



**McCarthy & Stone**

— Retirement living to the full —

## How housing policy for older people can help fix the broken housing market

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**John Tonkiss**

Chief Executive Officer

**HBF Policy Conference, 26 March 2019**





## AGENDA

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-  **Retirement housing - a phenomenal sector**
-  **Where we fit in**
-  **Our sector's part in fixing the broken housing market**
-  **Our policy recommendations**
-  **Retirement communities - the future**



## WHAT IS THE RETIREMENT HOUSING SECTOR?

- Different products, business models and services
- Two key types – housing with support, and housing with care
- Long term involvement



**Housing with support**

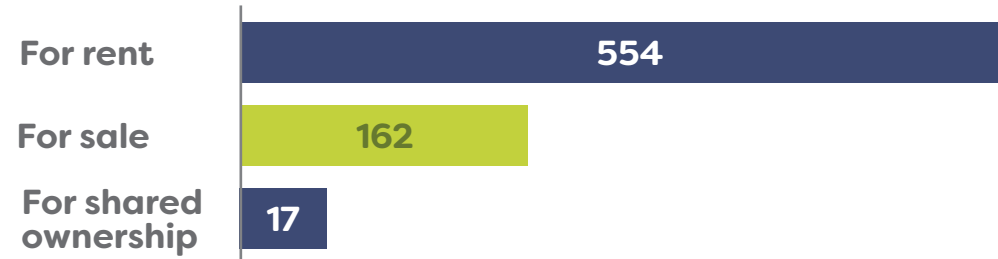
- High quality apartments
- Independent living typically for those aged 60 and above
- Range of on-site facilities such as a shared lounge and guest suite
- On-site support is provided by a dedicated House Manager



**Housing with care**

- High quality apartments
- Independent living typically for those aged 70 and above
- 24-hour staffing and the provision of on-site care
- Additional shared services such as a restaurant or bistro, well-being centre, hairdresser and staff rooms

### Specialist retirement housing, thousand



EAC (2018)



## A PHENOMENAL SECTOR

**We all make a huge difference**

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**Together we enrich**

- Our customers' lives
- Their families
- And society

**We have innovative  
services and business  
models**

**But, this sector is set to  
change profoundly in the  
next 5-10 years**

**How we respond will  
determine our success.**





## THE DIFFERENCE WE MAKE TO THE LIVES OF OUR **CUSTOMERS**

### **Before**

- Often isolated, with family and friends having moved away
- Maintenance concerns
- Evolving care and support needs

### **After**

- Remove burdens and worries
- Care and support on hand
- New friendships



Sylvie Morgan, 74 from Paxton Court, Tenby

**“It’s totally changed my life for the better. You never feel lonely in a place like this. If you’re at a loose end, you will always bump into people who stop for a chat and pass the time of day.”**

**“It’s the security of knowing that you own your own home but with the peace of mind that you are surrounded by like-minded people who you can call on when you need to.”**

Sylvie also leads our #takesone loneliness campaign with Paula Radcliffe MBE



## THE DIFFERENCE WE MAKE TO OUR CUSTOMERS' **FAMILIES**

### Before

- Concerned about their parents
- Providing informal care
- Sandwich generation

### After

- Ease concerns
- Peace of mind
- Confident their parents are being cared for





## THE DIFFERENCE WE MAKE TO OUR **SOCIETY**

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\*HCA, updated for inflation (2010)

\*\*Demos (2017)

\*\*\*University of Reading (2011)

### **Reduce pressure on health services**

- c.£3,500 saving per person per year\*
- £486m saving/year for NHS and care services\*\*

### **Unlocks housing supply**

- Typically 3 further moves from each sale supporting first time buyers
- Could release 2m empty bedrooms

### **Brings life back to town centres**

- 98% of our sites are brownfield
- 80% of our customers use their local shops daily or often\*\*\*







Where we  
fit in





WE ARE THE  
UK'S LEADING  
RETIREMENT  
HOUSEBUILDER...

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- 40 year history
- 56,000 properties
- 5 Star customer service

BUT WE ARE  
SO MUCH  
MORE  
THAN THAT...

Dedicated in-house  
management services  
since 2010, providing  
care and support – the  
jewel in our crown

17,700  
HOMEOWNERS

ACROSS  
395  
DEVELOPMENTS

31,000  
HOURS OF CARE &  
SUPPORT PER MONTH

1,400  
EMPLOYEES IN  
MANAGEMENT SERVICES

65,000  
MEALS  
A MONTH



## ENRICHING THE QUALITY OF LIFE OF OUR CUSTOMERS AND THEIR FAMILIES

\*Survey of homeowners by the NHBC and HBF (2016 & 2017)  
\*\*Survey of new homeowners by the NHBC and HBF (2017)  
\*\*\*Internal figures (2018)  
\*\*\*\*Homeowner survey (2017) and research by Demos (2016)  
\*\*\*\*\*Homeowner survey (2017)



**Our vision is to become the UK's leading developer, manager and owner of retirement communities**



## MAINTAINING HIGH LEVELS OF QUALITY



**MORE THAN**  
**90%**  
**OF OUR CUSTOMERS WOULD  
RECOMMEND US TO A FRIEND**



**We are the only housebuilder to have a Five Star customer service rating for 13 consecutive years, which is every year the survey has been run (meaning more than 90% of our customers would recommend us to a friend)**



## BECOMING A SERVICE-LED BUSINESS

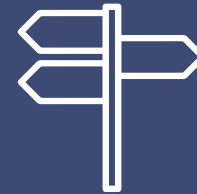
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WE HAVE ASKED OUR CUSTOMERS AND WE CAN DO MUCH MORE FOR THEM



### Flexibility

- New services
- More ways to pay the service charge (e.g. deferral)
- Integrated technology
- Gyms, clubs and new partnerships
- Offering care across all developments



### Choice

- Home ownership
- Rental
- Rent to rent
- Shared ownership (part rent, part buy)



### Affordability

- Contemporary
- Compact
- Fabricated in a new way



# Our sector's part in fixing the broken housing market





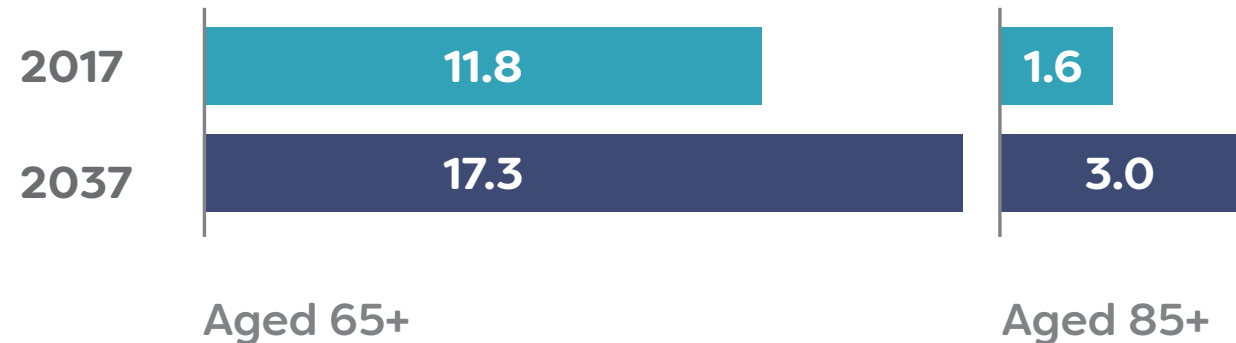
## WE ARE “WOEFULLY UNDER PREPARED”\* FOR OUR AGEING POPULATION

**We need to radically rethink our housing  
policy if we are to deliver the right  
housing for our ageing population**

\*House of Lords report. Ready for ageing (2013)

\*\*Office for National Statistics population projections (2017)

### Our population in ageing Projected UK population growth \*\*, million



**‘The Ageing Society’ is one of the Government’s four ‘Grand Challenges’ in its Industrial Strategy**

## WE NEED NEW THINKING IN THE HOUSING MARKET

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**\*The Last Time Buyer, by  
Professor Les Mayhew from  
CASS Business School,  
February 2019**

Illustration by Joe Cummings  
For 'Les Mayhew's 'The Last-Time Buyer: housing and  
finance for an ageing society'

**“The paradox, bearing in mind the UK’s much discussed ‘housing crisis’, is that the current housing stock is, on paper, sufficient to meet today’s needs. In 2015, there were 28.3m housing units compared with demand from 27.4m households. The gap is accounted for by second homes and vacant properties.”\***

**“If people lived in homes more suited to their needs, 50,000 fewer homes would need to be built each year.”\***

**Professor Mayhew argues that we have enough housing, but the wrong people are living in it.**





# FIRST TIME BUYERS ARE IMPORTANT, BUT OLDER PEOPLE ARE GOING TO DRIVE THE HOUSING MARKET

Households	2015	2040	% Change
A. Family household with children	6.28m	6.52m	3.8%
B. Single adult with children	1.96m	2.18m	11.2%
C. Older cohabiting couple	4.09m	4.75m	16.2%
D. Older person living alone	3.48m	4.54m	30.4%
E. Three generational household	0.19m	0.2m	5.3%
F. Co-habiting adult household	6.53m	7.49m	14.7%
G. Adult living alone	4.94m	6.44m	30.4%
H. Other	0.13m	0.16m	20.4%
<b>Total</b>	<b>27.58m</b>	<b>32.27m</b>	<b>17%</b>

**This need does not match existing housing stock**  
Breakdown of bedroom capacity in existing households

Bedrooms per household	All dwellings
1	11.7%
2	28.3%
3+	60%

**And just 2.1% of apartments have more than three bedrooms**

**77% of all housing need will come from older people and those living alone**



## OLDER PEOPLE ARE GOING TO DRIVE THE FUTURE OF THE HOUSING MARKET

**There is demand for c.30,000 new retirement properties a year but only c.6,000 units a year are being delivered\*\*\*\***

\*YouGov, 2018 \*\*NHBC, 2017

\*\*\*EAC, 2018 \*\*\*\* Knight Frank, 2016

# 35%

of older people are  
planning to downsize,  
equivalent to 4.1m  
people\*

This would free up

# 2 MILLION

under-occupied  
bedrooms



Total amount of housing equity  
held by over 65s =

## £1.56 trillion\*\*\*\*

equivalent to the GDP of Spain



Total amount of equity released if  
35% downsized =

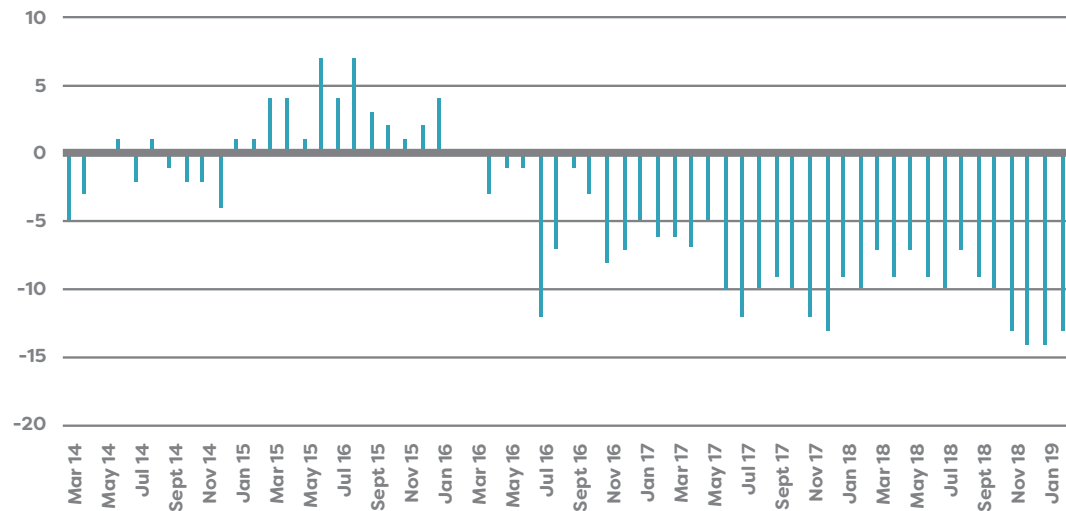
## £544 billion

equivalent to the GDP of Turkey

### However:

- Lack of well-located one and two bedroom apartments for older people
- Decline in bungalows: 7% of properties built in 1996, now 1%\*\*
- Just 162,000 retirement properties ever built for homeowners\*\*\*

## CONSUMER CONFIDENCE IS FALLING AND THE SECONDARY HOUSING MARKET IS DISLOCATED



**UK Consumer Confidence, GfK Index**



**National Average Sales Per Surveyor\***

\*UK Residential Market Survey, RICS (February 2019)



## AND THERE ARE MANY SUPPLY CHALLENGES

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- **The 2017 Housing White Paper was broadly helpful**
- **But little national or local planning support for retirement communities**
- **No incentive like Help to Buy**
- **Unique development and operational challenges of building retirement communities**







# Our policy recommendations





## OUR POLICY RECOMMENDATIONS

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### For Government

#### 1. Reform planning

- a. New local and national planning policies to encourage supply of retirement housing
- b. A new use class
- c. Join up housing and care policy through the forthcoming Social Care Green Paper

#### 2. Unlock the secondary housing market

- a. A Help-to-Move package to help the millions of older people who want to downsize
- b. A one-time stamp duty exemption for older people downsizing

**Exempting older people from SDLT when downsizing could increase their moves by 30% and net HM Treasury c.£740m in additional revenue from new chains created (IPC, 2016)**

## OUR POLICY RECOMMENDATIONS

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### For the sector

#### 3. Transparency, fairness and choice on fees

- a. Address concerns about costs in retirement
- b. Every fee must be ‘something for something’
- c. We support the Government’s position on ground rents for retirement housing

#### 4. Promote innovation in design and build

### How Modern Methods of Construction (MMC) transformed student housing

- Unite, the UK’s leading student housing provider, opened its first MMC factory in 2002
- Over 10 years, delivered more than 80 developments worth over £1 billion in total
- Produced 200 modules a week for developments up to 11 stories high, using a light steel frame
- Works well where internal layouts are standardised and on flatted developments
- Reduces build costs, accelerates development times and boosts quality

**MMC can play a similar role in transforming the retirement communities sector**







# Retirement communities - the future

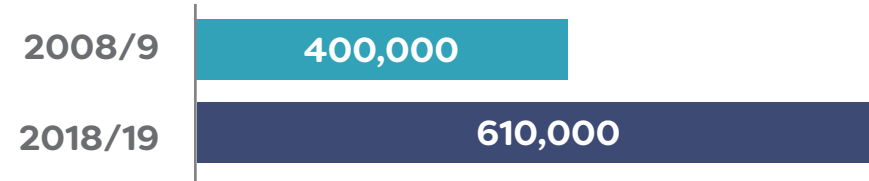


## OVER THE LAST 10 YEARS, THE STUDENT HOUSING MARKET HAS CHANGED DRAMATICALLY

- A market characterised by structural under-supply
- Has since seen sustained investment
- 31,000 new beds delivered in 2018, 87% by the private sector\*
- Now a mature market with a number of providers

\*Cushman and Wakefield, 2018

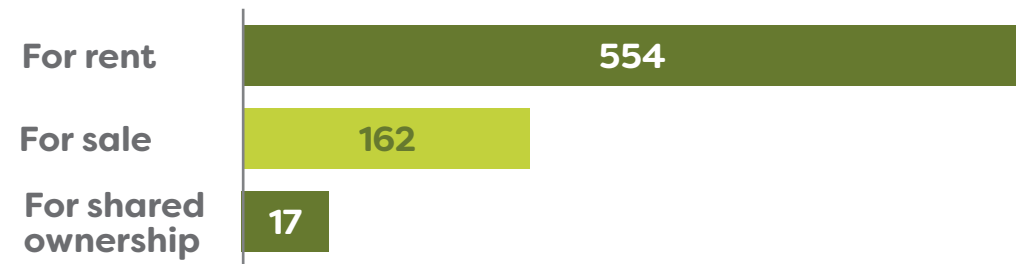
### Purpose-built bed spaces available to students (academic year)



+c.50% growth in 10 years

### Are retirement communities the next major asset class?

#### Specialist retirement housing, thousand



EAC (2018)



## CONCLUSION

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### Thoughts on the future of Retirement Living

- 1. Housing for older people frees up the market and helps solve the housing crisis**
- 2. It creates a properly functioning secondary market**
- 3. We need greater policy support for retirement communities**
- 4. It is also in our hands to create a new asset class and investment option**

