RETIREMENT HOMESEARCH

UK Retirement Property Market: 2016 in review

Introduction to Quarter 4 2016 Review

If I was to sum up 2016, I would say it's been a turbulent and challenging year. We have seen the property market as a whole impacted by political turmoil, an uncertain economy and stuttering consumer confidence. As the market leader for sales within the managed retirement property sector, we have felt this impact along with the rest of the industry.

At the end of Q1 2016, we were reporting an 11% increase in sales, and despite a modest rally in Q4, the year ended 4% down compared to 2015 – somewhat unsurprising considering a 25% drop in new buyer registrations.

Whilst the beginning of 2016 was met with an unexpected market boost by a Budget announcement on second home Stamp Duty encouraging people to buy before the March 31st deadline, it was not long before we entered the pre-referendum period of uncertainty and caution, which eventually resulted in what some felt was a shock result to leave the European Union.

The knock-on effects of Brexit saw what many in the industry describe as a 'fall through' rate almost double in July before stability returned in August, when we saw a modest recovery in sales. Whilst 2016 was undeniably challenging, we finished out the year with steady sales, despite new instructions remaining depressed.

Nick Freeth, Managing Director, Retirement Homesearch

Rental Market View

"Although 2016 was a challenging year, we continued to see growth in the demand for renting in retirement, with particular focus on the security and peace of mind offered through the assured tenancy. Whilst there remains some level of uncertainty and confusion in the housing market, post-Brexit, we continue to purchase retirement properties to rent; providing much needed homes for older people, enabling sellers to move on and thus maintaining movement within the market.

As we move into 2017, we are optimistic that the demand for rental will continue to grow and we remain confident in our ability to increase stock levels."

Gillian Girling, Chief Executive of Girlings Retirement Rentals

2017 predictions

Looking forward to 2017, what can we expect?

1) There will be a modest price increase circa 2 – 2.5%.

2) Transaction numbers will be at or just below 2016 levels.

3) The "London" market will continue to be difficult. The importance of the "London" market is that it is the weight that swings the pendulum of the South East market and that, in turn, is the weight that swings the rest of the UK market.

4) The triggering of Article 50 is likely to produce another "Brexit wobble" in the market.

In conclusion, if you're thinking of downsizing, 2017 could be the year to make the move, as we shift closer towards a buyers' market.

The next Budget is scheduled for March 8th. In the past the Budget left the property market relatively untouched, until December 2014 when the Stamp Duty reforms (bandings) were announced.

Since then, subsequent budgets have seen the previously noted Stamp Duty on second homes surcharge and various measures introduced to curb, control and increase tax revenues from the buy-to-let sector. There's a proposal to ban letting agents' fees levied on tenants and in April/May 2017 the Law Commission recommendations on Event Fees in retirement properties are likely to take effect. Not only this, but the government has made a number of new pledges and proposals about new homes and help for first time buyers.

In short, there's a lot set to happen in 2017, so few will be surprised if by the half year the whole property landscape has been flipped on its head once again!

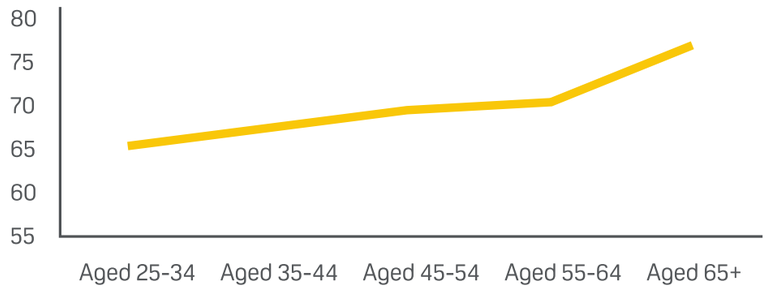
	Q4 2015	Q4 2016	% change	2015	2016	% change
Viewings	2369	1545	-35%	11749	10112	-14%
Instructions	421	358	-15%	2082	1935	-7%
Sales	317	321	+1%	1752	1677	-4%
New buyer registrations	4277	3193	-25%	25110	18659	-25%

In focus – The Downsizing Gap

At Retirement Homesearch, we know first-hand that the decision to downsize is not an easy one to make. Moving home can sometimes be stressful, especially when leaving behind a house full of memories. However, the benefits of downsizing are clear, in terms of freeing up cash, time and peace of mind for the older generation and their families, it's simply that many put it off. Research by Legal & General conducted in 2015 found that a number of Britons were staying in under-occupied family homes until they were in their 80s.

We wanted to delve into this behaviour more deeply, and find out when Britons see themselves downsizing, as well as understand the barriers and motivating factors for moving. Working with Opinium, we conducted an online study of 2,000 nationally-representative UK adults to find the answers to our questions.

Our research revealed a gap between the age people imagine they will downsize and the reality, with the data showing that the age UK adults expect to downsize or move into a specialist retirement property increases as they get older. While the younger generation see themselves moving into a specialist property at the mean age of 65, this gradually creeps up as respondents get older, until there is a marked jump from 55-64 year-olds saying they will downsize at 70, to those aged above 65 expecting to wait until they are 76. What's more, our research showed just 6% of over 65s surveyed had already downsized or moved into a specialist home.



So what are the reasons for this inertia? Amongst UK adults, the top barriers when deciding whether or not to downsize were finding the right property (48%), having to get rid of excess belongings (36%) and the emotional strain of having to leave a home (34%). These results demonstrate once again that a decision which may be based on practicality for some is fundamentally entrenched with sentiment for others.

Top barriers to downsizing

1. Finding the right property (48%)
2. Having to get rid of excess belongings (36%)
3. Emotional strain of leaving my home (34%)

We also asked Britons what their most important factors were when choosing a home to downsize to or when moving to a specialist retirement property. These factors also appeared to vary with age. Whilst having an easy-to-run, modern apartment was one of the most important factors for those aged 65+ at 34%, this was less important for 18-24 year-olds at only 21%, showing the shift of priorities as we're getting older.

Top factors in decision to downsize:

1. Being close to family / amenities (both at 40%)
2. An easy-to-run, modern apartment (27%)
3. Being close to friends (21%)

This latest data tells us that if we want to encourage the 'last-time buyer' movement, which economists estimate being worth £820 billion, including 7.7 million spare bedrooms*, we must incentivise the older generation to make the leap. This can be done by paying attention to the factors important to these Britons and building more specialist retirement properties to a high-spec in desirable areas with the right facilities and making it easier for this group to find and sell their properties. Such efforts could make a significant impact for the health and wellbeing of the older generation, as well as the UK housing market and economy.

*legalandgeneralgroup.com/assets/portal/files/pdf_175.pdf