

# Buying a retirement property

## About this factsheet and who it is for

For many people, retirement and sheltered housing allows you to retain the independence of having your own front door whilst having the reassurance of additional services and assistance close by.

This factsheet discusses the key things to be aware of when purchasing retirement housing.

The artwork on the front of this factsheet was done by an older artist for EAC's over 60s Art Awards.



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## Introduction

For many people, retirement and sheltered housing allows you to retain the independence of having your own front door whilst having the reassurance of additional services close by.

Due to its popularity there is now a large, and expanding, market for retirement properties to buy across the UK. Many people decide to buy into retirement housing due to the desire to downsize from, what is often, the family home. This move can release some capital whilst also providing a method of investing your assets into another property.

The owner of a retirement housing block or estate (the landlord) will generally employ a managing agent to maintain and look after the day to day running of the estate once the properties have been sold for the first time. Whilst the managing agents are likely to be responsible for arranging any ongoing repairs or improvements, there are likely to be additional costs that need to be paid.

It is therefore important to know what a lease is and what your rights and responsibilities are likely to be as a leaseholder of retirement housing.

## Leasehold – an explanation

Nearly all retirement and sheltered housing properties to buy will be available on a leasehold basis. For many older people, this will be the first time they have purchased a leasehold property, with the majority of home owners in general housing being freeholders, so it is important to know the key differences:

### Freehold

- Usually applies to owners of houses or bungalows
- As a freeholder you own the property and the land it is on
- You are responsible for all repairs and maintenance to the interior and exterior of the property
- You are free to sell your property on to whomever you wish

### Leasehold

- Usually applies to owners of flats/apartments and retirement housing
- As a leaseholder you have permission to live in, and use, a property as your home. However you only have temporary ownership of the property and do

not own the ground it is on.

- You are generally responsible for interior repairs whilst the freeholder is responsible for external maintenance
- You are generally liable for certain ongoing costs, such as ground rent and/or service charges
- There may be conditions in your lease about who you can sell your property to

## Your lease

There are many different parts to your lease which will set out rights, responsibilities and charges. It is likely to include details on:

### The length of your lease

A lease for a new retirement property is typically set at between 125 and 999 years, however if you purchase a property that has already been lived in before (known as a re-sale) then your lease may be a different length as it will have decreased each year that it was owned. It is essential to establish the length of the lease before you purchase the property.

If you have been living in your property for more than two years then it is likely that you have the legal right to purchase an extension from the freeholder. It is

advisable to extend your lease before it reduces to less than 80 years, as under this length an extension may incur additional fees which can increase your costs significantly.

### Rights and responsibilities

Your lease will likely contain information on the expectations of both the leaseholder and the freeholder. Some of these rights and responsibilities are set out in law, whilst some of them will be specific to your lease.

Some conditions of a lease are explained later in this factsheet (pets, complaints, tenants' associations etc), but a few of the most common include:

- The right of the tenant to 'quiet enjoyment' of their property
- A responsibility to keep your property in good order
- A right to expect the landlord to maintain the exterior of the building and common areas
- Instructions in the lease on whether you are able to sublet
- Details on what alterations you can make to your home

## Ongoing charges

Your lease should detail ongoing costs that you will be responsible for paying, as well as stating when payment is due.

The most common charges, such as: exit fees, service charges and ground rent, are discussed later in this factsheet.

As you will still be responsible for many other ongoing costs, such as contents insurance, Council Tax, broadband and your TV licence, it is important to factor in the charges stated in the lease when determining the affordability of a move.

One ongoing charge that you are likely to have been paying as a freeholder, but will not have to pay as a leaseholder, is building's insurance (also known as home insurance). It is generally a term of the lease that your landlord (the freeholder) will be responsible for purchasing building's insurance, although they are likely to recover any cost to them for this through the service charge.

## Understanding fees and charges

It is likely that your lease will contain information on various charges and fees that you are expected to pay as a condition of being a leaseholder. Depending on the nature of these payments they may be due weekly,

monthly, quarterly, annually or only upon the sale or transfer of your home.

## Service and maintenance charges

Nearly all leasehold properties will have charges payable to the freeholder or managing agents in order to meet certain service or maintenance charges. These will often cover costs such as:

- Personal alarm systems
- A full time or part-time warden
- Maintenance of communal areas
- Gardening services
- General repairs
- Building insurance

The service charge can be considerable, running into thousands of pounds a year. It is therefore important to review your lease before purchasing a property in order to determine the charge and the method from which it is calculated.

Ensure that you enquire about all ongoing costs that leaseholders are expected to pay as many different terms are used to cover a variety of charges, terms include:

- Service charge
- Maintenance charge
- Deferred maintenance fee
- Sinking fund
- Administration charge
- Reserve fund

Leaseholders have a statutory right to receive a summary of the service charge account from the landlord under section 21 of the *Landlord and Tenant Act 1985*. The request must be in writing and can be sent direct to the landlord or to the managing agent.

It is the landlord who takes the decisions on how to commit the expenditure of these funds. This applies in all situations where flats are centrally managed and applies equally where the leaseholders themselves manage their building. However, legislation provides a certain degree of protection to leaseholders whilst also extending obligations to the landlord with regards to how these charges are managed. Some of the key requirements, set out in legislation, are that:

- Charges must be reasonable and may be challenged at the Tribunal.
- Service charge payers must be consulted before the landlord commences qualifying works, other than under a long-term agreement, which will cost any leaseholder more than £250, or enters into a long-term contract worth more than £100.

- The leaseholder is entitled to request, in writing, a 'summary' of relevant costs' from the landlord, which will account for all annual expenditure.

### Ground Rent

Another ongoing cost that can apply to retirement leasehold property is ground rent. This is paid to the freeholder that owns the ground on which your property is built. This cost is generally lower than the services charge but can still be hundreds of pounds per year.

### Exit fees (Transfer Charges)

Even when you are purchasing a new home, it is important to be aware of charges you may incur when selling at a later date. As well as the usual estate agent fees and legal costs, you may be expected to pay an 'exit fee' upon selling your retirement home. These charges are typically 1% of the purchase or sale price but can sometimes be significantly higher where a greater range of services are available to residents.

It is important to ask about exit fees at the earliest possible opportunity when considering purchasing a property as the cost can be considerable and may have a significant impact on your decision making.

As with service charges there are many different terms that can be used, such as:

- Transfer fee
- Re-assignment charge
- Exit fees
- Deferred contingency charge

Before you exchange contracts and complete on your retirement home, ensure that you are completely happy with the terms relating to exit fees as you will **not be able to challenge an exit fee** once you have agreed to it. This is because it is not considered a 'service charge' or 'administration fee' and therefore the tribunal do not have the jurisdiction to decide on such cases.

As of the time of writing, the Law Commission are reviewing responses to their consultation on transfer charges and are expected to announce their recommendations to government in the summer of 2016.

## Finding the right property for you

There are many factors to take into account when searching for your new home; are you able to adapt it easily? Is it near reliable transport services? Is it close enough to visit family and friends regularly? Is the purchase price reasonable? Are you able to meet the ongoing service charges and ground rent?

The following information aims to help you identify the needs that are most important to you.

### Things to consider

**Pets** – Are you able to bring a pet with you or have a new pet? Some schemes have a limit on the size or number of pets and may have a policy that pets are not to be replaced.

**Transport** – Are there good public transport links to nearby towns or cities? If you have a car, will you have a parking space close to your home? If you use a mobility scooter is there somewhere for you to store it and charge it?

**Social activities** – Are there accessible communal areas where you can socialise with other residents and visitors? Are there regular events and activities arranged through the management and residents?

**Food & drink** – Is there a restaurant or café on-site for the benefit of residents and their guests? If so you may wish to have a meal there to ensure that you are happy with the quality of the food provided.

**Neighbours** – Are you able to meet some of your neighbours? A problem neighbour can make your home life difficult, a good

relationship is therefore important.

**Guests** – Are you allowed to have visitors to stay? If so, for how long? If you do not have enough bedrooms, is there a guest bedroom on-site that can be booked?

**Management** – A good on-site manager can greatly enhance the quality of a retirement housing scheme, take some time to talk to the manager and decide whether or not you find them easily approachable and understanding.

**Your home** – It is important to consider your needs now, but also in the future when your mobility may become more limited. Is the property easily accessible? If you needed to adapt the property, would you be allowed to make these improvements? Is there a garden that you are able to use and is this private or communal?

**Location** – Is the scheme on a busy road which may dissuade you from going out? Are you close to local shops, the post office, pubs and restaurants?

**Care** – Even if you do not need care at the time of buying, it is important to ask about whether you are able to receive carer visits in your home. Some retirement schemes will have terms in the lease that will require you to leave if you need a high level of care or have a

diagnosis of a certain condition, such as dementia.

### Re-sale vs new build

When searching for a retirement property to buy, it is likely you will see newly built homes as well as those that are being sold on by a former owner. If you are buying a new build then it is likely you will deal directly with the marketing team for the scheme, rather than estate agents who are more likely to handle re-sales.

If you are considering buying a re-sale then it is important to know who is in charge of the sale and ensure that they have the most up-to-date information. In some cases it will be the managing agents, but in many cases estate agents are used to sell retirement properties.

Some of the advantages to buying a newly built property are that you will have a full length lease and all facilities and appliances are likely to be brand new.

Whilst re-sale properties may also have a full length lease, you will need to examine the lease itself to identify the current time remaining. You may also find that re-sale properties, in return for a potentially reduced lease length and a previously lived-in home, will be of a lower cost than new-builds of a similar standard in the same area.



## Trade bodies

When searching for retirement housing you may wish to ask the agent whether the managing agents of the scheme belong to any of the following trade bodies:

### **Associated Retirement Community Operators (ARCO)**

ARCO is the main body representing the extra care housing market in the UK. Retirement communities may also be referred to as retirement villages; extra care housing; housing with care; assisted living; close care apartments; or independent living.

There are currently 26 ARCO members, representing more than 350 retirement communities in the UK. This equates to more than 50 per cent of all extra care housing schemes and includes both private and not-for-profit providers

As a condition of membership, all ARCO members must comply with their charter to promote good practice. This charter can be viewed on their website at [www.arcouk.org](http://www.arcouk.org).

### **Association of Retirement Housing Managers (ARHM)**

The ARHM was founded in 1991 and has an important role in the management of

leasehold retirement housing. The ARHM represents 55 member organisations who manage 105,000 retirement properties in the UK. It is also the only body that jointly represents both the private sector and registered social landlords, which is why it is now widely consulted on various matters by both the Government and other professional bodies.

The ARHM's mission is to continually raise standards within the sector by promoting best practice and ethics amongst those managing retirement housing. It is also committed to promoting quality and professionalism through training and education of its members and highlighting the benefits of retirement housing

ARHM publish a code of practice which their members are expected to adhere to. This code has been recognised by Government, ensuring that it can be referenced in legal disputes.

ARHM website: [www.arhm.org](http://www.arhm.org)

### **Association of Residential Managing Agents (ARMA)**

ARMA is a trade association for residential leasehold management and, through its management code; it aims to set high standards in residential block management and produces information and advice notes for leaseholders. If

your landlord is a member of ARMA then you can be sure of access to an independent body to help resolve the dispute: all ARMA members must belong to an independent ombudsman scheme.

### **National House Building Council (NHBC)**

If you are buying a new-build sheltered or retirement property, check with the developer or managing agents if it is registered with the NHBC.

The NHBC Sheltered Housing Code puts a duty on NHBC registered developers of sheltered housing to ensure that a management agreement is entered into by the managing agents of the scheme. This gives purchasers of property additional legal rights, stated in the code.

NHBC sheltered housing code:

[www.housingcare.org/downloads/kbase/3316.pdf](http://www.housingcare.org/downloads/kbase/3316.pdf)

## The purchase process for leasehold housing

**Identify:** Consider your housing needs and identify properties that appear to meet the needs you have now and will provide the lifestyle you choose. It is also important to consider potential future circumstances.



**View:** Arrange to view the properties that meet your requirements. Consider making a list of questions to ask before your viewing to ensure that you obtain all of the information you need about the property. FirstStop publish a guide entitled *Housing and care options for older people* which lists questions to ask when viewing a property.



**Consider:** your housing options based on the properties that you have seen. Bear in mind the affordability of the properties that you are interested in, both the initial purchase price and ongoing costs such as service charges and ground rent.



**Your offer:** There are a number of factors to take into account when calculating what you feel a property is worth such as: lease length, ongoing costs and services. You will generally make your offer through the estate agent that is dealing with the sale.



**Legal work:** Once you have had your offer accepted you will need to instruct a legal professional to do your conveyancing work. You may also wish to have a survey done of the property by a chartered surveyor to ensure that it is structurally sound.



**Exchanging and completing:** If you are satisfied with the surveyors report, and once the legal work is completed, you and the vendor will sign and exchange contracts. You will then agree a date to complete the purchase.

## Extra Care Housing

An increasing number of extra-care housing (also known as assisted living, enhanced sheltered or close care) is being built across the UK. These schemes offer the independence of your own front door whilst providing a range of care and support services, such as carers and home help.

There is an increasing market of extra-care housing available on a leasehold basis, but it is important to consider how you will meet care costs, as well as the usual service charges which may be higher than standard retirement housing due to the increase in facilities and services.

*More information on extra care housing can be found in FirstStop's factsheet on this subject.*

## Resolving disputes and complaints as a leaseholder

It will hopefully never be necessary to raise a complaint or resolve a dispute with the managing agent or freeholder of your retirement housing development, but if action does need to be taken there are various options and sources of support that may be available to you.

## Recognised Tenants' Associations

When viewing a retirement property with the intent of buying, it is advisable to ask whether there is an established tenants' association. A tenants' association listens to, and acts on behalf of, residents of the scheme to ensure that any concerns or queries are addressed by the managing agents.

Tenants' Associations become recognised when they meet the criteria set out in the Landlord and Tenant Act which requires them to be acknowledged either in writing by the landlord, or through an application to the First-tier Tribunal.

## The Right to manage (RTM)

Leasehold retirement housing schemes are likely to have managing agents, responsible for listening, and responding, to residents. They will generally arrange for the maintenance of the communal areas and see to any repairs for which the freeholder is responsible. The lease agreement will state the managing agents' exact roles and responsibilities.

If at least half of all leaseholders wish to remove the managing agents, then they have the legal right to do so under The Commonhold and Leasehold Reform Act 2002, this process is known as the right to manage. If this step is taken then the

leaseholders must establish a RTM company.

The RTM only applies to leaseholders of flats, not houses and only extend as far as the building in which the RTM is initiated, so if there is more than one block of flats in a scheme then it will only be the block which has decided to enact the RTM who will take over the management of their block.

There are a number of reasons why leaseholders may decide to take control of the management, one of the most obvious would be to resolve the issue of a bad managing agent, but it also acts to give leaseholders more of a say in the way their home is maintained and managed.

If you are considering RTM then you may wish to contact the **Leasehold Advisory Service (LEASE)** for free advice and information on the process.

### **Disputes and complaints**

If you have a dispute with your landlord then it is advisable to attempt an informal resolution, initially you may wish to raise the issue verbally. If you feel that your concerns are not being given reasonable consideration by the landlord then you

may wish contact your tenants' association (where possible) for further advice.

If you have not been able to resolve the issue informally you may want to request a copy of the formal complaints procedure. Your tenants' association, local Age UK or Citizens Advice Bureau (CAB) may be able to help you with drafting the complaint.

Another option is to try engaging your landlord in mediation or another form of Alternative Dispute Resolution (ADR), such as arbitration or adjudication. This is a voluntary method of resolving disputes that involves all parties coming together in an attempt to resolve the issue, without going to court or tribunal.

If your concerns are still not resolved then the next stage would be to contact the First-tier tribunal. They will only hear certain disputes and there may be time limits that apply to your case, so contact the **Leasehold Advisory Service (LEASE)** for further information on this process.

## Helping to buy retirement leasehold housing

The idea of moving from your home into a property that is more manageable and suited to your needs is an appealing one; however the thought of actually finding a new home and going through the purchasing process, can be daunting.

There are some schemes that are specifically set up for older people, which are intended to make either the moving process easier; or the costs cheaper.

### **The Leasehold Scheme for the Elderly**

These are run by a small number of housing associations and require you to buy 70% of the equity, the remaining portion being owned by the housing association. When you sell, you receive 70% of the market value.

### **A Lifetime Lease**

This product offers an arrangement whereby you buy the right to live in a retirement property for the rest of your life (or lives in the case of a couple). The price is well below the normal purchase price but once you leave the property it reverts back to the company. Lifetime leases are available to people aged 60 and over and may also be available for

non-retirement properties. We are currently only aware of one organisation offering lifetime leases, Homewise.

### **Part exchange**

A few developers may offer part exchange deals, especially on new properties. These can be very useful but you are advised to compare the price offered with the full market value.

### **Shared ownership**

A small number of housing associations offer the option of buying a part share in a property and paying rent on the balance. The proportion you can buy varies. The rent element may be eligible for Housing Benefit. There will normally also be service & support charges to pay.

### **Help to move services**

There are a number of for-profit organisations that specialise in helping older people with the moving process. Services they offer may include: finding a new home, selling your property, liaising with estate agents and solicitors, helping you to pack up your belongings and settling you into your new home.

## Useful organisations

### Leasehold Advisory Service (LEASE)

A government sponsored agency (quango) providing free advice and information on residential leasehold law in England and Wales.

Web: [www.lease-advice.org](http://www.lease-advice.org)

Tel: 020 7832 2500

### Law Society

The regulatory body for solicitors in the UK. Their online directory allows you to search for solicitors by their legal specialism.

Web: [www.lawsociety.org.uk](http://www.lawsociety.org.uk)

### Accessible Property Register

Online database of accessible housing to rent and to buy, also provide details of accessible holiday accommodation.

Web: [www.accessible-property.org.uk](http://www.accessible-property.org.uk)

### Associated Retirement Community Operators (ARCO)

Represents retirement community providers in the UK.

Web: <http://arcouk.org>

Tel: 020 36971204

### The Association of Retirement Housing Managers (ARHM)

Represents 55 member organisations who manage 105,000 retirement properties in the UK.

Web: [www.arhm.org](http://www.arhm.org)

Tel: 020 7463 0660

## Glossary of commonly used terms

**Administration charge** – Money charged by the landlord to the leaseholder, typically for the provision of information documents or failure to pay ground rent/service charges on time.

**Collective enfranchisement** – Where leaseholders collectively purchase the freehold under the Leasehold Reform Housing and Urban Development Act 1993.

**Commonhold** – An alternative type of housing tenure which is not often used in the UK. The freehold in the land is registered as commonhold which is jointly owned by the residents and governed by a commonhold community statement.

**Conveyancing** – The process of transferring a legal title to property from one party to another. Often this process involves a solicitor.

**Exit fee/Transfer charge/Event fee** – A fee, usually a percentage of the purchase or sale price, that must be paid upon the sale or transfer of the leasehold property.

**First-tier Tribunal (Property Chamber)** – Deal with various disputes relating to residential leasehold property law in England. Common issues include service charges and lease variations.

**Freeholder** – Owns the building and land lived in/on by the leaseholder. They are often referred to as the ‘landlord’ and are generally responsible for the repair and maintenance of the exterior of the property and common areas.

**Lease** – Legal document that provides the holder with the right to occupy a property for a specified period of time. Also contains and explains the contractual obligations of all parties.

**Leaseholder** – The holder of the lease who has the right to occupy the property for the period stated (typically 99, 125 or 999 years). Often referred to as the tenant.

**Lease variations** – If all the parties to the lease wish to change a term or condition then they can agree to vary them. Alternatively one party can request a variation through the First-tier Tribunal.

**Recognised Tenants’ Association** – A group listening to, and acting on behalf, of leaseholders. These associations are recognised under the Landlord and Tenant Act.

**Right to manage (RTM)** – Where at least 50% of leaseholders decide to self-manage by replacing the existing management with an RTM company.

**Service charge** – Payment made by the leaseholder to the landlord/managing agent for the cost of insuring, cleaning, repairing etc the property.

**Shared ownership** – A form of tenure in which the leaseholder purchases a percentage of the lease and pays rent on the remaining half. In retirement properties the minimum ownership required is 25%, the maximum is 75%.

**Sinking fund** – A term often interchanged with ‘reserve fund’, sinking funds are typically a collective pot of money that can be used for expensive improvements or repairs.

**Upper tribunal** – Hears appeals on decisions made by the First-tier tribunal.



## About FirstStop Advice

FirstStop is a free information and advice service designed to help older people decide how best to meet their needs for support, care and suitable housing. It is provided jointly by a growing number of national and local organisations and it is led by the charity, Elderly Accommodation Counsel (EAC).

## About FirstStop Financial Advice

Working together, EAC and its partners in FirstStop Advice provide comprehensive information and guidance to help you afford the care, accommodation or services you need.

FirstStop's national Advisors are trained to advise on:

- What you may be entitled to in state benefits and financial help from your local authority;
- Whether you may be entitled to help with your care costs;
- Ways of making your income and capital go further;
- Services that are provided free by local and national voluntary organisations;
- Homesharing, co-housing and other mutual support networks.

A key FirstStop partner organisation is the *Society of Later Life Advisers (SOLLA)*.

SOLLA's members are regulated Financial

Advisers who specialise in providing financial advice to older people, they also adhere to the Society's Code of Best Practice.

If you decide, after speaking to us, that you would like advice from a SOLLA member, we can provide local details to you.

*(Neither EAC or FirstStop has any financial interest in SOLLA or its member IFAs)*

## Contact us

- Visit us online: [www.housingcare.org](http://www.housingcare.org)

*The information contained in this factsheet is intended to be, and should be regarded as, a brief summary and is based on our understanding of present legislation, regulations and guidance. No responsibility can be accepted for action based on this information.*

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