RETIREMENT HOMESEARCH

Quarterly Review
Quarter 2, 2017

FIRST PORT

retirementhomesearch.co.uk

Introduction to Quarter 2 2017 Review

As I start to write this I cannot believe that we are already half-way through the year! Time does fly, or maybe our perception speeds up as we get older? Or perhaps there's just so much happening both nationally and globally in the world today, that we just don't mark the passage of time in the same way.

Many years ago someone much wiser than me gave some excellent advice – "75% of the success of any venture is in the planning of it."

Whether it's 75% or 65% or 85%, the principle, I believe, is sound. Yet it is becoming more and more evident that one area where planning is so important - aging and retirement - has been sadly neglected by many of us. This quarterly review has a strong focus on planning for retirement and anything which promotes thoughts and discussion in this area is very welcome.

Looking to the domestic market and particularly at retirement properties, it's been another turbulent quarter off the back of a difficult and challenging previous 12 months. The only constant since those days, long ago, when the Brexit referendum was called, has been change.

And change has in some ways become the new "norm".

Prices continue to rise , albeit more slowly and property continues to sell. Both of these factors are driven by a continuing shortage of supply. The latest RICS UK Residential Market Survey shows the supply of new stock falling for the 16th month in a row.

In the retirement market new stock levels are more steady but the availability of proceedable buyers is a more critical factor. Many buyers need to sell in the open market before purchasing and that means that the retirement market is still driven by the same dynamics as the open market.

At the half year, Retirement Homesearch has new instructions year to date (YTD) and current stock available slightly ahead of 2016. This is a result of securing an improving market share in a niche market where many sellers prefer to use a specialist rather than general estate agent.

Nick Freeth

Nick Freeth
Managing Director
Retirement Homesearch

Retirement Homesearch 2017 vs. 2016

	2016	2017
New Instructions	1,071	1,099
Current Stock (excluding SSTC)	743	761

In Focus – Tomorrow's pensioners must start planning today

People's ideas of how much income they will have in retirement have changed dramatically over the last few years. A combination of changes to work patterns, pensions and life expectancy means that tomorrow's pensioners have much more complicated decisions to make about their money in retirement.

By 2028 for example, the Government will increase the state pension age to 67 for both men and women. This is up from 65 for men and 60 for women. Mostly, this has been driven by a jump in life expectancy and this means that someone turning 55 next year (born in 1963), will reach their state pension age by 2030 at the age of 67. Further changes to the state pension are also on the horizon. It seems likely that the "triple lock" will be reviewed after 2020 and may not continue. If the "triple lock" is replaced with a link to average earnings, for instance, pensioners' money will be worth less if inflation is higher than average earnings. "This means it will fall on individuals to put more aside for retirement," said Ian Price, Retirement Proposition Divisional Director at St. James's Place Wealth Management. "If we do not change our saving habits, we are all going to have to spend longer working, or we must revise down our expectations of what retirement looks like."

Perhaps more positively, there have been some moves to encourage people to save for retirement and to access their money when they do. In 2012, the government introduced Auto-Enrolment, which makes it compulsory for companies to enrol their employees into a pension scheme.

Other positive news is that house values, which usually form part of people's retirement plans, are still rising. According to the Government House Price Index, house prices for all UK dwellings (other than New Build) rose in average price from £167,000 in Q1 2004 to £273,000 in Q1 2017. By taking the 2017 figure, and applying the same percentage increase from the previous 13 years, you would come to an average price of £445,000 in 2030.

So what does this mean for the retirement property market?

Clearly, being older when you actually retire may shift the perceptions of what is an acceptable age for 'retirement living' – so people won't consider this type of living until much later on.

We already know from our research conducted in 2016, that there's a gap between the age people imagine they will downsize and the reality. The data shows that the age UK adults expect to downsize or move into a specialist retirement property increases as they get older. 55-64 year olds say they will downsize at 70, whilst those aged above 65 expect to wait until they are 76.

On the other hand, it may give a boost to the market as people have no choice but to free-up some of their assets and downsize – for example, it's predicted that there will be more financial hardship (particularly for women) who will have to wait longer than expected to draw their state pension.

Commenting on the extent of downsizing and its use in funding people's retirement, Ian Price said, "releasing cash to fund retirement by downsizing the family home is often a highly emotional time, but is a path well-trodden by retirees in the UK. Alongside the downsizing, reviewing your financial and estate planning needs for retirement makes good sense. In these times, where inflation rates are out-pacing returns on cash in the bank and we are all living longer, your money needs to go further. Another issue to be considered is the time it takes to sell your property and find and buy your retirement property. We don't recommend that people leave things till the last minute, this process can take longer than you might think. I would always suggest talking to a financial adviser who can help with the big picture at times like these."

What this will mean for retirement developments/developers?

Developers will need to keep on their toes about the changing requirements of the retirement market. There will be a changed focus on what retirement residents actually want if developers are to appeal to younger potential customers (the lower age limit in retirement developments is between 55-60). It seems very likely that they will need to appeal to people who will still go out to work – so will need enhanced parking, good Wi-Fi and a place to work. We spoke to four residents who live in developments managed by FirstPort Retirement Property Services and still work, to find out their experiences…

Paul Robinson

Homecroft House, Bognor Regis

Paul is in his 60s and works as a full-time University lecturer. He is due to retire from this job later in the year, but will continue to work part-time. He says:

“I moved to Homecroft House in October 2016 for financial reasons and it's definitely been the right decision. As I move from full-time to part-time employment, having my outgoings decrease drastically, the move to Homecroft House has helped me feel very secure. The development suits my working lifestyle well - even working full-time, the reassurance that comes with living in a development like this is really important to me.”

Ivy Brownlie
Calverley Court, Surrey

Ivy is 85 and has worked at the same Doctors' surgery for over 40 years and is the longest serving member of staff. She says:

" I am still very capable of working and enjoy it, so why not? Plus, I can't afford to retire just yet! Our development is for people who want to live independently so suits my working lifestyle. I take part in many of the social activities at the development and have a great network of friends here, who I go on holiday with - some do raise an eyebrow when I tell them I can't attend a social event because I have to go to work! "

Diane Jepson
Homemill House, New Milton

Diane is 58 and works as a Carer for a hospice working 30 hours a week. She says:

" My motivation for moving into Homemill House before I actually retired was for safety and security after I lost my husband. I am not your typical resident - I don't attend the coffee mornings or have the same lifestyle as many of my fellow residents, but I am still very content. The development manager has always been very accommodating to my needs as a working resident, so, for example, if I need to wash my uniform outside the times the laundry room is officially open, she makes sure it's available. "

Jean Steen
Homehayes House, Pinner

Jean has worked in the office of a local property management company for over 30 years. She says:

" My motivation for working later in life is both financially and socially driven. Whilst I do need the money, it's also about keeping my brain active and keeping busy. It's sometimes a bit disappointing that I can't attend some of the coffee mornings that are put on because I am out at work, and parking can be an issue because there are only five spaces and I rely on my car to get to work. Aside from that I think the development fits well with my lifestyle. "

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RETIREMENT HOMESEARCH

0333 321 4060 (England & Wales)
0333 321 4070 (Scotland)
enquiries@retirementhomesearch.co.uk
retirementhomesearch.co.uk

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