factors

It is important to emphasise that all of these developments had challenges: limited parking, an absence of mobility scooter storage or smaller than average apartments. Despite this, resale values for properties based within these communities saw an increase where others, including those in neighbouring developments, witnessed a fall. EAC has concluded that the main reasons for these increases in value are as follows:

- A healthy local property market

The developments we visited were in: Bristol, Portishead, Melton Mowbray, Goring-on-Thames, Solihull and Southampton. Each of these areas has seen residential property prices increase in the years following the recession.

- Proximity to local facilities and services

As explained above, each of the developments were set in a location that the residents found appealing - whether this was being close to shops and transport links or being set in scenic countryside.

- Strong community leading to word of mouth advertising

Every development boasted a waiting list of contacts for prospective purchasers. These patient buyers had often been informed about the benefits of owning a property there by existing leaseholders or the family members of leaseholders. This willingness to recommend appeared to stem from the community created by an on-site manager who was engaged with residents. Having a manager that supports and enables residents to achieve the life they want to live is what drives recommendations from these homeowners and those that know them best.

- Limited local competition

It should not be a surprise that areas with an over-saturation of retirement housing developments are likely to experience falls in value when properties are sold. The successful communities that we visited were either offering something that few other nearby developments had, or were based in an area with a considerable ageing population

- Supporting frail residents

People will naturally age and may become less active. They might also start needing care and support services in their home. Whilst this should be celebrated, as it is evidence that moving into a home that is suited to your needs can prolong your ability to live independently, it can also present challenges to managing agents.

If older people become isolated and are not able to as easily participate in activities and events, this can lead to communal areas being underused and that vital sense of community being stifled. When prospective purchasers come to visit a vacant property, they are likely to get a sense for how active the development is and may be discouraged by a community that does not feel particularly busy.

We are therefore encouraged by the actions of one of the largest retirement property managing agents, who have recently employed a ‘Wellbeing Officer’. This person’s role is to support their

on-site management staff, when they are working with residents who are at risk of becoming isolated due to physical disability or a form of dementia.

- Parking/Mobility scooters

A lot of the above factors are as relevant now as they would have been 20 or 30 years ago. The need for adequate parking and mobility scooter storage, on the other hand, are relatively new challenges for developers. Between 1984 and 2009 the percentage of over 70s holding a driver's licence increased from 15% to almost 54%[75] and it is reasonable that many people moving into retirement housing will want to bring their vehicle with them. Similarly, mobility scooters were few and far between even a decade ago, now it is estimated that over 80,000 are sold every year[76].

Five out of the six developments we visited reported some challenges with their parking arrangements, but the residents and on-site manager in each said that the parking is usually sufficient. However, this balance was often achieved as a result of policy change - by not permitting family members and carers to park in the 'residents only' parking. This caused its own frictions, but the arrangements were usually satisfactory and agreeable to residents.

A survey of retirement housing providers, conducted by Three Dragons as part of their report to the Greater London Authority on *Accessible design features in specialist older persons housing,* stated that 5-10% of units in new-build schemes contain someone who uses a mobility scooter[77].

Frustrations around mobility scooter storage is something that EAC's FirstStop Advice service has frequently received calls on. If there is not a designated room within a development for the storage of scooters then residents are often forced to store them in their own apartments, many scooters are quite bulky and can become a trip hazard or take up limited space.

The development in Bristol had repurposed an old bike shed, unused by residents, and fitted charging points for those leaseholders that needed to store their scooters. Meanwhile the development in Southampton had utilised a small space to allow for three scooters to be stored and charged securely inside the main building. Neither development had mobility scooter storage included when the building was originally developed.

Conclusion

There is a clear correlation between proximity to local services and an increase in resale values for recently new-build developments. This complements the logical narrative that location to facilities such as nearby shops and transport links becomes increasingly important as we reach later life.

[75] Musselwhite, *Successfully giving up driving for older people,* 2011
[76] Ricability, *Mobility scooters: a market study*, 2014
[77] Three Dragons, *Accessible design features in specialist older persons housing*, 2018

Whilst size may have an effect on resale values as far as the square footage of the property is concerned, the total number of units within a development appears to have little correlation with new-build resale values.

The role of the onsite manager is critical within a retirement development. A manager who is engaged with the residents and efficient with their maintenance responsibilities can help preserve the attractive appearance of a previous new-build development. They can also develop a positive community, who in-turn advertise the development to their friends and family.

Communicating with residents with regard to how their service charges and sinking fund is utilised is also critical. Having the support of residents helps maintain the quality of a development, something that can affect re-saleability.

Ensuring that sufficient parking and mobility scooter storage space is available for those that wish to use this facility is becoming increasingly necessary for developers. Many older people see their car or scooter as the key to independence and may not consider a move to a development that does not have the facility to store these.

Finally, every successful retirement development will, over time, have a group of residents that begin requiring care and support services. Ensuring that these residents are still engaged with the development's community is essential. Having an active, social and harmonious atmosphere will be attractive to any prospective purchaser.

Conclusions

We will now summarise the key points from the previous chapters and make recommendations to developers, managing agents and policy makers on possible ways in which the risk of a fall in value in new retirement properties can be mitigated.

As set out in the report's introduction, there were three key areas that the report considered:

1. Reporting of Sale Prices
2. The Resale Process
3. Developer & Manager Practices

We will summarise the key points from each area in order.

1. Reporting of sale prices - establishing basic value of a new retirement property

The limitations of HM Land Registry 'Price Paid' data have already been acknowledged. However, since 2014, the Land Registry has recorded all residential retirement sale points - ensuring that any future analysis of recent resale values will benefit from increased accuracy.

1.1 The price of new

As a result of information gathered from over 500 prospective purchaser of retirement housing, four of the largest developers and a specialist retirement estate agency, we have identified a 'new-build premium' of 15%. This is the amount that a person is prepared to pay extra for their home, solely because it is new with no previous owners.

This figure of 15% is also common across the general residential housing market and was widely expected by customers, given the benefits of buying new, including the provision of a 10 year warranty. As this figure is not unique to retirement housing, we went on to consider other factors that might influence resale values within this sector.

1.2 Incentives

This report has had unique access to a considerable historic dataset of incentives, paid by developers, to purchasers of newly built retirement properties. We have used this information, alongside the HM Land Registry and Elderly Accommodation Counsel's own directory of housing for older people, to better understand the role that financial incentives can play in retirement property values.

These figures revealed that the average person buying a new retirement property in 2009, during the recession, received the equivalent of almost 10% of the value of their new home as an incentive. In 2012 this figure is just over 8% and in 2017 the percentage has shrunk to just over 3%.

We have concluded that part-exchange services can be of benefit to prospective purchasers who might otherwise be discouraged from moving in later life. For many people, the thought of entering into a chain to find a buyer for their home, in addition to other emotional stresses, is enough of a deterrent to prevent a move. However, we would encourage part-exchange companies and developers to explain their valuation process to consumers in a clear and understandable way.

One of the obstacles to writing a report that considers the role of incentives is that data on incentives paid, as part of a house purchase, is not readily available to members of the public. The data is recorded by HM Revenue & Customs (HMRC) but is not included as part of HM Land Registry's publicly accessible 'Price Paid' data set, which reflects their policy.

1.3 Resale performance when these factors are considered

As explained in the report's introduction, our focus has been on the first set of resale points within a previously new retirement development. We identified these as being properties sold between five and nine years after the first sale.

Figure 15 shows the average resale value, by year, when **average incentive figures are removed from the first sale price**:

Figure 15: Value of new retirement properties when sold between 5-9 years later

This shows that over the 18-year period observed, in seven of these years' purchasers of new-build properties could, on average, expect to see a fall in the value of their property. In 11 of the 18 years these purchasers could expect to see an increase in the value of their home. The years with the greatest falls in value were those new-build properties bought between 2004 and 2008, with those properties having their first set of resales in the years ranging between 2009 and 2017. These years tally with the properties often being either bought or sold during a time of economic recession.

New-build properties bought in recent years appear to have improved in value, with consumers, on average, benefiting from an increase in value for new properties sold in 2009, 2011, 2012 and 2013. This is likely to be the result of a more active housing market, combined with recent improvements made by retirement housing developers.

2. The Resale Process

To understand why retirement properties can experience a fall in value upon resale, it was necessary to explore the processes involved when a vendor comes to sell their property. This required us to look at the role of estate agents, the official guidance given to these agents and the pressures on the vendor.

2.1 Specialist retirement estate agents

There is evidence that using a specialist retirement estate agency can result in vendors selling their home more quickly and at higher prices. However, this contrast is only likely to be stark when using a high street agent that is not familiar with, or prepared to deal with, the marketing and sale of a retirement property.

2.2 The National Association of Estate Agents

A discussion with the National Association of Estate Agents (NAEA) Propertymark confirmed there is no existing guidance for their members on marketing a retirement property. However, they proposed working with EAC and the sector to develop such guidance for their members.

2.3 Pressures on the vendor

Feedback from specialist retirement agents, retirement housing developers and managing agents revealed that vendors often feel pressured to sell their property quickly. A useful consideration here is that the majority of vendors (85-90% according to one agency) have inherited the property that they are selling from a late relative. Many others also feel forced into a sale following their relative's move into a care home.

The pressure to sell quickly can therefore often come from other beneficiaries if the sale is being conducted as part of probate. Alternatively, the pressure can simply come from the emotional stress that is often present for beneficiaries dealing with the assets of a loved one.

Further to the above pressures, there is the liability to pay service charges and ground rents - an obligation that persists even when the property is empty. On average, these fees can total almost £3,000 a year. We have heard that some developers and managing agents allow vendors to defer the service charge payments until the property is sold, providing them with some breathing space.

Whilst a slow sale process can lead to estate agents recommending that the price is lowered, it is also worth acknowledging that it can take time for the right purchaser to be made aware of this housing option. It is therefore sometimes simply a case of 'holding your nerve' as a vendor and waiting for the right purchaser to present themselves, rather than rapidly reducing the price.

2.4 The buy-back model

Elderly Accommodation Counsel would be interested in exploring further the viability of a 'buy-back' model for retirement housing. Guaranteeing a price for vendors, even at a reduced price, provides a safety net that ensures property values will not fall drastically due to a person needing to sell quickly. We have not found sufficient evidence of this practice to analyse it within this report, but we would be interested in working with developers that do offer this model, to explore its potential for the retirement housing sector.

3. Developer and manage practices

Finally, we explored how the decisions taken by developers and managing agents can have an impact on resale prices. This required us to explore factors related to: location, size of development, the role of the on-site manager, support for ageing residents and parking/storage for vehicles.

3.1 Location

There is a clear correlation between proximity to local services and an increase in resale values for recently new-build developments. This complements the logical narrative that location to facilities such as nearby shops and transport links becomes increasingly important as we reach later life.

3.2 Size of development

Whilst size may have an effect on resale values as far as the square footage of the property is concerned, the number of units within a development appears to have little correlation with new-build resale values.

3.3 The role of the on-site manager

This is key within a retirement development. A manager who is engaged with residents and efficient with their maintenance responsibilities can help preserve the attractive appearance of a previous new-build development and develop a positive community. The residents, in-turn, advertise the development to their friends and family.

Communicating with leaseholders with regard to how their service charges and sinking fund is utilised is also critical. Having the support of residents helps maintain the quality of a development, something that can affect re-saleability.

3.4 Supporting ageing residents

Every successful retirement development will, over time, have a group of residents that begin requiring care and support services. Ensuring that these residents are still engaged with the development's community is essential. Having an active, social and harmonious atmosphere will be attractive to any prospective purchaser.

3.5 Parking and mobility scooter storage provision

Ensuring that sufficient parking and mobility scooter storage space is available for those that wish to use this facility is becoming increasingly necessary for developers. Many older people see their car or scooter as the key to independence and may not consider a move to a development that does not have the facility to store these.

The value of retirement housing

This report has predominantly focused on the capital value of a retirement property, as the question of depreciation is something that has been raised by many older people and their families to the EAC FirstStop Advice line over previous years. However, EAC's FirstStop advice service's experience is that the majority people living within these communities have not purchased their home in order to benefit from any increase in value - they have moved out of an aspiration or need to live somewhere that is suited to their needs.

There are many 'pull' factors that can encourage a person to consider a move into a retirement housing development, whether that is buying a property or renting from a social landlord. In EAC's survey of prospective purchasers of retirement housing[78], we asked respondents what their main reason for considering a move into this form of accommodation was. The responses were as follows:

- 52% wanted to move into a property that is more manageable and suited to their needs
- 22% felt isolated and wanted to become part of a community
- 15% cited 'Other' reasons, the primary one being peace of mind for themselves and their family

[78] EAC survey *'Considering buying a retirement property?'* April 2018

- 11% were downsizing to free up capital and saw retirement housing as an affordable option

In another EAC survey, undertaken in 2016/17, we asked respondents two questions related to their plans for retirement[79]. The answers revealed some key aspirations and concerns:

1. What things are/will be of most important for you to have or experience during your retirement

- Still being independent (72%)
- Good health (71%)
- Living in a nice area/community (67%)
- Having a suitable home (67%)
- Having enough money to cover day-to-day essentials (51%)

2. What are your biggest concerns about retirement?

- Ill-health (52%)
- Where I will live (46%)
- My financial situation after retirement (37%)
- Affording day-to-day living costs (32%)
- Being lonely (32%

This survey results suggest that a priority for many older people is retaining their independence and health, within a community of which they feel a part of. To help understand whether retirement housing can help achieve these aims, we need to understand the views of those who decided to make a retirement property their home:

The views of those already living in retirement housing

Elderly Accommodation Counsel's Housing for Older People Awards[80] is the largest celebration of the best in retirement housing, with developments being voted for by residents, staff and visitors. In 2019 almost 19,000 people felt passionately enough about their community to cast their vote, with residents encouraged to leave comments about what they liked about the place they call home. The overwhelming response from those that are already living in retirement housing is "I wish I moved here sooner!"[81]

[79] EAC survey '*Planning for retirement*', May 2017
[80] EAC Housing for Older People Awards, Previous years, https://eacawards.org.uk/awards-2010-to-2017/ (last accessed 26/11/2018)
[81] EAC Housing for Older People Awards 2017, Comments from voting residents.

You can also get an insight into what is important to those residents from the retirement housing staff, volunteers and visitors. EAC's 2016 survey[82] of this group revealed the following responses about the retirement developments they hoped would win an award:

1. **93% agreed** that "The building is well located"

2. **95% agreed** that "The building is well designed and easy to get around"

3. **93% agreed** that "The shared indoor rooms, for example a residents' lounge, are welcoming and practical"

4. **94% agreed** that "The staff are always helpful and respectful"

5. **81% agreed** that "There is a good social life, a good community spirit"

Over 60% of the 1,407 respondents to the above survey were family members or friends of the older people living within these developments. From our discussions with scheme managers at the best performing schemes, it is this group of people who are most likely to be interested in moving into a retirement development themselves in the future. This was supported by a final question asking whether the respondents:

> *Would you recommend this scheme to a relative or friend as a good place to live when you get older?* - **92%** said that this was likely.

These figures suggest that people enjoy visiting or working in a place that is well located, well designed, well managed and welcoming with a strong community spirit. These are the same factors that this report has identified as being able to maintain or increase the value of new retirement properties, upon their resale.

Whilst the financial value of a person's home is important, so are the other benefits that come with living in a retirement development - benefits that are often overlooked. We have attempted to quantify some of these key points, both in our introduction and conclusion to this report, but there are many factors that it is difficult to attribute a value to, such as the peace of mind that comes from living in an accessible, supported, friendly community. This peace of mind is not only felt by the person living in the development, but also often their friends and family.

Recommendations to protect the resale value of a new retirement property

With consideration for the above conclusions, EAC now makes the following recommendations to the sector on how the value of a new retirement property can be best protected from depreciation, upon its first resale.

[82] EAC, The views of staff, volunteers, relatives and visitors in retirement housing, August 2016, 1407 respondents.

1. **Developers should prioritise the location of their developments, ensuring as far as is possible, that residents will benefit from living in an area that meets their requirements. Note that there is no 'one size fits all' approach to this as people from different areas, with different budgets, will have different priorities when it comes to the location of their home.**

2. **The developers and/or financial institutions responsible for commissioning a retirement development must ensure they appoint a professional, capable and caring management company. Developers must also maintain a close relationship with the managing agent so that any structural issues, such as claims made under the new-build warranty, can be resolved quickly.**

3. **Wherever possible, developers should seek to 'future proof' their developments, so that they are compatible with technological advancements. The increase in mobility scooter ownership evidences the value that older people put on the vehicles and equipment that keep them independent.**

4. **That the National Association of Estate Agents (NAEA) Propertymark will work with EAC and representatives from the retirement housing sector to produce guidelines for its members on marketing retirement properties.**

5. **Managing agents should inform those residents/beneficiaries who are selling retirement properties of their obligations and options. An example of this might be a beneficiary deferring service charge payment until the property is sold, which may encourage vendors to wait for a better offer.**

6. **The provision of independent information and advice on housing options should be supported by the sector, so that the concerns of prospective purchasers or vendors can be addressed, allowing them to make an informed decision.**

7. **Specialist retirement estate agents can secure better prices and sell homes more quickly. However, where a vendor chooses to use a high street estate agent, managing agents should liaise with the agent to ensure they fully understand the product that they are marketing.**

8. **Managing agents should explore ways in which they can support more frail residents, to ensure they can remain part of the community. If necessary, residents should be given support to identify other housing and/or care options.**

9. **Managing agents should schedule internal and external renovations and improvements, to ensure that the development remains attractive to prospective purchasers. It is also important for residents to be engaged when the sinking fund is used in this way.**

There are other recommendations in this report that the sector may choose to adopt and act upon, however it is the view of Elderly Accommodation Counsel that embracing the above nine recommendations will help properties to follow the trend of the general housing market.

The ready supply of retirement housing across the United Kingdom (UK) is critical at this point in time. The over 65s are expected to make up 26% of the UK population by 2036, putting further pressures on health and social care services. There is substantial evidence that retirement housing can help keep people living independently for longer and the sector therefore needs to be encouraged to expand. However, as well as support from policy makers, there is also an onus on the housing providers themselves to ensure that consumer confidence within the sector is able to grow. Addressing key concerns, such as resale values, is something that developers and managing agents alike have been successful in doing in recent years, but it is essential that these improvements continue to happen.

On paper, the demand for retirement housing has never been greater. It is down to housing providers and policy makers to ensure that both the confidence in the model, and the subsequent supply, is present.

END

Appendix 1: Acknowledgements

The members of our working group, and others consulted, reviewed and provided feedback on our research brief and draft chapters. They also provided us with an invaluable insight from the various positions they hold as stakeholders in the traditional retirement housing sector. We would like to thank them for the time given to assist with this report.

Association of Retirement Housing Managers (ARHM) – Cecilia Brodigan

Beechcroft Developments – Chris Thompson

Churchill Retirement Living – Damien Lynch, Simon Cawte

Cognatum Estates – Henry Thornton

FirstPort Retirement Property Services – Keith Shields

Leasehold Advisory Service – Anthony Essien

McCarthy & Stone – Paul Teverson, David Gabriel

National Association of Estate Agents (NAEA) PropertyMark – Mark Hayward

Retirement Housing Group – Kathleen Dunmore

Retirement Homesearch – Nick Freeth

Section 20 Ltd – Jeff Platt

EAC would also like to thank those consulted, by extension, of trade bodies who were members of our working group. These included representatives of social landlords and private developers. Additionally, we would like to pass our thanks on to the Scheme Managers of the six developments visited by EAC as part of our research for this report – spending time with them and their residents influenced this report greatly.

Appendix 2

Prospective Purchasers of Retirement Housing Expectations and Views

Elderly Accommodation Counsel

Respondents: 522
Received between: 5th March – 23rd April 2018

The intention of this brief survey was to help Elderly Accommodation Counsel (EAC) better understand the views of prospective purchasers on key topics that may feature in our wider report on resale values in retirement housing.

This document is intended as a brief overview of the results for members of the EAC working group, the observations and comments of this survey are to be treated as confidential until the final report is published towards the end of 2018.

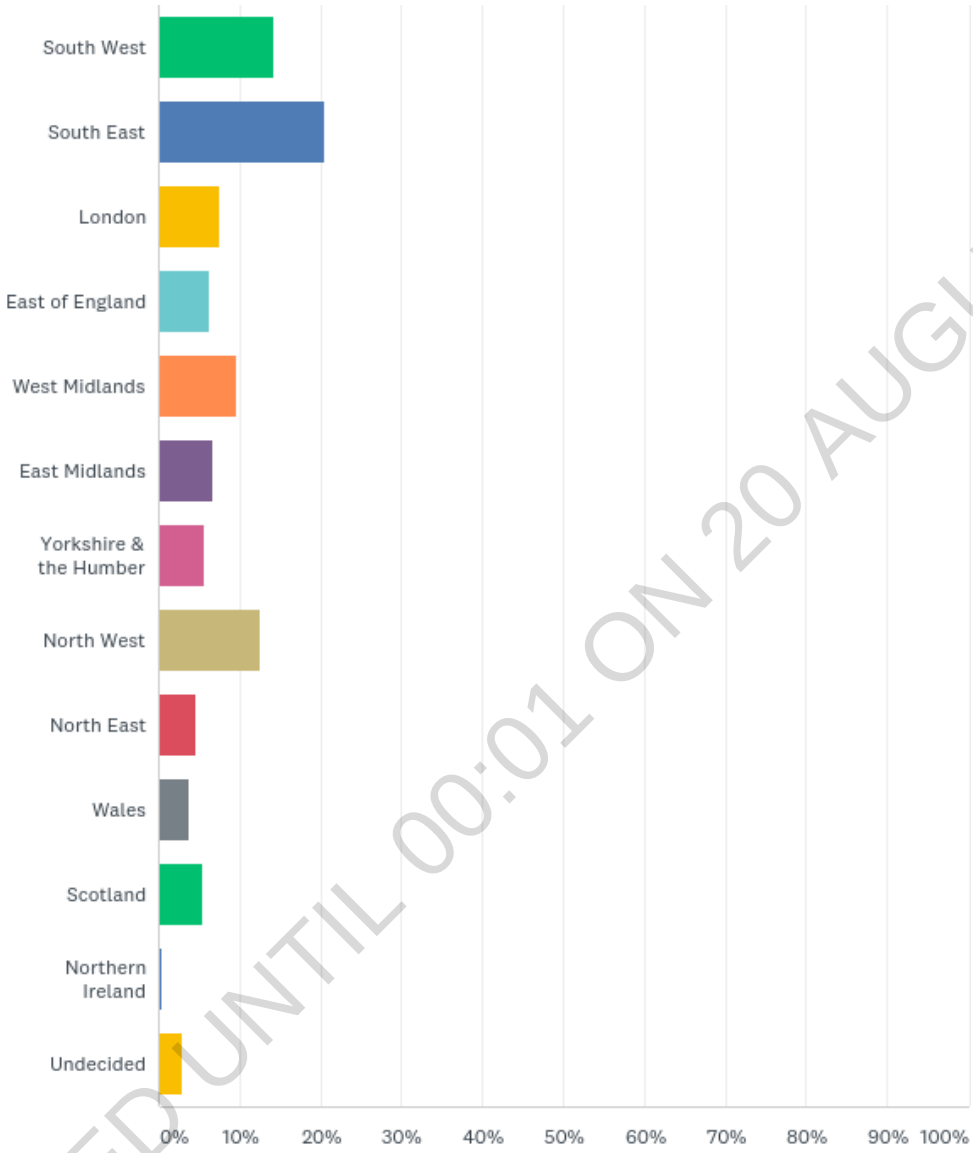
Our survey covered a range of topics, including the:

- Budget of the purchaser
- Appeal of resale retirement properties
- New-build premium
- Expectation of incentives
- Main reason for a move into retirement housing
- Value of their new home and how this will perform in future years
- Concerns about buying a retirement property

Respondents were reached through two ‘calls to action’ on Elderly Accommodation Counsel’s HousingCare.org website. This website is predominantly used by older people and their families who are searching for specialist retirement accommodation.

The next pages will provide a question-by-question breakdown of the survey and the responses.

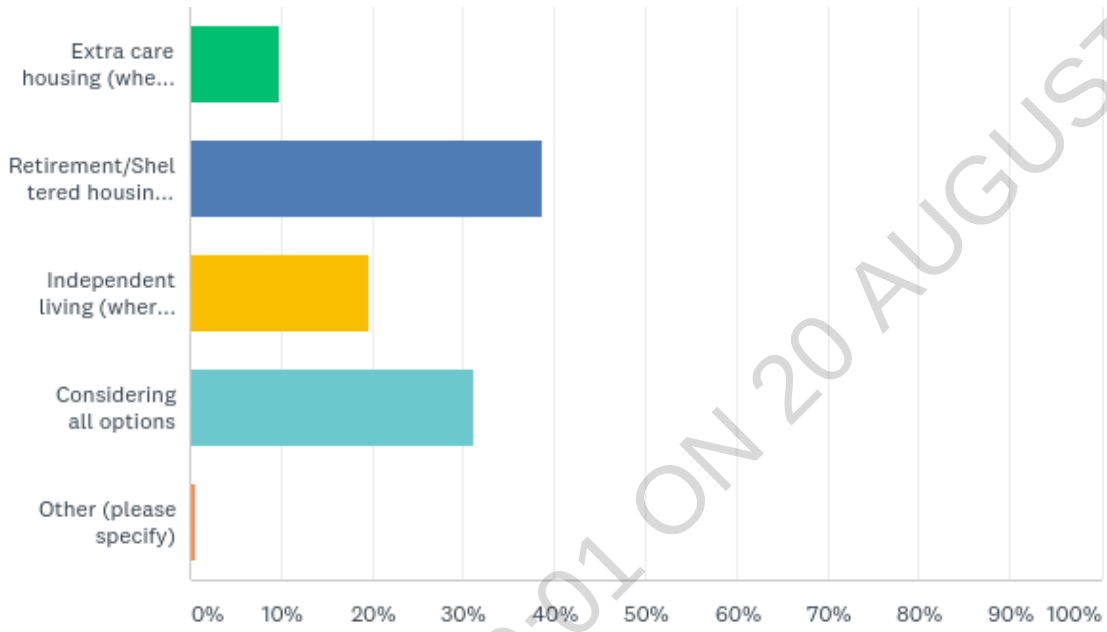
In which region are you looking to purchase?



It is perhaps not unexpected that many prospective buyers are hoping to purchase a property in the South East (107) or South West (74), areas that typically have numerous boroughs with above average ageing populations and therefore better retirement housing provision.

The North West (65) and West Midlands (50) were also selected a significant number of times by respondents.

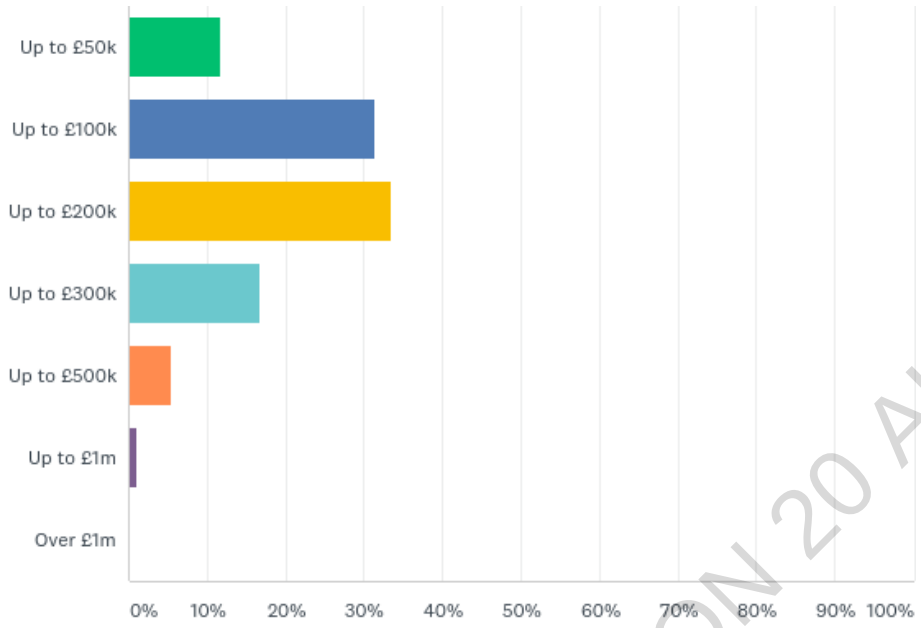
What type of age-exclusive accommodation are you considering?



Our wider report on the resale values of new-build retirement properties is only focused on developments 'with support' rather than 'with care'. This question was therefore necessary to ensure that we can filter the responses at a later stage when referring to the survey in the report.

It is also interesting to see that despite a considerable increase in the number of extra-care housing developments, and public awareness of these schemes, the majority of respondents (58%) are interested in traditional retirement/sheltered or independent living schemes. A further 31% are considering all options.

What is your budget?

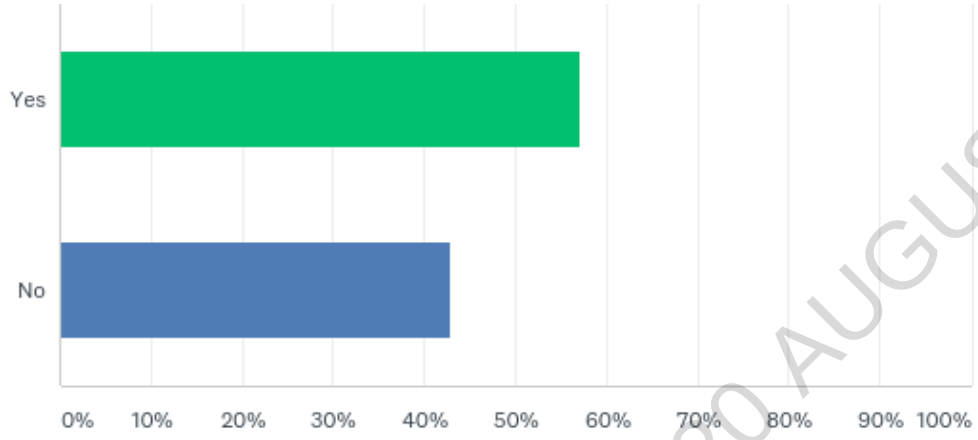


The responses to this question broadly match Elderly Accommodation Counsel's understanding of average budget for a retirement property, with 31% having up to £100k, 34% up to £200k and 17% up to £300k.

The median average is up to £200k.

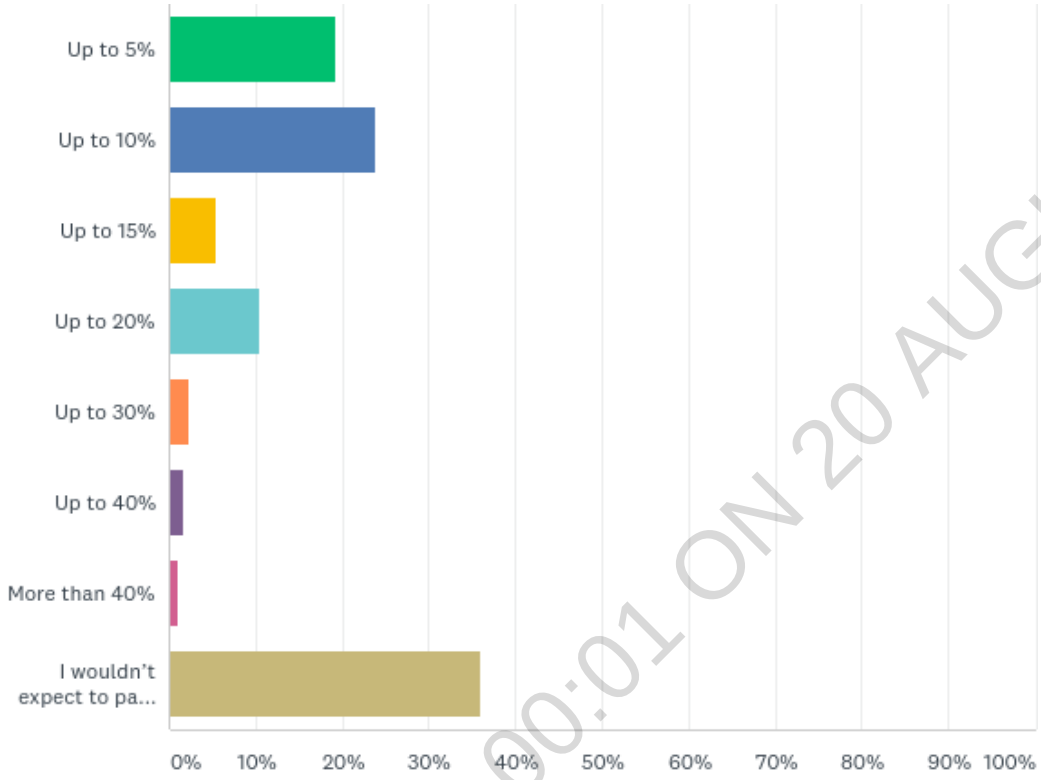
There is also a not insignificant number of respondents with larger budgets, with 35 people (7%) having a budget in excess of £300k.

Would you expect to pay more for a ‘new-build’ property than a ‘re-sale’?



The majority (57%) of respondents would expect to pay more for a new-build retirement property. This corresponds with the experience of developers in the sector, who often refer to there being a ‘new-build premium’. This is something that has also been quoted by developers in the general housing sector.

How much extra would you expect to pay for a brand-new property?



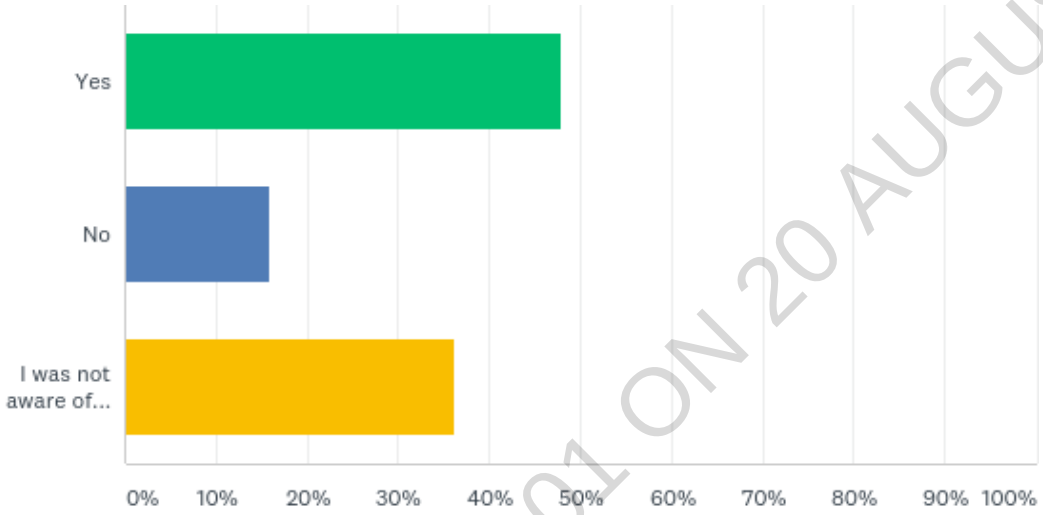
Elderly Accommodation Counsel is still in the process of liaising with retirement sector developers to obtain their opinion on what this 'new-build premium' might be worth, on average, to prospective purchasers.

The survey results show that the majority of people (67%, when adjusted for the number of people who wouldn't pay a premium) would expect to pay between 5% and 10% extra for a property that is brand-new. However, there are also a significant proportion of people (26%) that would be prepared to pay between 15% and 20% for a new-build property.

That said, it is important to bear in mind that 36% of the respondents to this question would *not* expect to pay anything additional for a new-build property.

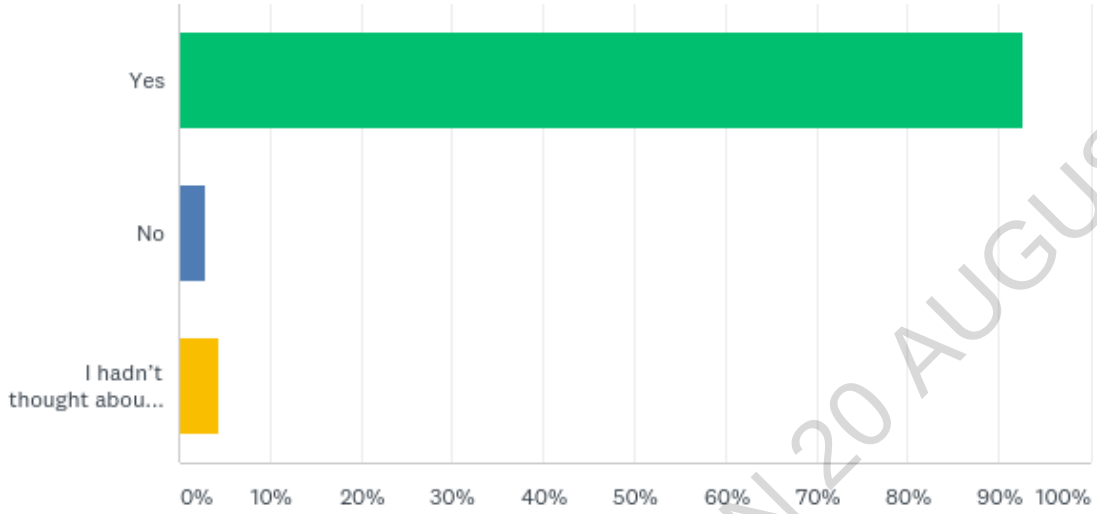
Our wider report will analyse this data further to better understand what type of purchaser would pay a larger premium for a new-build property.

Would you expect to be offered a financial incentive (such as help with moving costs, stamp duty or a better part-exchange deal on your current home) if buying a new-build retirement property?



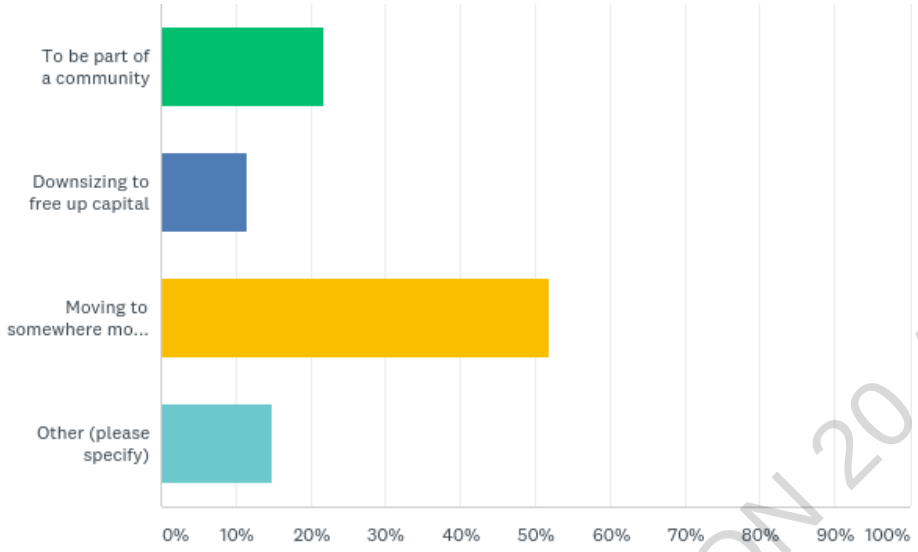
48% of respondents *would* expect a financial incentive for a new-build retirement property, with only 16% not having this expectation and 36% being unaware that such incentives were ever offered.

Would you consider buying a ‘resale’ (a property that has been previously lived in)?



This result simply shows that 93% of respondents would consider a resale property, with only 3% having their heart set on a new-build home. Very few people were not aware of resales, with only 4% not having given it any consideration.

What is your main reason for considering a move into retirement housing?

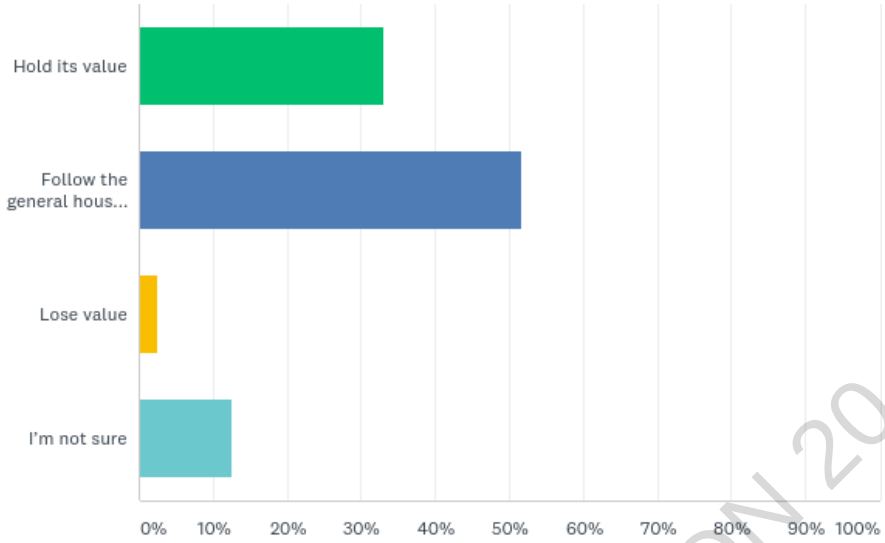


This question was limited in scope and based on Elderly Accommodation Counsel and FirstStop's experience of the most common reasons for wanting to move.

- "Moving to somewhere more suitable (less risk of falls, no stairs etc) was selected by 52% of respondents
- "To be part of a community" was selected by 22%
- "Downsizing to free up capital" by 11%.

"Other" popular answers included: being closer to family, moving to somewhere more manageable and having access to on-site care and support.

With regards to its value over the coming years, how would you expect your new retirement property to fare?



Although a majority of respondents (52%) have an expectation that their new home will follow the same peaks and troughs as the general housing market, it is an interesting observation that 33% of people only expect their home to hold its value. A very small percentage (2%) would expect their retirement property to lose value.

These figures suggest that although many people may view the retirement housing market as similar to the general housing market, with regards to its ability to typically gain value, there are a significant minority who do not expect retirement property to follow these trends but are still considering a purchase. This may be because they believe there is additional value from living in such a development (community, safety, lifestyle etc) and that a property that holds its value is sufficient.

Is there anything that concerns you about buying a retirement property?

This question had a free-form text box to allow responses. Some of the most common words are captured in the text cloud graphic above.

Reading the responses, the following concerns appear frequently:

- Size of property
- Cost of service charges
- Difficulty in selling
- Concerns about the leasehold tenure
- Being surrounded by very old people
- Being able to bring a pet
- Noisy neighbours