RETIREMENT HOMESEARCH

Post-Brexit Britain: The UK Retirement Property Landscape Q2 2016 Review

Introduction to Quarter 2 2016 Review

As the market leader for sales within the managed retirement property sector, our quarterly updates aim to shine a light on our niche but growing sector as well as provide insight and raise awareness of key issues. This seems more important now than ever: a recent report on the state of the UK's housing, published by the International Longevity Centre (ILC-UK) and supported by RHS's parent company, FirstPort, projected there could be a shortage of 160,000 retirement homes by 2030, so it is imperative the 'retirement niche' becomes mainstream. With the recent backdrop of 'Brexit', the industry must ensure that any political or economic instability does not take its toll on the UK's housing shortage.

In this update, our figures indicate a slow but steady start to the year with sales remaining stable in the first half of 2016. The uncertainty of the referendum, however, meant that there was a lack of expected seasonal growth in Q2 – when this is traditionally one of the busiest times of year for property sales. This was compounded by the Stamp Duty changes in March which saw an unexpected surge in sales as sellers rushed to complete before the tax changes came into effect at the end of Q1.

The Leave vote means that there could be a pause on buying and selling decisions as people wait to see how the market may be affected, but the quick appointment of a new Prime Minister will remove some uncertainty. However, as we know from our extensive experience working in the retirement property market, political uncertainty does not stop retirement housing stock coming onto the market, although those downsizing from the family home may be affected by weaker demand lower down the chain.

One issue for the sector – and wider stakeholders – to address will be to ensure that downsizers feel certain and confident to move in this new, more uncertain climate (which we discuss in further detail in the In Focus section below), and that developers continue to build. With the potential shortfall in suitable homes growing and an ageing populace, as an industry we need to do everything to meet the potential demand of an estimated 3.5million older homeowners who will soon be looking to downsize.

We hope you find our Q2 market update an interesting and insightful read.

Nick Freeth, Managing Director, Retirement Homesearch

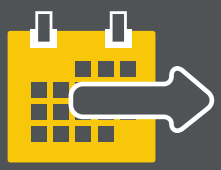
The UK Retirement Property Dashboard

Q2 saw key metrics such as viewings, instructions and sales – with the exception of new buyer registrations – continue at levels very close to Q1. New buyer registrations, however, were down by over 20%, a reflection of the pre-EU referendum "slow down".

Although viewings remained steady, indicating that the buyers who were registering were also actively viewing. In more settled times we would expect to see significant pipeline growth in Q2 as more instructions and buyers enter the market.

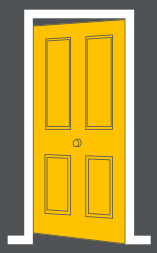
An "In" vote would almost certainly have seen a "bounce" in the market as confidence returned. However the "Out" vote means that buyers will remain cautious for the foreseeable future. In volatile times the residential property market tends to slowdown, as buyers and sellers 'sit on their hands', waiting to see what will happen.

Looking back to Q2 2015 we can see that the downturn in new instructions we saw in Q1 2016 continued although new sales were only very marginally down. New buyer registrations continued to fall year on year (-30%) with a corresponding fall in viewings of (-20%).



Looking ahead, it is likely Q3 will be challenging. Sales will generally be more protracted and buyers cautious. As time passes confidence will return assisted by a clear political timetable and the realisation that the continued shortage of property will ensure that prices remain buoyant.

4,744
new buyers registered



2,974
viewings completed

513 new instructions
average value of just under £130,000

In Focus: Brexit blues – how to keep market moving

There has been much talk about how the UK's decision to exit the European Union has affected domestic and international markets and property prices. However, for the purpose of this edition of the RHS Quarterly Review, we wanted to drill down into how the Leave Vote will affect those looking to downsize: the psychological impact of Brexit.

According to data from Lord Ashcroft polls, those aged over 65 were more likely to vote Leave (60% compared to 40% remain), yet the Leave vote may have important consequences on their retirement plans.

Financial experts have said that UK pensions will suffer as a result of Brexit which will mean the older generation will have less disposable income and may have to adapt their plans for living, buying and renting in retirement. The Financial Times reported last week that the vote for Brexit has sent investors rushing to buy the safest government bonds, pushing prices up and yields down — and spelling more trouble for the pension industry as billions were added to pension liabilities.

With the number of pension deficits rising, this could mean a greater number of schemes will end up in the Pension Protection Fund which entails sharp cuts to retirement incomes, with many employers pre-emptively looking at what they can do to lower deficits through changes to terms and conditions and ultimately cuts to pension benefits and incomes.

At the same time, figures from the ILC-UK State of the Nation's Housing report show that under-occupancy is now a widespread problem with 6 million people living in houses with two or more excess bedrooms. Additionally, since 2005 there has been a significant increase in the number of 45-64 year olds living alone (500,000) as well as the number of 65-74 year olds living alone (300,000).

Could Brexit be a catalyst for creating a downsizing avalanche?

It could well be as there's no doubt that downsizing can be an answer to some of these issues, giving people more financial independence – especially if pensions are squeezed – by freeing-up capital and reducing the cost of running large homes. Too often the industry has focussed on the barriers to downsizing whilst ignoring the benefits, financial or otherwise. Whilst it's understandable that people may worry about the process of moving or saying goodbye to the family home, this should not come at the expense of explaining the many benefits of downsizing.

But we must support older people on this journey – particularly in uncertain times when scaremongering can make something that is already a daunting concept even more terrifying, with the added fear that there is no choice, or at least no time to consider the options and make an informed decision.

Part of the problem is that there can be a lack of independent and impartial advice, which is an area where the industry could do more to support elderly downsizers. Our partnerships with the likes of ILC-UK and the Elderly Accommodation Counsel aim to do exactly that and reassure customers about the options available and the many advantages of downsizing.

For example, ILC-UK note that those living in retirement housing are significantly more likely to be living in homes with health-related adaptations than those who do not; this can help people to continue to live independently in their own homes for longer. ILC-UK comments that specially adapted retirement properties could be a solution for a number of older people who are living in homes too big for them, or ill-suited to their needs.

Living in a specially-designed and adapted retirement property can also increase feelings of safety and security, as well as choice, and can give access to ready-made communities and support.

As experts in retirement housing, we know that having access to specialist advice is especially important in the post-Brexit landscape where it is essential to minimise uncertainty. By ensuring downsizers get the guidance they need, they can begin to look forward to a new home, as well as a new lifestyle.

A view on the rental market

Gillian Girling, Chief Executive of Girlings Retirement Rentals, comments: "The uncertainty prior to and since the EU referendum has resulted in confusion in the market which has affected the stock of retirement properties available to buy. The demand for rental remains strong and whilst some sellers adopt a 'wait and see' approach, we continue to adopt a positive view and remain confident in our ability to acquire retirement property. This enables leaseholders to move on with certainty and for us to provide much needed homes for older people to rent on assured tenancies."

RETIREMENT HOMESEARCH

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No.1

retirement property

specialist

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 had over

250,000

visitors to our website

We've placed over **2,300** properties on the market

in the past twelve months...

2015 2016

...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