



Introduction to The UK Retirement Property Landscape Quarter 1 2016 Review



The first quarter of 2016 started brightly, despite measures from both the Government and the Bank of England aimed at slowing the market down through restrictions to lending and additional taxes on buy-to-let properties.

The Budget introduced an additional 3% Stamp Duty charge on the purchase of second homes and investment (buy-to-let) properties. In both the general and retirement property markets this had the effect of speeding up sale transaction times as buyers sought to beat the 31st March deadline when the tax came into force. Many succeeded and it was interesting to see how, in some cases, many weeks were shaved off of the cumbersome conveyancing process when everyone was pulling in the same direction! Our sales figures attest to this: We saw an 11% rise in sales this year despite 18% fewer viewings than Q1 2015.

Looking towards the rest of the year, what can we expect?

Unlike 2015, there are few predictions for a price boom. The general expectation is that there will be a “re-adjustment” as the market returns to a more regular pace and prices rise more gently. This, combined with the distraction of the EU Referendum, may produce a slowdown that will run until at least after the vote takes place. This is not unusual: whenever there is a vote of national importance, like a general election, there tends to be a slow-down in the property market.

The retirement sector is not immune to variances in the wider market: it often sits at the top of convoluted property chains which reach down through it. As such it tends to mirror any changes in the wider sector. The Stamp Duty rise is no exception: there will be owners of retirement properties which are rented out, who will discover that even owning a single unit will cost them an additional 3% Stamp Duty should

they decide to move home. Many of these people may have inherited the property from parents, rented it out to cover service charges or costs, and may now find themselves stung by the increase in Duty. This combined with the other tax and borrowing restrictions may prompt some to conclude that the shine has rather gone off this particular investment.

Gillian Girling, Chief Executive of Girlings Retirement Rentals, agrees that the imposition of 3% Stamp Duty has had adverse effects for both buyers and sellers, and told us: “People wishing to buy a retirement property to let, or buy to move into themselves at a later date, are penalised by this additional tax as it means either the seller may have to accept a lower price or the tenant (if the property is to be let) will have to pay a higher rent to cover the costs. It does not help the beleaguered housing market for retirees; neither those wishing to invest some of their pension pot in property, nor those wanting to rent a property.”

In this review we look at the increase in retirement options available. Generally this has to be a good thing but it brings its own set of problems.

A handwritten signature in black ink that reads "Nick Freeth". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nick Freeth, Managing Director,
Retirement Homesearch

In Focus: Making more choice in retirement accommodation work better for retirees

If you happen to be outside of a retirement development around 8.30am, you will often find a group of visiting carers waiting to get in. This is even the case where developments are designed for those retirees looking for independent living solutions.

This is a relatively new phenomenon that has grown particularly in the last five years. As we live longer, some level of support in later life is often needed. In the past, low level requirements were often delivered by a relative or friend close by. On the other end of the spectrum, for the most complex care requirements, there was the traditional “care home” facility.

Retirees are often now staying in their properties (either specialist or not) for longer – reflecting advances in technology, health-care and life expectancy – which makes the visiting carers an increasingly necessary (and popular) option. A Legal and General report last year found that more than half will wait until they are over 70 before moving, and a quarter will wait until 80. This means that, by the time they do downsize (if they do), they will often have more complex care requirements than many retirement developments offer.

For those who do make the move, the options for retirees have grown significantly and, whilst more choice is a positive, it can fuel confusion.

Many retirees and their families don’t understand the difference between independent living, assisted living and care homes. Often the first two are mistaken for the latter, which can have dire consequences as many are not set-up to deal with the same intensive needs as a care home.

When we talk about downsizing, we see it as a single step from a large family home to your ‘forever’ retirement home. And that’s the ideal. Some newer retirement developments are offering a whole suite of options. You can buy a property on site and have little or nothing to do with the rest of the development, living totally independently. But should you wish to, there’s a “menu” of services available in your own home, from cleaning to meals or assistance with dressing – which you can pick (and pay for) as and when you need. For many this will be all they need to enjoy an independent and fulfilling later life. But this only works if you can afford it, and it isn’t cheap.

Another increasingly popular option for retirees is renting. Gillian Girling, Chief Executive of Girlings Retirement Rentals, explains: “Whilst communal, independent living is

ideal for many retired people, for someone who require additional care, it can be challenging. We continue to see a growing trend in retirees considering rental options within an independent living setting. The vast options available and flexibility these provide gives people real comfort that they have complete security and peace of mind knowing they can stay in their home for as long as they wish, whilst also having options to move on easily should their circumstances change.”

For the vast majority of retirement property stock, in existing developments, there is a need for a more organised and regulated approach. As an industry we need to do more to make sure the right information is provided at the point of sale on what options are available. This could also include the managing agents looking at providing additional services either on their own initiative or in conjunction with local authorities or a recognised care organisation. It might simply mean stronger regulation at the outset. Whatever the answer we need to recognise that ‘independent living’ is an important choice for many retirees, and should be available for anyone who wants this type of lifestyle. Equally, those with care requirements (e.g. dementia) need to be advised and signposted from the outset to the correct home environment for their needs, and we need options in place if things change further down the line.



Retirement Homesearch Quarter 1 2016 facts and figures

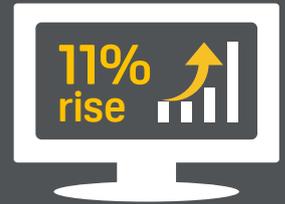
new instructions



- Over the last year, the number of new instructions has been steadily falling due to low levels of stock. This has been seen across both the wider market and throughout the retirement sector.
- New instructions in Q1 2016 were 21% down on Q1 last year, which, as with the wider market, has caused prices to rise.

- Despite lower levels of stock, **RHS has bucked the trend** to record a 11% rise in sales despite 18% fewer viewings than Q1 2015. This has in part been driven by the rush for sellers to beat the March 31st Stamp Duty increase.

rise in sales



- RHS has, however, consistently seen the level of sales outperform any decline in instructions, with sales falling gently even with sharp drops in stock and viewings.
- The market appears to have steadied slightly following a seasonal dip in Q4 (which is expected), but at this stage it is hard to tell how much influence the Stamp Duty rush was responsible for higher levels of viewings and new buyers.



Steadied market

In response to our 'In Focus' piece, RHS, in conjunction with Elderly Accommodation Counsel (EAC), shares a call to action on how to ensure everyone gets the level of care they need.

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1 Strong information at the outset

We believe there should be a legal requirement for all sellers to ensure that any buyers understand the level of care at every development. This could be as simple as a checklist they take buyers through, or a signed contract to ensure the buyer understands the scope of care. There are great information and advice services out there already, provided by EAC, but potential buyers are not always aware of them.

2 An industry plan for the future

We believe that the industry – from retirement developers, managers, care-home providers and more – should come together to explore options to 'future proof' retirement living. With an ageing society we need to act now and plan for the future.

John Galvin CEO of Elderly Accommodation Counsel says: "All prospective purchasers should have access to clear and accurate information to help them assess firstly whether retirement housing is right for them, and secondly which developments will provide the services they require, at a price they can afford, now and into the future."

John adds that whilst there is more choice in the type of retirement accommodation available, there is still a real need to boost supply: "Few homes in the UK were designed with ageing in mind with just 140,000 (0.9%) of our 15m owner-occupied homes purpose designed retirement properties - enough to accommodate just 2% of our 75 plus households. There's clearly something wrong, and we believe that a bold move to bring complete transparency to the leasehold retirement housing market could be the cheapest, and yet most decisive, innovation to help boost demand and therefore supply".

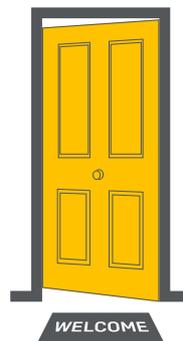


We've been helping people find their perfect retirement property for

25 years



We've registered over
23,000
new buyers
over the past
twelve months...



...and have arranged over
13,000
viewings



So whether you're looking to buy or sell a retirement property...



...our **highly experienced team** are dedicated to helping you