Open Plan

Building a strategic policy toward older owners

THE STRATEGIC SOCIETY CENTRE
ANALYSIS • EVIDENCE • POLICY

hanover

James Lloyd

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Alongside this report, the Strategic Society Centre simultaneously published a research report entitled Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK.

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Executive Summary

Introduction: The rise of the older owner

The UK is experiencing unprecedented growth in older homeowners, who numbered 6.5 million in 2011 just in England. This has brought benefits to both individuals and society, but as with any profound social trend, the rise of the older homeowner has brought with it questions and challenges.

The absence of detailed, holistic research on older homeowners has resulted in confusing policy debates and conflicting policy agendas. This report provides accompanying policy analysis and discussion to research published by the Strategic Society Centre called 'Older Owners: Research on the lives, aspirations and housing outcomes of older homeowners in the UK'.

Older homeowners and policy confusion

Four distinct policy agendas and debates have emerged in response to the rise of the older owner: specialist housing and home adaptations; under-occupancy and housing supply; the use of housing wealth to fund retirement; and, housing wealth taxation and fairness.

These agendas variously see the homes of older homeowners as: a site to help them live independently and reduce need for care and support; under-used accommodation that could be better allocated within the population; a potential income source for their owners; and, a source of potential tax revenue.

These policy agendas are both interdependent and conflicting. For example, any increased use of equity release products by older homeowners would reduce the 'tax base' for any new taxes directed at older people's housing wealth.

The result is that older homeowners have been given conflicting messages and incentives through public policy design, and there is a need for policymakers to prioritise certain policy agendas over others.

Older owners and retirement housing

Policymakers are keenly interested in the potential of adapted and specialist retirement housing in helping older people live independently, and reduce their lifetime need for health and care.

Previous research found retirement housing makes up 5% of all older people's housing, of which only around 105,000 are owner-occupied units.

The findings of Older Owners suggest between 20% and 40% of older homeowners in the UK may benefit from some form of adapted or specialised housing, on account of having a

longstanding disability or health issue, equivalent to between 1.3 million and 2.6 million older homeowners in England. This suggests considerable, potential untapped demand for specialist housing and home adaptations.

Why do more older homeowners not move into specialist housing? Older Owners found 80% wish to stay where they are and 85% plan to remain in their neighbourhood for a number of years. The research also found strong levels of neighbourhood attachment relating to trust, a sense of belonging to a close-knit community, and being able to rely on neighbours; indeed, older homeowners may feel that such community and neighbourhood relations are themselves valuable in the context of their ageing and potential need for support. As such, the provision of retirement housing in the right 'local' locations may increase demand.

Older owners and under-occupancy

Older Owners found that most older homeowners live in households of one to two people, but that in all areas of the UK, over half of the 65+ owner-occupier group (72%) have three or more bedrooms in their home. Analysis of Census 2011 data also found that across the English regions and Wales, the percentage of 'household reference persons' aged 65+ in owner-occupied housing that is under-occupied on the basis of the official 'bedroom standard' is more than 50%.

These findings suggest that older owners do exhibit substantial levels of relative under-occupancy. However, it is important to note that under-occupancy is not limited to homeowners who are aged 65 and over. When comparing the percentage of all households with 2 or more spare bedrooms, the proportion of this group who are aged 65 and over is actually less than the proportion aged 25 to 64

Why do older homeowners not downsize? As well as neighbourhood attachments described above, older homeowners may be inhibited from moving by the lack of attractive alternative accommodation, as well as moving costs, and the 'stress and hassle' associated with moving.

Older owners and retirement income

Policymakers and the financial services industry are interested in the potential for older homeowners to use the value of their home to fund retirement income.

Older Owners found that in most of the UK, total gross monthly personal income among the poorest 25% of older homeowners is no more than £650 (2011-12 prices), around the government's minimum income guarantee. Around 78% of older homeowners report they are 'living comfortably' or 'doing alright'.

This suggests that only around one in five older owners may be motivated to use their housing wealth to fund additional retirement income – equivalent to around 1.3 million people in England – on the basis of feeling their income is inadequate.

However, retirement income and housing wealth tend to be positively correlated at the household level, and the poorest 25% of older homeowners have a home worth up to £140,000 (2011-12 prices). Few in this group may have sufficient equity to provide a

significant income boost using equity release products, or to release significant capital through downsizing while living in an acceptable home.

Despite the interest of policymakers, this suggests there is little scope for an increase in the proportion of older homeowners using their housing wealth to fund retirement income.

Older owners and taxation

In most areas of the UK, the median (average) value of the homes of older people living in owner-occupied homes is £150,000 and £200,000 (2011-12 prices).

Despite concerns around fairness and intergenerational equity, there is limited scope to increase taxation of the housing wealth of older homeowners, reflecting difficulties in valuing older people's homes, limited ability among older people to pay new taxes based on the value of their homes, and the fact few older homeowners move home and therefore incur transaction taxes, such as Stamp Duty or – potentially - Capital Gains Tax. The incidence of inheritance tax on the homes of older owners could be increased, but this would cut across the direction of current government policy.

Although the arguments in favour of increased taxation of older people's housing wealth appear compelling to many stakeholders, the feasibility and practicality of such taxes therefore appears limited.

Building a strategic policy toward older owners

Bringing together analysis of these different policy agendas and new research on the lives of older homeowners, it is possible to develop policy recommendations that will advance the aims of policymakers:

The government should:

1. Increase the supply and take-up of specialist retirement housing - in the right locations;
2. Tackle the barriers and costs of moving home for older homeowners;
3. Tackle the affordability gap' for older homeowners through partial/shared ownership and 'Help to Buy';
4. Help older homeowners 'downsize in place'.

Implementing these measures will:

- Increase the proportion of older homeowners living in accommodation suitable to their disability and health characteristics;
- Potentially reduce the incidence of under-occupancy, releasing larger homes into the housing stock;
- Increase the taxation of older people's housing wealth, whether through Stamp Duty or – in future - the potential introduction of Capital Gains Tax on primary homes; and,
- Increase the proportion of older homeowners who supplement their retirement income using their housing wealth, through downsizing.

1.Introduction: The rise of the older owner

Key points:

- The UK is experiencing unprecedented growth in older homeowners, who numbered 6.5 million in 2011
- This has brought benefits to both individuals and society, but as with any profound social trend, the rise of the older owner has brought with it questions and challenges
- The absence of detailed, holistic research on older homeowners has resulted in confusing policy debates. This report provides accompanying policy analysis and discussion to the findings of Older Owners

1.1. The rise of the older owner

The UK is experiencing something unprecedented in its history: a large and expanding population of retired people who own their own home, with the value of their homes increasing steadily over time.

Indeed, the 2011 Census found that there were as many as **6.5 million people** over 65 living in owner-occupied homes just in England, compared to 5.3 million in 2001.[1]

Several long-term trends have coincided to bring this about.

Demography

Rising life expectancy and the transition into retirement of the post-war 'baby boomer' generation are resulting in growing numbers of older people - and older homeowners - in both numerical terms and as a proportion of the population.

Owner-occupation rates

The 'baby boomer' cohort, many of whom benefitted from 'right to buy' policies of the 1980s, display historically unprecedented rates of owner-occupation: around 75% of all over-65s in England and Wales own their home.[2] The UK has a higher percentage of retired people who own their home than in any previous historical period.

House price inflation

Above-inflation increases in property prices in the UK have seen older homeowners amass unprecedented levels of property wealth. For example, between January 2003 and January 2015, average house prices in England increased by 53.5%.[3]

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[1] Source: Census 2001, Census 2011
[2] Source: Census 2011
[3] Source: ONS House Price Index

1.2. Older Owners

The rise of the older owner brings benefits to both individuals and society. Older owners benefit from the most secure form of tenancy. Since most do not have outstanding mortgage debt, their housing costs are limited to maintenance and repairs, thereby ensuring their pension income can be spent on leisure and other activities, improving their wellbeing and experience of retirement. The value of their home as an asset also provides many older people with a feeling of security and wellbeing.

However, as with any profound social trend, the rise of the older owner has brought with it questions and challenges.

For example, the fact many older homeowners occupy houses of a considerable size after adult children have left home has created debate around 'under-occupancy' and the absence of incentives for older homeowners to 'downsize'. In addition, the prospect of relatively wealth older homeowners receiving the universal state pension funded through the taxes of working-age employees, many of whom cannot afford to buy a home of their own, has brought forward new debates on equity and fairness between generations in public spending and across society.

Despite the growing attention given to older homeowners in public debate, there has previously been little research on older homeowners, their housing experiences, wealth and aspirations.

This absence of detailed, holistic research has contributed to confused debates about the rise of older homeowners, and how policymakers should respond. This has resulted in conflicting policy agendas and sometimes contradictory messages for older owners about their retirement and the society's expectations of them, and there is a need for policymakers to prioritise certain policy agendas over others.

The Strategic Society Centre therefore undertook quantitative research to provide a detailed picture of the lives, characteristics and housing outcomes of older homeowners in the UK.[4] The research – entitled **Older Owners** - analysed data from:

- **Census 2011**;
- Wave 3 of **Understanding Society**,[5] which is a large-sample representative social survey that enables analysis of people aged 65 and over living in owner-occupied homes at both a national level, and at the level of the 'Government Office Regions'.[6]

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[4] Lloyd J and Parry W (2015) *Older Owners: Understanding their lives, aspirations and housing outcomes*, Strategic Society Centre, London

[5] Understanding Society (USoc) is a longitudinal survey of the members of approximately 40,000 households in the United Kingdom (England, Scotland, Wales and Northern Ireland). Households recruited at the first round of data collection are visited one year later to collect information on changes to their household and individual circumstances. Interviews are carried out face-to-face in respondents' homes by trained interviewers. Data collection for each wave takes place over a 24-month period. The USoc survey covers a range of topics relating to demographic, socio-economic, housing and health characteristics.

[6] The Government Office Regions are: North East; North West; Yorkshire & the Humber; East Midlands; West Midlands; East; London; South East; and South West.

1.3. Open Plan: Building a strategic policy toward older owners

This report provides policy analysis and discussion to accompany the findings of **Older Owners**. It seeks to untangle the overlapping and contradictory policy agendas that have emerged in response to the rise of the older owner, relating to:

- Specialist housing and home adaptations for older people;
- Under-occupancy among older owners and housing supply;
- The use of housing wealth to fund retirement;
- Wealth taxation and fairness.

In Chapter 2, the different **policy agendas** that have developed in response to the rise of the older owner are explored, including their potentially conflicting aims and resulting 'policy confusion'.

Chapter 3 considers the policy aims for **specialist retirement housing** and adaptation against evidence on disability among older homeowners. Chapter 4 considers whether so-called '**under-occupancy**' is observable among older homeowners, while Chapter 5 examines to what extent policymakers should prioritise the use of **housing wealth to fund retirement**.

In Chapter 6, the main options for increasing the **taxation** of the property wealth of older homeowners are considered.

Chapter 7 concludes the report with **key recommendations** to policymakers.

2.Older Owners and Policy Confusion

Key points:

- Four distinct policy agendas have emerged in response to the rise of the older owner: specialist housing and home adaptations; under-occupancy and housing supply; the use of housing wealth to fund retirement; and, wealth taxation and fairness
- These agendas variously see the homes of older homeowners as: a site to help them live independently; under-used accommodation that could be better allocated within the population; a potential income source for their owners; and, a source of potential tax revenue
- These policy agendas are both interdependent and conflicting. For example, any increased use of equity release products by older homeowners reduces the 'tax base' for any new taxes directed at older people's housing wealth
- Older homeowners have been given conflicting messages and incentives through public policy design

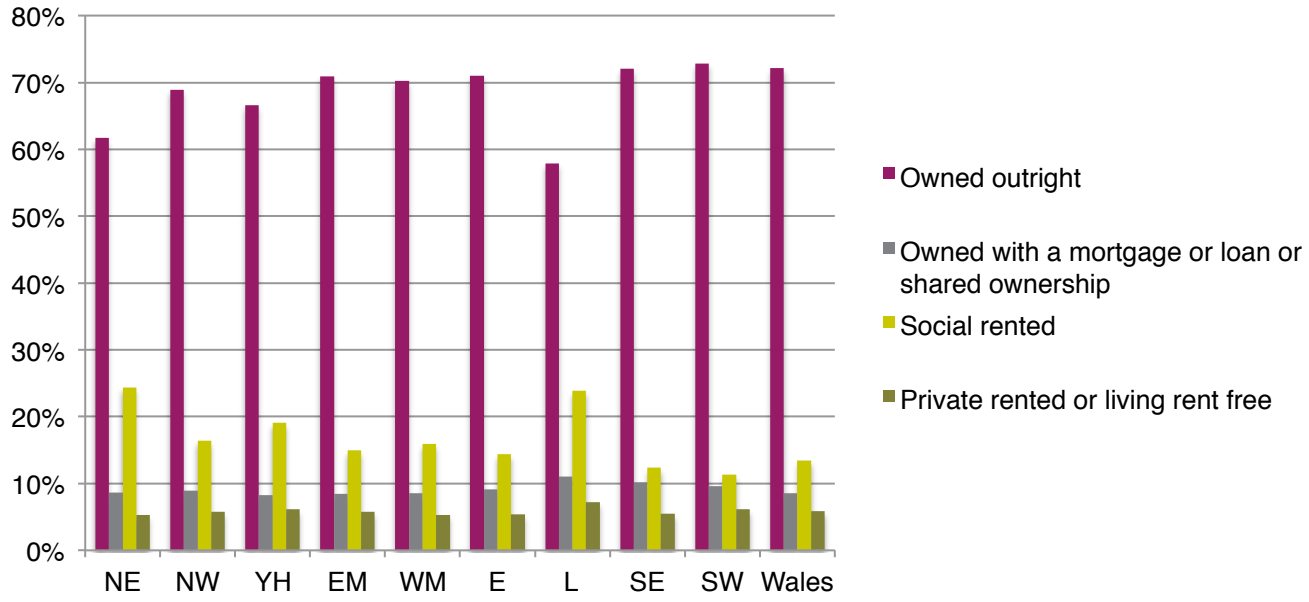
2.1. Introduction

The Older Owners research found that in 2011, there were around 6.5 million older people living in owner-occupied homes in England, of whom 5.7 million lived in homes owned outright, with the remainder owning with a mortgage or some form of shared ownership.

This compared to around 1.34 million older people living in social housing, and half a million living in the private rented sector.

Older homeowners comprise the vast majority of their age group across all the regions of England and Wales. Indeed, Older Owners found that patterns of tenure in the 65+ population are broadly consistent, with 70-80% of older people living in owner-occupied homes in different geographic areas.

Tenure, 65+, GOR + Wales, 2011 (Census)



Only in the North East and London is owner-occupation among older people slightly lower, with the prevalence of social renting correspondingly higher.

The rise of older owners is historically unprecedented: there have never before been so many retired homeowners in the UK.

As with any profound social change, the rise of older owners has been accompanied by public debate on implications for government policy, society and individual older homeowners. This debate has reflected the different aspects of owner-occupation, such as housing as an investment, as well as a physical environment that can influence people's need for support in old age.

The rise of older homeowners has also given rise to political debate, prompting conflicting and sometimes strident views on the nature of fairness and social responsibility. For example, some have questioned whether so much public spending on older people should be universal in nature given the considerable – and largely untaxed – housing wealth of older homeowners.

Across political and policy debate, four distinct debates and agendas can be identified as having emerged in response to the rise of the older owner:

- **Specialist housing and home adaptations**
- **Under-occupancy and housing supply**
- **The use of housing wealth to fund retirement**
- **Wealth taxation and fairness**

This chapter briefly summarises these agendas and how they interact.

2.2. Specialist housing and home adaptations

Policymakers are keen to ensure that older homeowners live in housing that is suitable for them given their health characteristics, physical and cognitive functioning.

In particular, there is interest in maximising the use of housing adaptation and design – and the potential of specialist housing (retirement housing, extra care, etc.) - in reducing older homeowners' lifetime need for health and care services, and improving people's ability to remain living independently for longer. In this way, policymakers hope to reduce demand for health and care services, as well as improving the lives and wellbeing of older people.

This agenda therefore sees older people's homes as a **site to help them live independently**.

In practice, this agenda has involved encouraging older people to adapt their accommodation, for example, through the installation of walk-in showers, or grab-rails. It has also involved interest in stimulating demand and supply for specialist retirement housing such as age-restricted housing developments, extra care accommodation, etc.

However, questions remain for this agenda, such as:

- How many older homeowners actually have a disability, such that they may benefit from specialist accommodation?
- Do older homeowners want to move?

2.3. Under-occupancy and housing supply

It is widely recognised that new homebuilding in the UK is inadequate resulting in high house prices, high rental costs and many young people struggling to move on to the housing ladder.

Against this background, there is acute interest in the prevalence of 'under-occupancy' among older homeowners, i.e. older people who own and live in homes that include rooms that could be considered 'surplus' to their needs.

Various stakeholders have argued that if under-occupancy among older homeowners were reduced – for example, through more downsizing by older homeowners - this would ease housing pressure for other households, particularly young renters.

This agenda therefore views the homes of older homeowners as **under-used accommodation that could be better allocated** within the population.

However, question remain for this agenda, such as:

- Do older homeowners really under-occupy?
- Are older homeowners really the main cause of under-occupancy in the housing stock?

2.4. The use of housing wealth to fund retirement

The rise in the number of older people who own their home has been accompanied by an increase in the value of their homes.

Politicians and the financial services industry are therefore interested in the potential for older homeowners - particularly under-pensioned older homeowners with low incomes – to use their housing wealth to increase their retirement income.

Housing wealth could be used in this way through older homeowners moving into smaller, lower priced homes, thereby releasing capital. It could also be undertaken through older homeowners using 'equity release' financial products – effectively 'reverse mortgages' – to release capital while continuing to live in their home.

This agenda therefore sees the homes of older owners as a **potential income source for their owners**.

Nevertheless, questions remain for this agenda, such as

- Do older homeowners want or need additional income?
- Do older homeowners have sufficient housing equity to fund a meaningful addition to their retirement income?

2.5. Wealth taxation and fairness

High rates of owner-occupation among older people coupled with years of above-inflation increases in house prices have resulted in many older people accumulating substantial levels of property wealth. This wealth of older homeowners has been regularly contrasted with younger cohorts amid growing debate on intergenerational equity and, in particular, the fairness of universal public spending on relatively wealth older homeowners.

Such debate has stimulated growing interest in the potential for new taxes on the housing wealth of older owners, both to improve 'intergenerational fairness' in taxation and public spending, and to help achieve sustainability for the public finances in the context of an ageing population.

This agenda therefore sees the homes of older owners as a **source of potential tax revenue**.

Questions for this agenda include:

- Is it feasible to tax the housing wealth of older homeowners?
- How would older homeowners pay such taxes?

2.6. The Rise of Older Owners: Policy confusion

The policy agendas set out above are both **interdependent** and **conflicting**. Success in one policy agenda may undermine another, ultimately leading to **confusion** in policy objectives and priorities. For example:

- Any increased use of equity release products by older homeowners reduces the 'tax base' for any new taxes directed at older people's housing wealth;
- Encouraging older homeowners to invest in adapting their homes may stop them from moving to smaller accommodation and reducing under-occupancy.

As a result, older homeowners have been given **conflicting messages and incentives** through public policy design, and significant questions about the priorities of the government remain.

For example, are older homeowners to be encouraged to downsize or to adapt their home? Should the Exchequer focus on the housing wealth of older homeowners as a source of taxation, or should policymakers be working with the financial services industry to boost take-up of equity release products?

The following chapters therefore use the findings of Older Owners to explore these policy agendas in more detail, evaluating their aims and prospects for success.

3.Older Owners and Retirement Housing

Key points:

- Previous research found retirement housing makes up 5% of all older people's housing, of which only around 105,000 are owner-occupied units
- The findings of Older Owners suggest between 20% and 40% of older homeowners in the UK may benefit from some form of adapted or specialised housing, on account of having a longstanding disability or health issue, equivalent to between 1.3 million and 2.6 million older homeowners in England, suggesting there is considerable, potential untapped demand for home adaptations and specialist housing
- Why do more older homeowners not move into specialist housing? Older Owners found 80% wish to stay where they are and 85% plan to remain in their neighbourhood for a number of years. The research also found strong levels of neighbourhood attachment relating to trust, a sense of belonging to a close-knit community, and being able to rely on neighbours. As such, the provision of retirement housing in the right 'local' locations, may increase demand

3.1. Introduction

There is interest among policymakers in the potential of adapted and specialist retirement housing in helping older people live independently, and reduce their lifetime need for health and care.

For example, the development of 'Lifetime Homes' standards with encouragement from the government reflects recognition that the design of people's homes can directly influence their experience of health and disability issues.[7] There is also interest in the provision of specialist retirement housing, such as extra care developments, given evidence of reduced need for institutional care owing to the use of specialist housing by older people.[8]

The interest of policymakers in specialist retirement housing also reflects the ageing population and the prospect of increased demand for social care. Research published in 2011 by the Personal Social Services Research Unit (PSSRU) projected that the numbers of disabled older people, defined as those unable to perform at least one instrumental activity of daily living (IADL) or having problems with at least one activity of daily living (ADL), would rise by 61% between 2010 and 2030, from around 2.5 million to around 4.1 million.[9] The number of older people with moderate or severe disability - needing help with one or more ADL tasks

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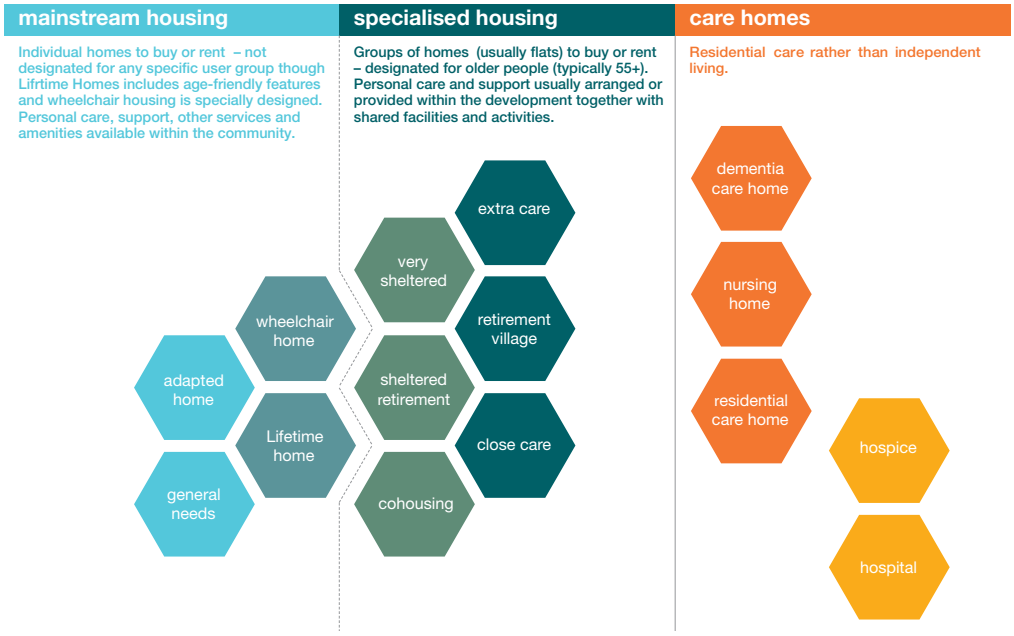
[7] See http://www.lifetimehomes.org.uk

[8] For example, Kneale D and Smith L (2013) "Extra Care Housing in the UK: Can it be a Home for Life?" in *Journal of Housing for the Elderly*, Vol. 27, Issue 3, found that extra care housing residents aged 80 years and older are approximately half as likely to enter institutional care compared with older people in the community in receipt of domiciliary care, albeit with some caveats.

[9] Wittenburg R et al. (2011) of Demand for and Costs of Social Care for Older People in England, 2010 to 2030, under Current and Alternative Funding Systems - Discussion paper 2811/2, Personal Social Services Research Unit PSSRU

– was projected to increase by 66% from around almost one million in 2010 to just over 1.6 million in 2030.

The Homes and Communities Agency identified and categorised the different options for older people's housing across **mainstream** and **specialised** housing, and **care homes**:



Source: Homes and Communities Agency (2009) *Housing our Ageing Population: Panel for Innovation*, reproduced in Davies B (2014) *For Future Living: Innovative approaches to joining up housing and health*, IPPR North, Newcastle

Policymakers are particularly interested in increasing the take-up of housing adaptation and specialised retirement housing among older homeowners.

How many older people live in specialist housing? Various estimates have been produced:

- In 2011, the National Housing Federation estimated only around 5% of older people in England live in specialist retirement housing, not all of which was fit for purpose;[10]
- Research published by the Joseph Rowntree Foundation found that retirement housing makes up just 5-6% of all older people's housing, but that only around 105,000 (less than 20%) of retirement units are available for sale (the rest are rental), over half of the stock are one bedroom homes while two thirds are apartments, and 60% are owned by a housing association.[11]

In part, the limited supply of specialist housing for older homeowners to move into reflects uncertainty around both the quantity of demand (what proportion are interested in moving) and its nature (e.g. where people want to move to).

[10] Boyle K (eds.) (2011) *Breaking the Mould*, National Housing Federation, London
[11] Pannell J and Blood I (2012) *Supported Housing for Older People in the UK: An Evidence Review*, York, Joseph Rowntree Foundation

Against this context, the findings of **Older Owners** can be used to explore:

- How many older homeowners have a disability, such that they may benefit from specialist accommodation?
- Do older homeowners want to move?
- Why do more older homeowners not move into specialist retirement housing?

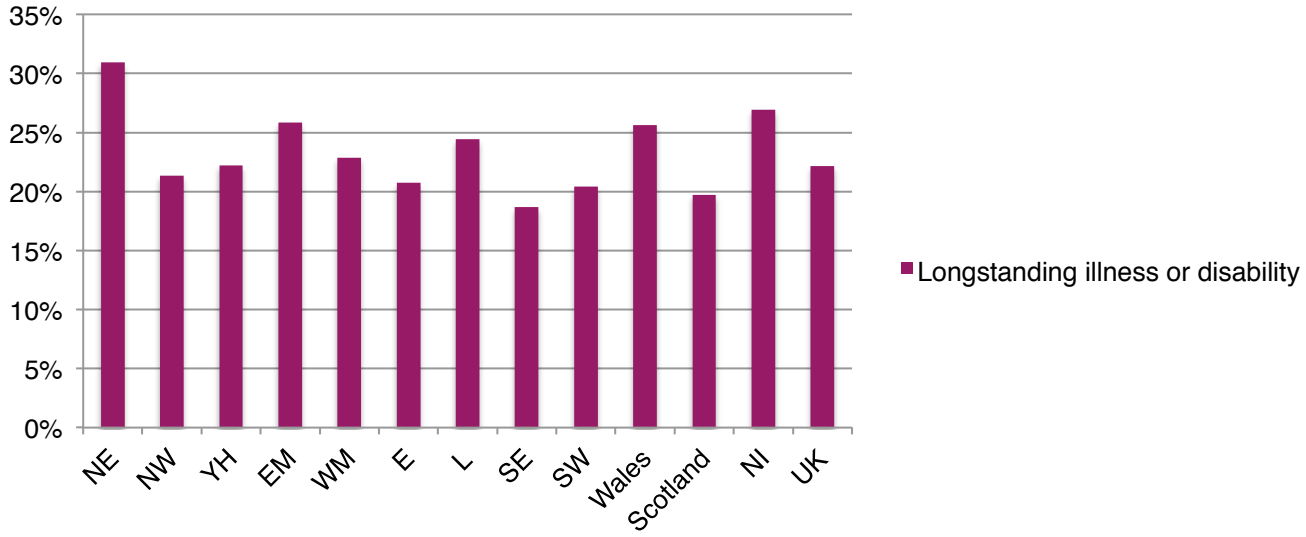
3.2. Disability and health conditions among older owners

Older Owners provides several useful **measures of disability** among older homeowners, in order to estimate **potential demand** for specialist or adapted housing. These measures comprise:

- Self-reported disability or health conditions;
- Receipt of disability benefits.

Overall, the incidence of self-reported longstanding illness or disability among older homeowners varies relatively widely across different UK regions, from 19% in the South East to 31% in the North East.

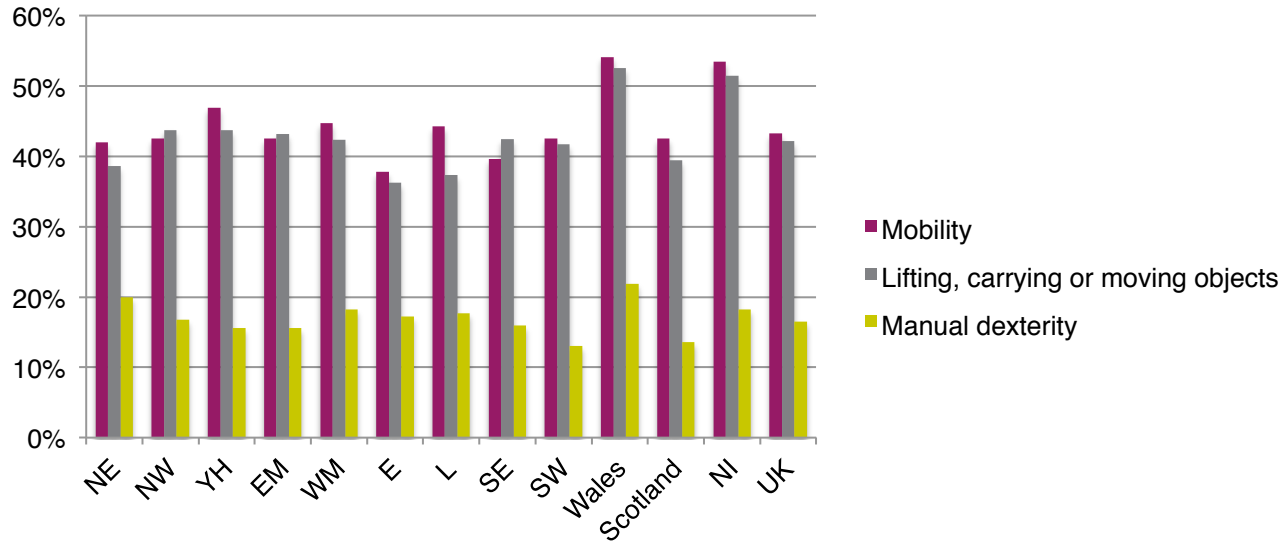
Longstanding illness or disability, 65+ owners, UK (USoc)



By comparing Census 2011 and USoc data, we can estimate that this equates to around 95,000 older owners in the North East with a longstanding illness or disability, and 220,000 older owners in the South East.

Older Owners also examined self-reported disability among older homeowners. At around two-fifths of older homeowners, the most common types of self-reported disability are mobility, as well as lifting, carrying or moving objects.

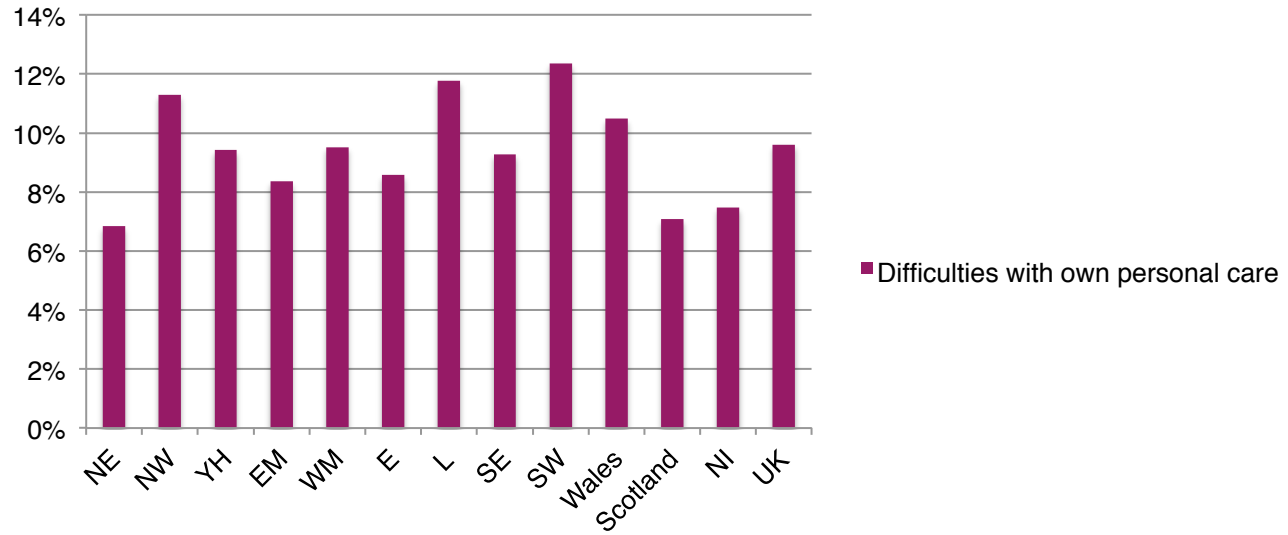
Self-reported disability issues, 65+ owners, UK (USoc)



Interestingly, the proportion of older homeowners who report some type of disability issue actually exceeds the proportion who describe themselves as having a longstanding illness or disability. This suggests that some older homeowners with a disability issue - such as difficulty climbing stairs – do not regard themselves as "having a disability", and such attitudes may themselves inhibit demand for specialist housing.

A smaller proportion – around one in ten older homeowners – report difficulties with their own personal care, as the following chart shows:

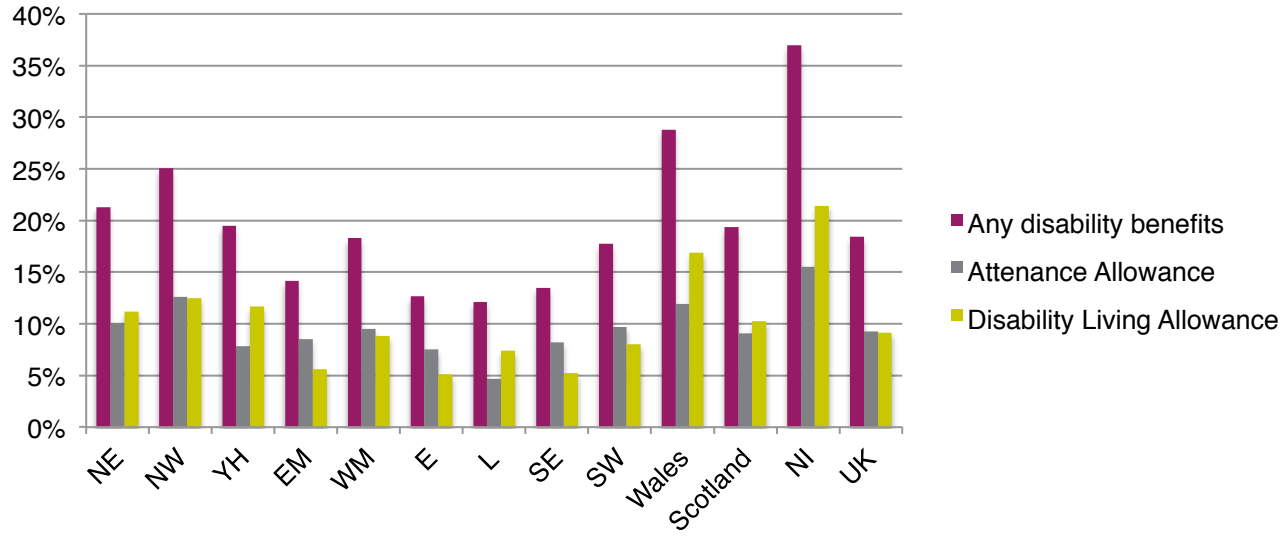
Difficulties with own personal care, 65+ owners, UK (USoc)



In addition to self-reported measures of disability, receipt of **disability benefits** provides a useful, 'objective' indicator of disability, given individuals must meet a defined threshold of disability in order to be eligible to receive the benefits. However, it is important to note that not everyone who might be entitled to disability benefits makes a claim, so this measure may in fact underestimate disability among older homeowners.

Across the UK, around one in five (18%) of older homeowners receive disability benefits, although there is wide variation by region.

Receipt of disability benefits, by type, 65+ owners, UK, 2011-12 (USoc)



Considered together, these figures suggest that **between 20% and 40% of older homeowners in the UK may benefit from some form of adapted or specialised housing**, on account of having a longstanding disability or health issue. On the basis of Census data, we can estimate this amounts to **between 1.3 million and 2.6 million older homeowners in England**.

Comparing these findings to data on the extent of specialist housing provision, suggest there is **considerable, potential untapped demand for home adaptations and specialist housing**.

Indeed, these figures should be placed in the context of JRF research cited above that there 105,000 units of owner-occupied retirement housing in the UK, as well as PwC analysis for Hanover Housing that found the number of retirement properties constructed each year had decreased from around 30,000 in the 1980s to around 8,000 today.[12]

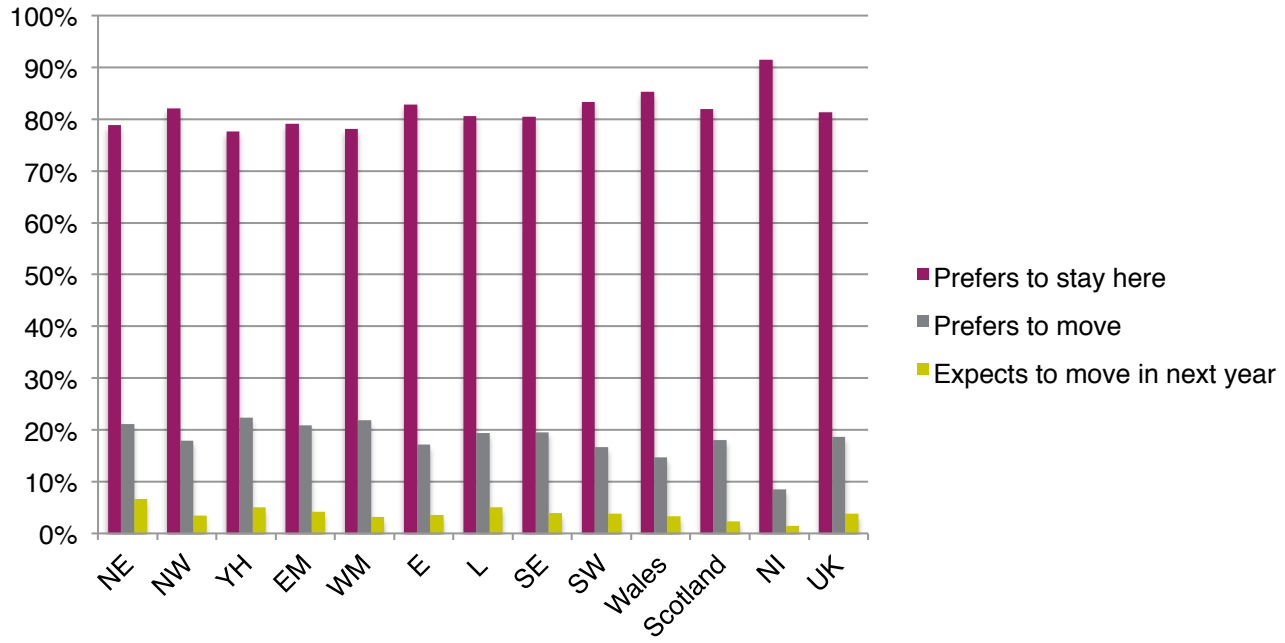
3.3. Do older homeowners want to move?

The prevalence of disability issues among older homeowners may suggest that considerable untapped potential demand for specialist retirement housing. However, do older homeowners actually wish to move?

Older Owners found that **around 80% of older homeowners wish to stay where they are** and around one in five would like to move home, as the following chart shows:

[12] PwC (2014) *Sizing up the situation: the advantages of downsizing*. Report for Hanover Housing, cited in APPG on Housing and Care for Older People (2014) *The affordability of retirement housing*

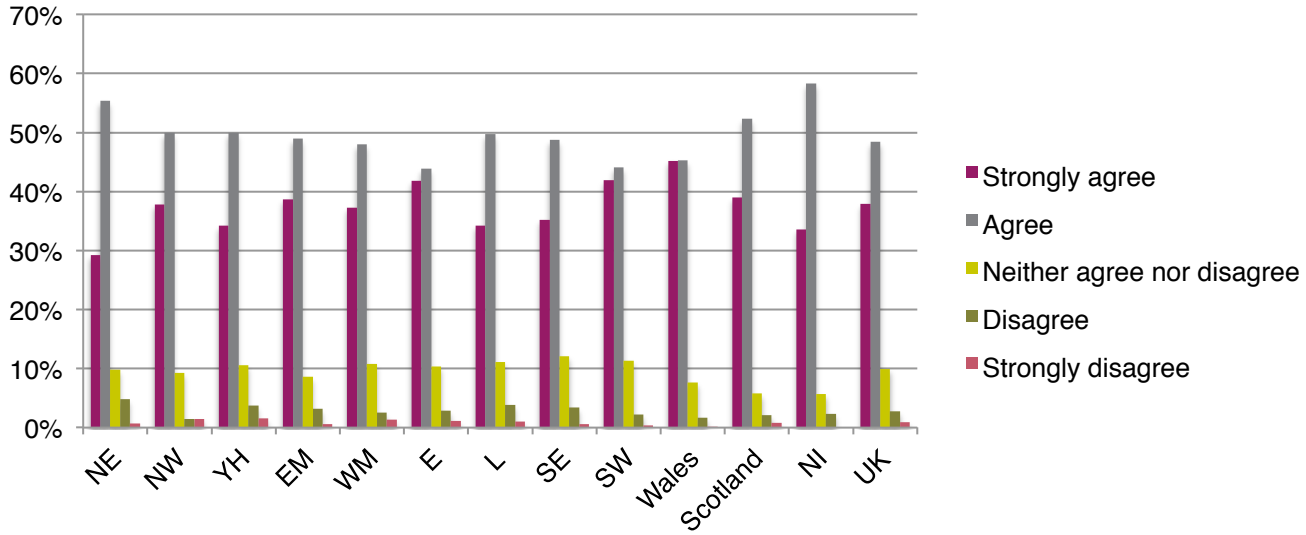
Moving preferences, 65+ owners, UK (USoc)



Although around one in five older homeowners would prefer to move, only around one in 20 expect to move in the next year.

Importantly, Older Owners found that **around 85% of older homeowners plan to remain in their neighbourhood for a number of years**, with such attachment apparently strongest in the East and South West of England, and Wales.

"I plan to remain a resident of this neighbourhood for a number of years", 65+ owners, UK (USoc)



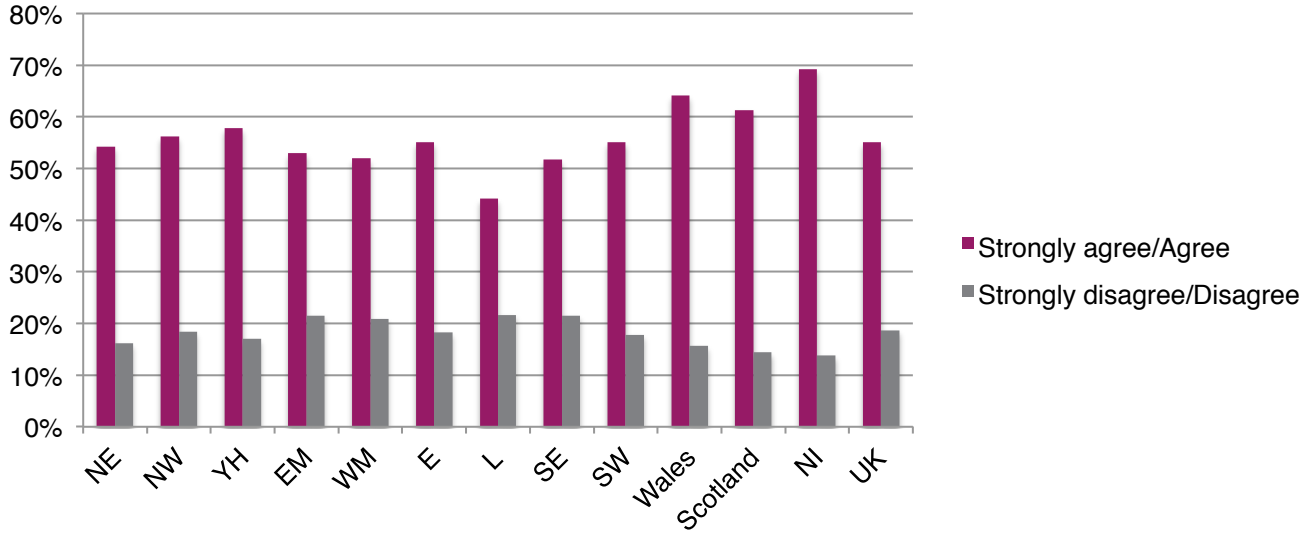
These findings indicate that despite considerable interest among policymakers in older homeowners moving into specialist accommodation, **over 80% of older homeowners would prefer to remain living where they are in the same neighbourhood**.

3.4. Why are older homeowners attached to their current neighbourhood?

Given the apparent strong attachment to their neighbourhood of older homeowners, it is worthwhile exploring the nature of this attachment explored in the findings of Older Owners.

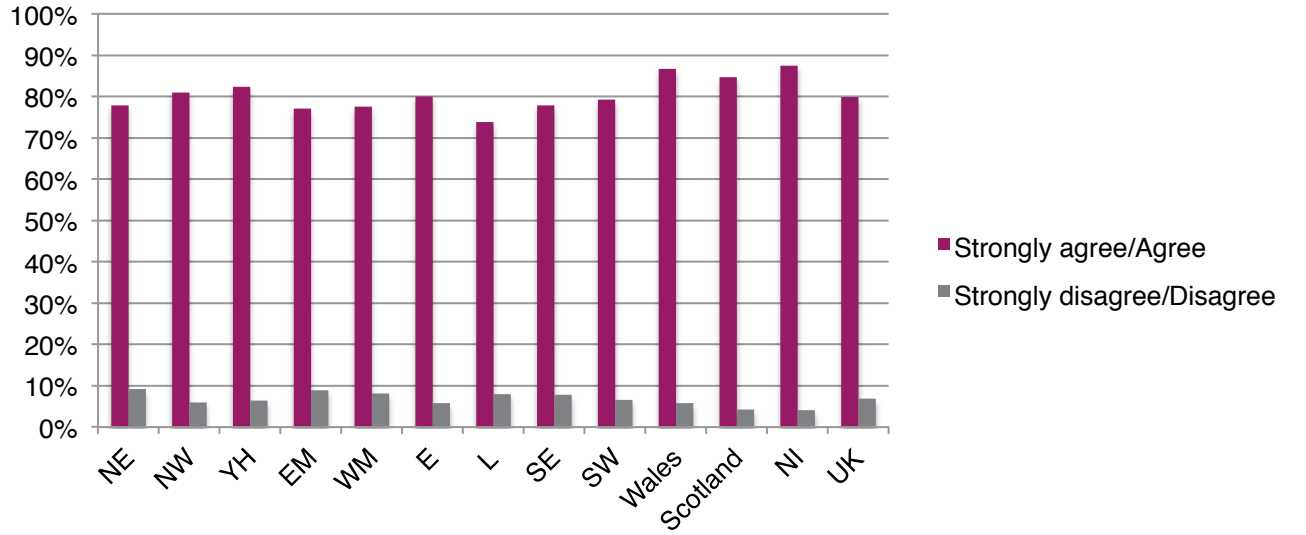
Indeed, Older Owners provides substantial evidence on themes of neighbourhood and community attachment. For example, excluding 'Don't know' responses, just over half of older homeowners describe their neighbourhood as close-knit.

"This is a close-knit neighbourhood", 65+ owners, UK (USoc)



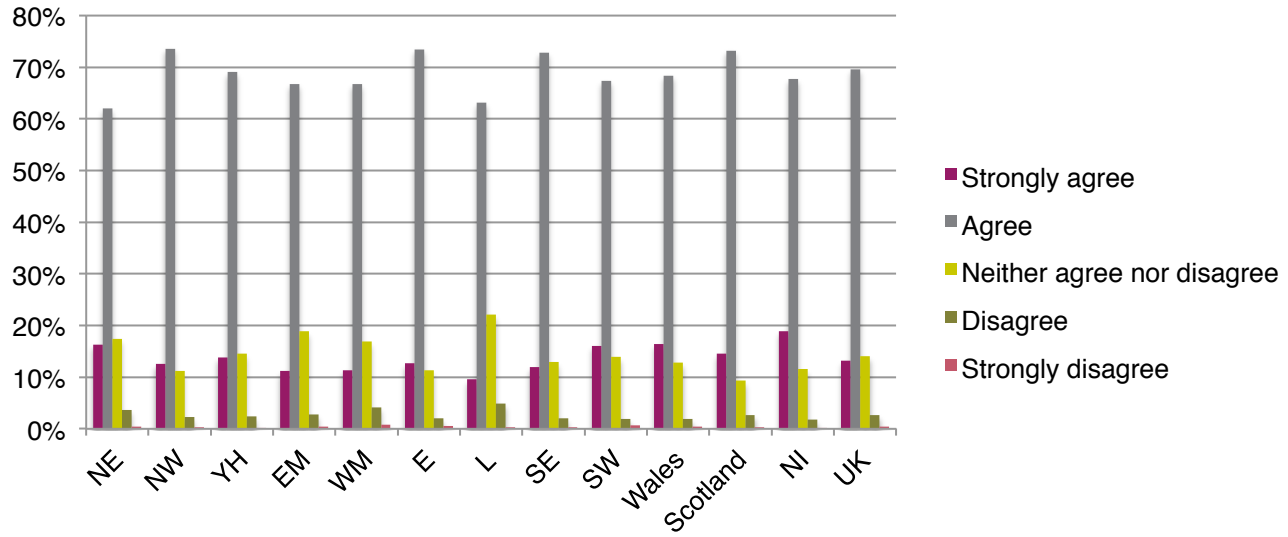
Similarly, the vast majority of older homeowners report that people in their area are willing to help their neighbours.

"People around here are willing to help their neighbours", 65+ owners, UK (USoc)



The vast majority of older homeowners also report that people in their neighbourhood can be trusted.

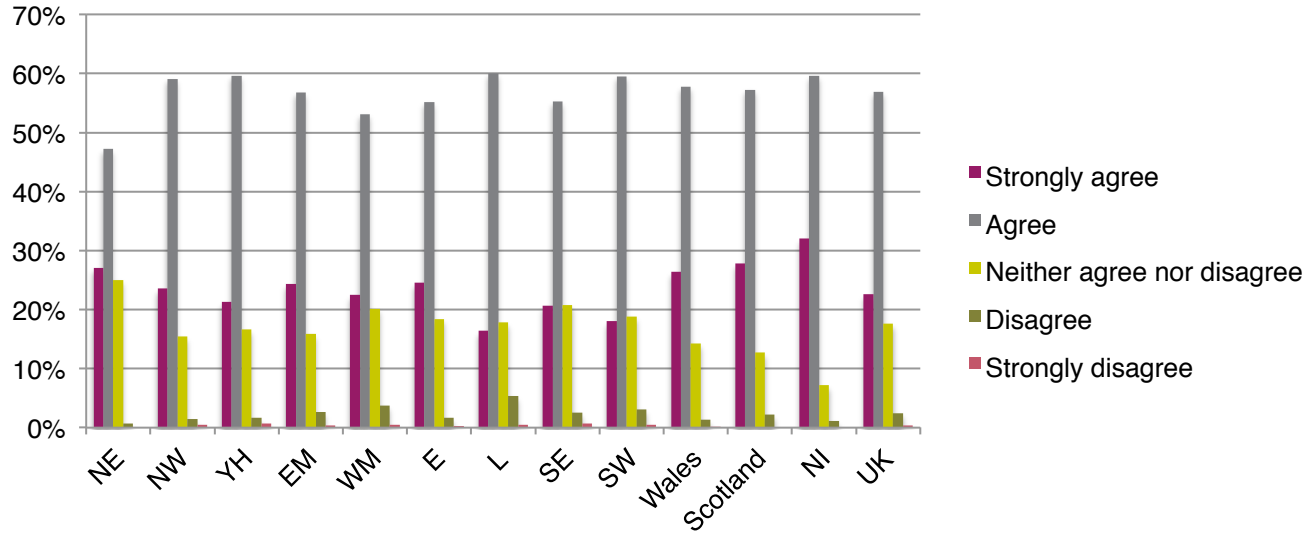
"People in this neighbourhood can be trusted", 65+ owners, UK (USoc)



Similarly, most older homeowners report their neighbours are willing to help each other.

Most older homeowners – typically over four-fifths – feel that they belong in their local neighbourhood.

"I feel like I belong to this neighbourhood", 65+ owners, UK (Usoc)



These findings suggest that levels of neighbourhood attachment among older homeowners are both strong, and multi-dimensional, relating to trust, a sense of belonging to a close-knit neighbourhood, being able to rely on neighbours. Indeed, in part, older homeowners may feel that such community and neighbourhood relations are themselves valuable in the context of their ageing and potential need for support.

As such, the provision of retirement housing in the right 'local' locations, may increase demand.

3.5. Conclusion

This chapter has explored the prevalence of specialist housing in the UK, and compared this to the prevalence of disability issues and receipt of care among older homeowners. The chapter has found that:

- Between 20% and 40% of older homeowners in the UK may benefit from some form of adapted or specialised housing, on account of having a longstanding disability or health issue;
- There is considerable, potential untapped demand for home adaptations and specialist housing; however
- Over 80% of older homeowners would prefer to remain living where they are, and remain in the same neighbourhood;
- Such preferences relate to a strong neighbourhood attachment among older homeowners reflecting a sense of belonging to a close-knit neighbourhood, being able to rely on neighbours.

This analysis suggests potentially significant challenges for policymakers interested in older homeowners moving into specialist retirement housing. In particular, for many, the option of retirement housing must be local and enable them to preserve their sense of neighbourhood and community.

4. ‘Home Blockers’? Older owners and under-occupancy

Key points:

- Older Owners found that most older homeowners live in households of one to two people, but that in all areas of the UK, over half of the 65+ owner-occupier group (72%) have three or more bedrooms in their home
- Analysis of Census 2011 data also found that across English regions and Wales, the percentage of ‘household reference persons’ aged 65+ in owner-occupied housing that is under-occupied on the basis of the official ‘bedroom standard’ is more than 50%
- However, it is important to note that under-occupancy is not limited to homeowners who are aged 65 and over. When comparing the percentage of all households with 2 or more spare bedrooms, the proportion of this group who are aged 65 and over is actually less than the proportion aged 25 to 64
- Why do older homeowners not downsize? To some extent, older homeowners may be inhibited from moving by the lack of attractive alternative accommodation, as well as moving costs, and the ‘stress and hassle’ associated with moving

4.1. Introduction

With under-supply of new homes contributing to poor housing affordability for many renters and first-time buyers, older homeowners in the UK have been accused of ‘under occupancy’, i.e. living in homes that are too large proportional to their needs.

This agenda views the homes of older homeowners as **under-used accommodation that could be better allocated** within the population. However, questions for this agenda include:

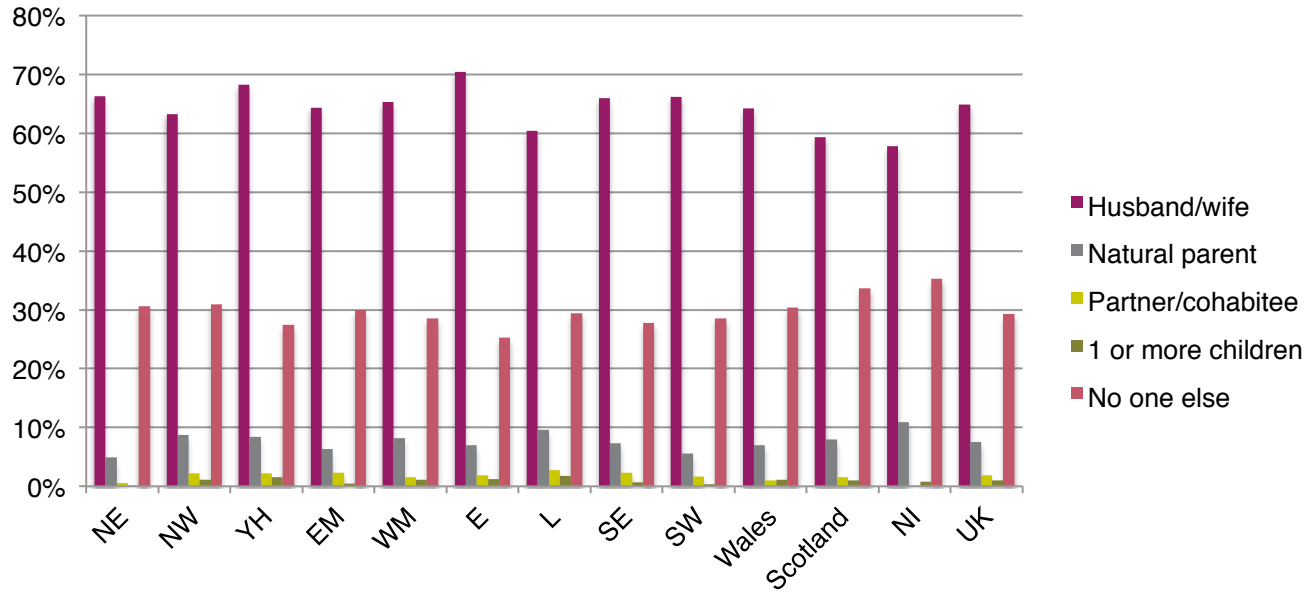
- Do older homeowner really under-occupy?
- Are older homeowners really the main cause of under-occupancy in the housing stock?

4.2. Understanding occupancy among older owners

Do older homeowners under-occupy? Through analysis of Understanding Society (USoc), Older Owners was able to explore the living situation of older homeowners in the UK.

Around two-thirds of older people living in owner-occupied housing in the UK live with a partner, while just under one-third live alone.

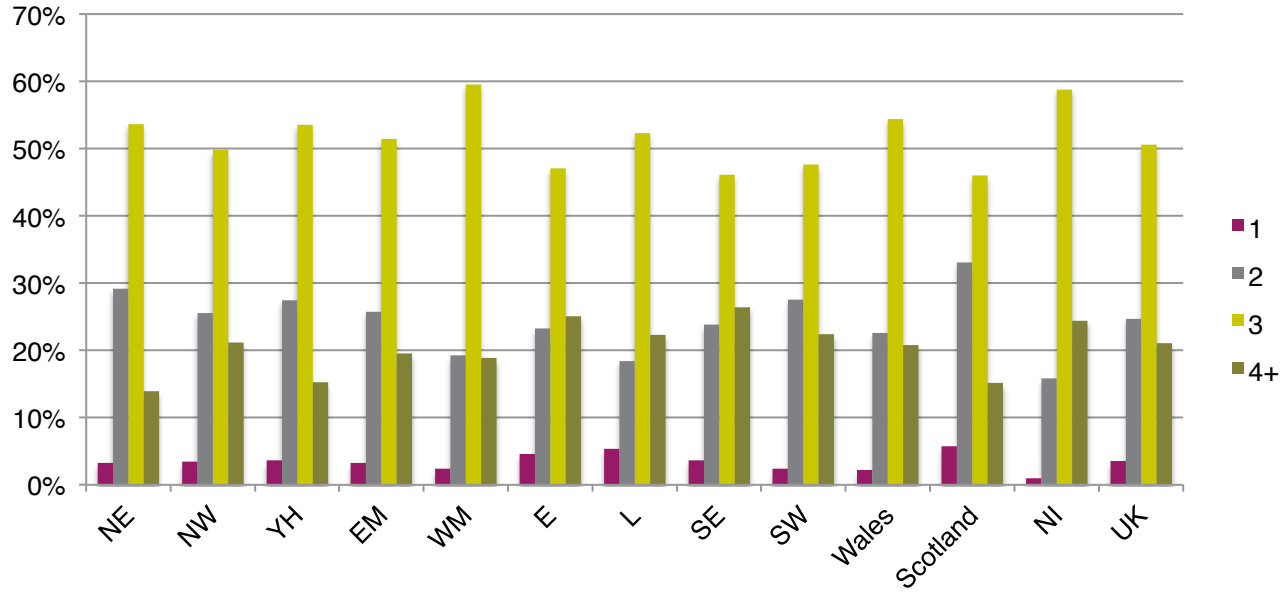
Who live with, 65+ owners, UK, 2011-12 (USoc)



This suggests that most older owners live in households of one to two people.

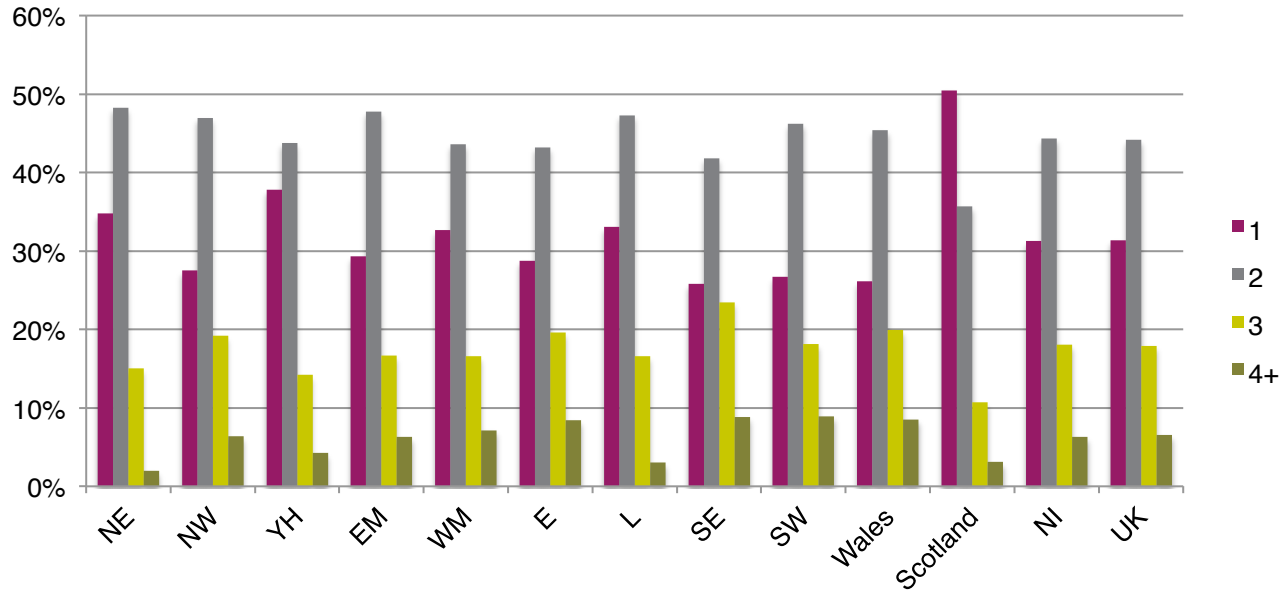
In all areas of the UK, over half of the 65+ owner-occupier group (72%) have three or more bedrooms in their home.

Number of bedrooms, 65+ owners, UK, 2011-12 (USoc)



Across all geographic regions – except Scotland - over half of owner-occupiers aged 65+ have two or more 'other rooms', as the following chart shows:

Number of other rooms, 65+ owners, UK, 2011-12 (USoc)



Taking into account who older homeowners live with and the number of people in their home, these findings suggest that **older owners do exhibit substantial levels of relative under-occupancy.**

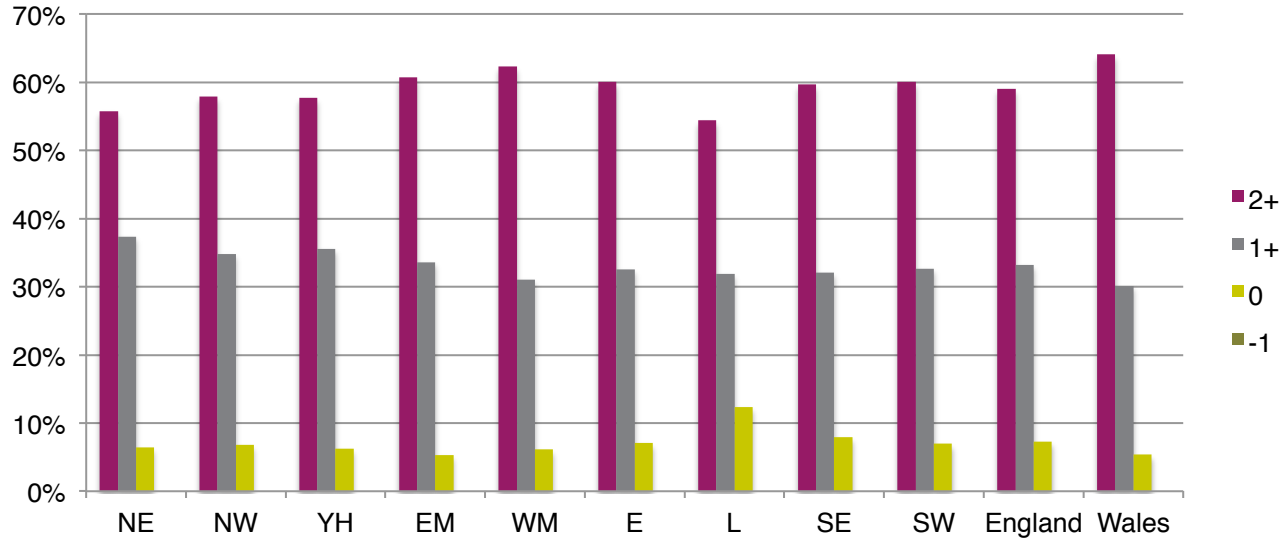
The official measure of 'under-occupancy' compares the number of people in a household to the number of rooms in the accommodation, in particular, bedrooms.

Census 2011 was the first census that collected 'occupancy ratings' for bedrooms, based on the number of bedrooms available minus the recommended 'bedroom standard'.[13]

The following chart shows that across different English regions and Wales, the percentage of 'household reference persons' aged 65+ in owner-occupied housing that is under-occupied, on the basis of the 'bedroom standard' is more than 50% in all areas of the country. Indeed, the same pattern of under-occupancy can be observed across the country, despite regional variations in wealth and house prices.

[13] The 'bedroom standard is designed as follows: "For the purposes of the bedroom standard a separate bedroom shall be allocated to the following persons - (a) a person living together with another as husband and wife (whether that other person is of the same sex or the opposite sex); (b) a person aged 21 years or more; (c) two persons of the same sex aged 10 years to 20 years; (d) two persons (whether of the same sex or not) aged less than 10 years; (e) two persons of the same sex where one person is aged between; 10 years and 20 years and the other is aged less than 10 years; (f) any person aged under 21 years in any case where he or she cannot be paired with another occupier of the dwelling so as to fall within (c), (d) or (e) above." For more information, see the Housing (Overcrowding) Bill (2004).

Occupancy rating (bedrooms), HRP home owner aged 65+, English Regions + Wales (Census)



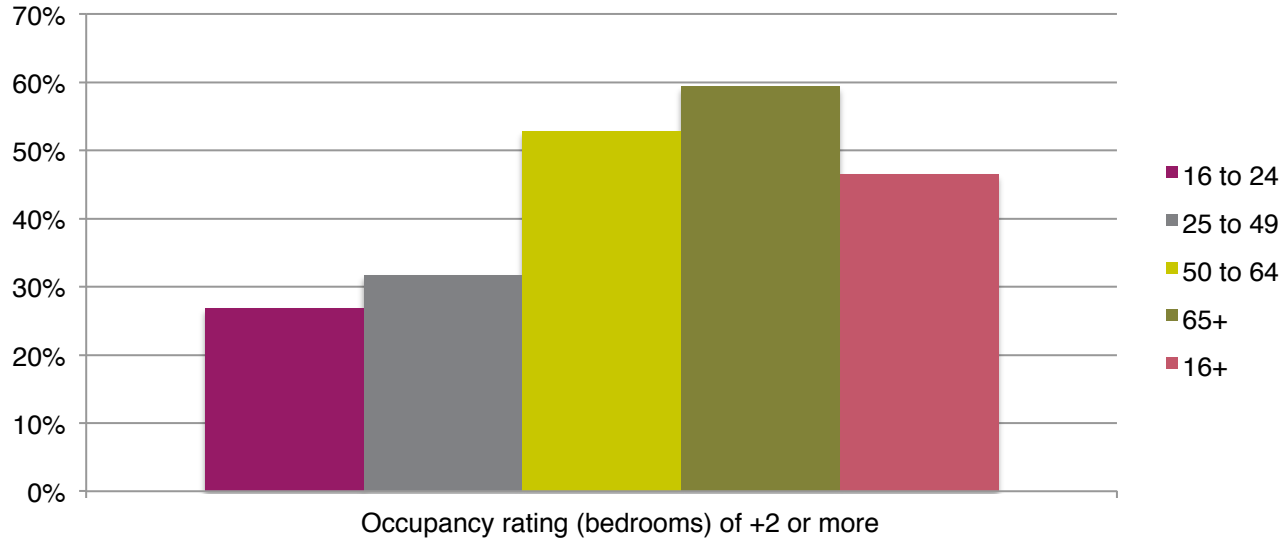
Altogether, such evidence does point to substantial under-occupancy among older homeowners.

4.3. Are older homeowners the cause of under-occupancy?

Although the evidence above suggests there is relative under-occupancy among older homeowner, are older homeowners the main cause of under-occupancy in the housing stock? Are older homeowners unique in their under-occupancy? Two important observations can be made.

First, it is important to note that under-occupancy is not limited to homeowners who are aged 65 and over. For example, the following chart shows the occupancy rates of owner-occupied housing by age of household reference person, in England and Wales:

Occupancy rating (bedrooms) 2+, owner HRP by age-range, England Wales (Census)



The chart shows that over half of owner-occupiers in England and Wales aged 50 to 64 have two spare bedrooms, according to the bedroom standard, while over 30% of those aged 25 to 49 have two spare bedrooms.

This finding is important given under-occupancy is sometimes framed as an 'old-age' issue, rather than being characteristic of all age groups. Although the prevalence of under-occupancy does increase by age, it cannot be considered solely a life-stage issue, nor something principally associated with the current cohort of older people.

Indeed, when comparing the percentage of all households with 2 or more spare bedrooms, the proportion of this group who are aged 65 and over is actually less than the proportion aged 25 to 64, as the following table shows:

Age-Range	Percentage of all households with 2+ spare bedrooms
16 to 24	0%
25 to 49	26%
50 to 64	35%
65+	39%

Source: Census 2011

As such, any government strategy to address under-occupancy should arguably focus on households in the 25 to 64 age-range, rather than those aged 65+.

Second, it is important to note that there is no intrinsic policy rationale for encouraging older people to live in smaller accommodation: older people themselves are unlikely to experience improved wellbeing.

Rather, it is in the context of a limited housing stock and inadequate housing supply that so-called 'under-occupancy' by a household of any age will create 'negative externalities' for

others through creating additional pressures on supply. In this sense, it is inadequate house-building rather than older homeowners who are the cause of under-occupancy.

4.4. Conclusion

This chapter has noted that:

- Taking into account who older homeowners live with and the number of people in their home, older owners do exhibit substantial levels of relative under-occupancy; however
- Under-occupancy is also observable among homeowners in other age-groups;
- As a percentage of all households with 2+ spare bedrooms, it is owner-occupied households in the 25 to 64 range who comprise the largest proportion (61%);
- It is because of inadequate house building that under-occupancy is problematic for policymakers, rather than because of any intrinsic negative effects for society.

Given apparent under-occupancy, **why do older homeowners not downsize?**

As the previous chapter noted, over 80% of older homeowners would prefer to remain living where they are, and remain in the same neighbourhood. In part, such preferences are likely to relate to a strong neighbourhood attachment among older homeowners reflecting a sense of belonging to a close-knit neighbourhood, being able to rely on neighbours.

This suggests that although under-occupancy may reflect older homeowners valuing the additional space of a large home, it also reflects the preservation of community and neighbourhood bonds.

To some extent, older homeowners may be inhibit from moving by the **lack of attractive alternative accommodation**, as well as **moving costs**, and the '**stress and hassle**' associated with moving.

Nevertheless, notwithstanding these barriers to downsizing, the findings of Older Owners do suggest considerable under-occupancy among older homeowners, and by extension, considerable scope to alleviate pressure on housing supply if many older homeowners were to move to smaller accommodation.

5. Asset-rich, income poor? Older owners and retirement income

Key points:

- Older Owners found that in most of the UK, total gross monthly personal income among the poorest 25% of older homeowners is no more than £650 (2011-12 prices), around the government's minimum income guarantee. Around 78% of older homeowners report they are 'living comfortably' or 'doing alright'
- This suggests that only around one in five older owners may be motivated to use their housing wealth to fund additional retirement income – equivalent to around 1.3 million people – on the basis of feeling their income is inadequate
- However, retirement income and housing wealth tend to be positively correlated at the household level, and the poorest 25% of older homeowners had a home worth up to £140,000
- Few in this group may have sufficient equity to provide a significant income boost using equity release, or to release significant capital through and move to an acceptable home
- Despite the interest of policymakers, there is little scope for an increase in the proportion of older homeowners using their housing wealth to fund retirement

5.1. Introduction

Policymakers have expressed interest in the potential for older homeowners - particularly so-called 'asset-rich, income-poor' under-pensioned older homeowners with low incomes – to use their housing wealth to increase their retirement income.

Older homeowners can derive income from the value of their home by moving into a less valuable home to release capital, or via equity release financial products that enable older people to continue living in their home.

However, despite the interest among politicians and the financial services industry in older homeowners using their housing wealth to fund their retirement, questions remain including:

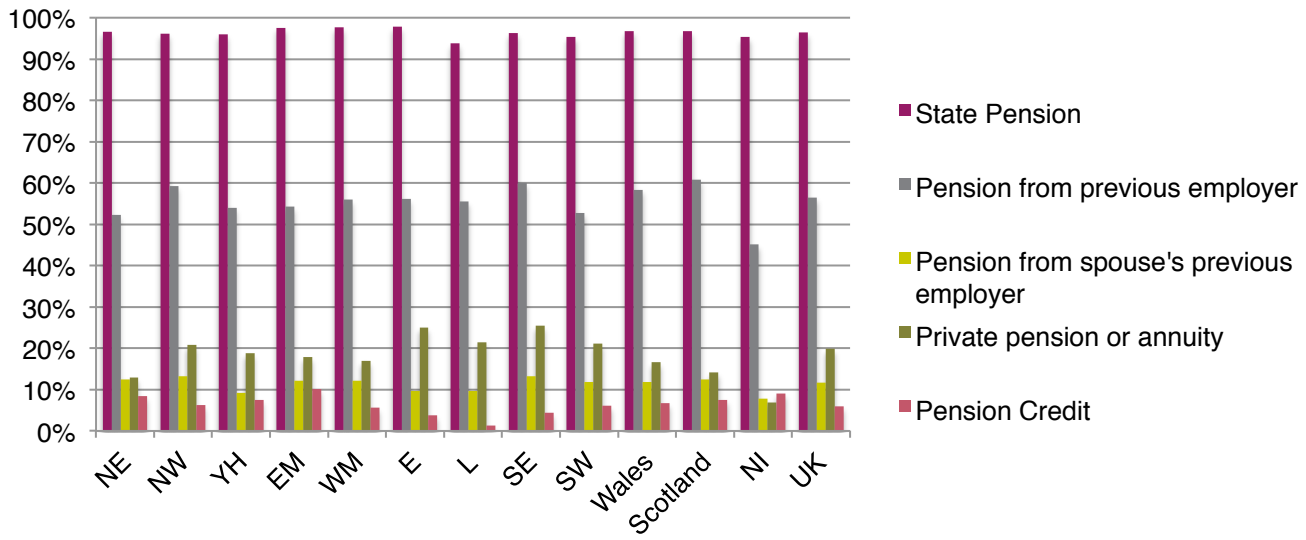
- Do older homeowners want or need additional income?
- Do older homeowners have sufficient housing equity to fund a meaningful addition to their retirement income?

5.2. The financial position of older homeowners

All pensioners in the UK are currently expected to have an income of at least the level of means tested Guarantee Credit, paid by the Department for Work and Pensions (DWP) which is £151.20 for a single person and £230.85 for a couple (£7,862 and £12,004 per year, respectively).

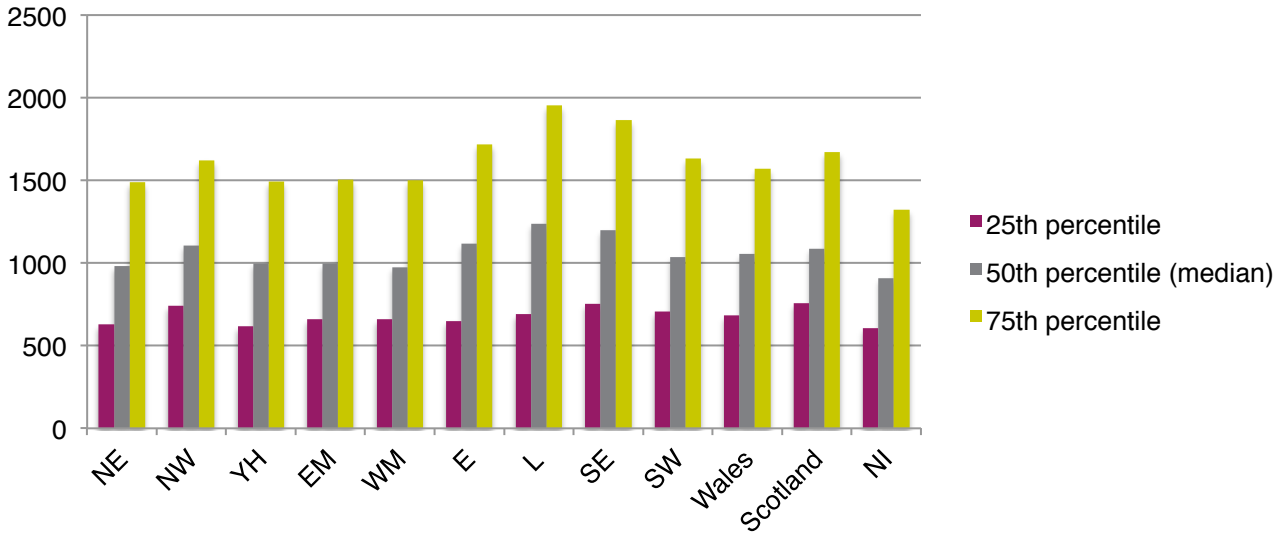
The following chart shows the principal sources of income for older homeowners. Very few older homeowners report being in receipt of means tested Pension Credit. Around half report a pension from a previous employer.

Sources of income by type, 65+ homeowners, English regions, Wales, Scotland and Northern Ireland (USoc)



Turning to level of income, Older Owners found around half of older people in living in owner-occupied housing in the UK had a total, gross monthly personal income of around £1000 per month or less in 2011-12.

Total gross monthly personal income (£), 65+ owners, UK, 2011-12 (USoc)



However, in much of the UK, total gross monthly personal income at the 25th percentile was around £650 (2011-12 prices), suggesting up to a quarter of older owners had incomes at or around the level of the government's minimum income guarantee.

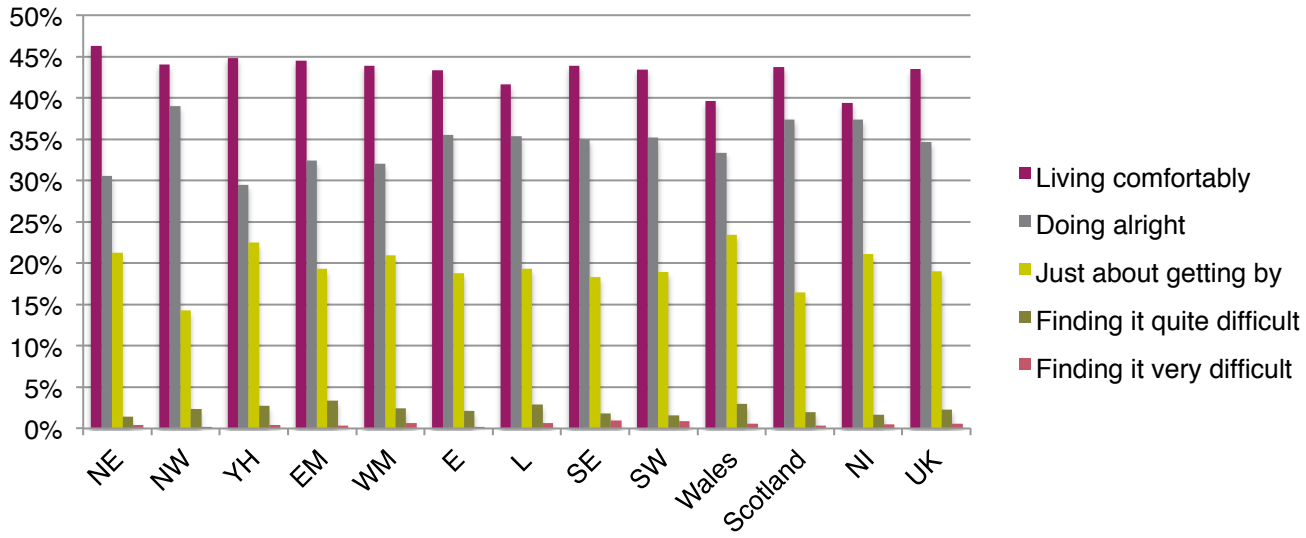
5.3. Do older homeowners want or need additional income?

Having reviewed the income of older homeowners, it is now worthwhile considering whether older homeowners feel their income adequate.

This is because the interest of older homeowners in using housing wealth to fund their retirement income will ultimately be determined by whether or not they feel their income is adequate, and whether they are motivated to release housing wealth to increase their income.

Older Owners found that around 78% of older homeowners report they are 'living comfortably' or 'doing alright'.

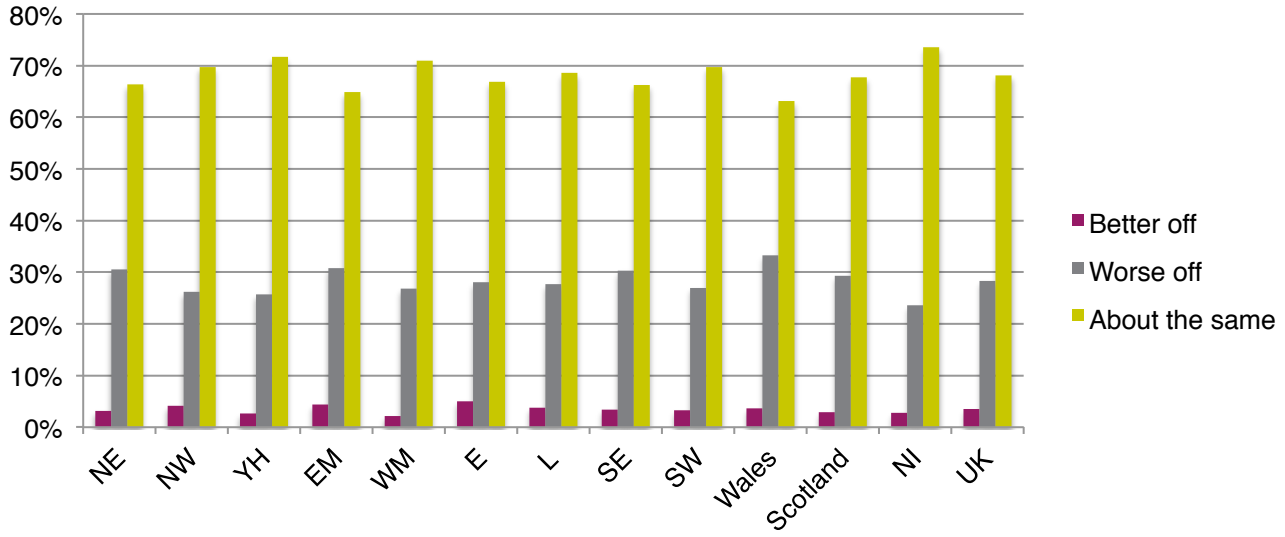
How managing financially, 65+ homeowners, English regions, Wales, Scotland and Northern Ireland (USoc)



This suggests that **only around one in five older owners may be motivated to use their housing wealth to fund additional retirement income** – equivalent to around 1.3 million people – on the basis of feeling their income is inadequate.

This proportion - around one-in-five older homeowners – is also similar to the proportion who expect to be worse off in future, as the following chart shows.

How individuals expect to manage financially in future, 65+ homeowners, English regions, Wales, Scotland and Northern Ireland (USoc)



Combined with the data on the incomes of older owners, these results from Older Owners suggest that **around 20-25% of older homeowners may be motivated by their experience of a low income to seek to supplement it through the use of housing equity**.

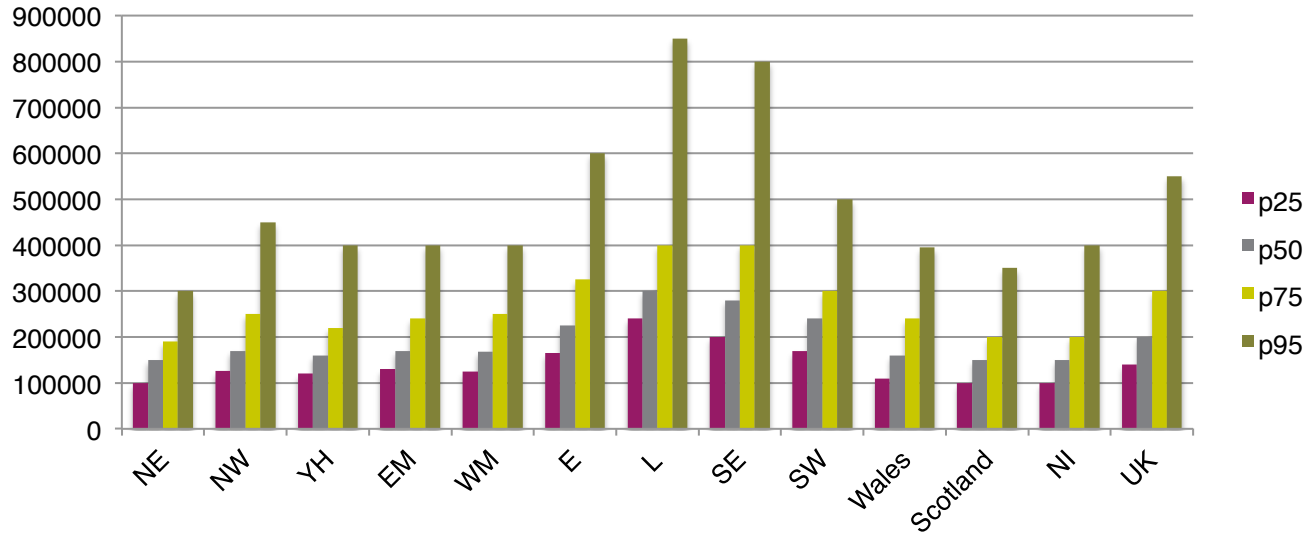
5.4. Do older homeowners have sufficient housing equity to fund a meaningful addition to their retirement income?

Policymakers and the financial services industry are interested in older people using their housing wealth to fund their retirement income. The findings of Older Owners suggest around 20—25% of older homeowners may feel their income is inadequate.

However, what proportion of older homeowners actually has sufficient housing wealth such that they would be able to release capital to fund their income, whether through downsizing or equity release products?

In most areas of the UK, the median house value of the homes of older people living in owner-occupied homes is £150,000 and £200,000 (2011-12 prices), and the poorest 25% had a home worth up to £140,000.

House value (£), 65+ homeowners, UK, (USoc)



Importantly, retirement income and levels of housing wealth tend to be positively correlated at the household level,[14] reflecting the fact that those who can afford to buy more expensive homes are also likely to be those with higher incomes who can save higher value amounts into a private pension.

It can therefore be reasonably assumed that the 20-25% of older owners with low incomes identified above who may be motivated to use their housing wealth to increase their income also have the lowest value homes at the 25th percentile value, which was £140,000 in 2011-12, but would be worth around £160,000 today after house price inflation. This suggests limited housing wealth may be available to low income older homeowners to increase their retirement incomes.

Indeed, in relation to **equity release** financial products, it is interesting to compare these figures with the typical usage of such products reported in the UK Equity Release Council 2014 market report, which notes:[15]

- Over 10,000 equity release products were taken out during the second half of 2013 (equivalent to around 0.001% of all older homeowners);
- The typical equity release customer in 2013 owned property worth £254,943;
- The average size of equity release loans in 2013 was £56,917;
- On average, new customers released 22% of the equity of their home.

Building on these figures, if it assumed low-income older owners were to release one quarter of their property's value - typical of current equity release customers - this would represent around £40,000 of capital.

If such a sum were released around the age of 70, and someone expected to spend it down over 20 years, this would yield around £38 per week of additional income.

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[14] For example, see Banks J et al. (2006) *Prepared for Retirement? The Adequacy and Distribution of Retirement Resources in England*, IFS, London

[15] Equity Release Council (2014) *Equity Release Market Report: Autumn 2014*, London

For many older homeowners, this may be considered too small a contribution to their income to motivate older homeowners to use an equity release product, given interest costs and other transaction costs associated with using a product, such as visiting an independent financial advisor.

Besides equity release, lower-income older homeowners could release capital for an income through **downsizing**, i.e. moving to a lower-value home. However, if it is assumed that these individuals are in the lowest value homes already, there may not be lower priced housing available in the market that they would wish to move to, i.e. they do not have sufficient equity such that they can release significant capital through downsizing and move to an acceptable home.

By definition, the owners of the least expensive housing have fewer housing market options, unless they also possess high levels of cash savings. Put another way: given the choice between a larger, nicer house versus a higher income, many older owners may prefer to pass on the opportunity for a higher income.

More widely, it is important to note that various factors may inhibit older homeowners from releasing capital, such as a wish to preserve their wealth to pass on as inheritance (the 'bequest motive'), or to preserve for future capital in case they wish to move again to an equivalent value property.

5.5. Conclusion

Overall, the findings of Older suggest that **there is limited scope for older homeowners to use their housing wealth to fund a retirement income.**

The results from Older Owners suggest that **around 20-25% of older homeowners may be motivated by their experience of a low income to seek to supplement it through the use of housing equity**.

However, if it is assumed that lower-income older homeowners also have the lowest value homes, then few in this group may have sufficient equity to provide a significant income boost or enable acceptable alternative housing choices in the housing market.

This analysis suggests two conclusions:

- Despite the interest of policymakers, there is little scope for an increase in the proportion of older homeowners using their housing wealth to fund retirement;
- Housing wealth is unlikely to prove a remedy for the incidence of low incomes among older homeowners.

6.Older owners and taxation

Key points:

- In most areas of the UK, the median house value of the homes of older people living in owner-occupied homes is £150,000 and £200,000 (2011-12 prices)
- Despite concerns around fairness and intergenerational equity - there is limited scope to increase taxation of the housing wealth of older homeowners, reflecting difficulties in valuing older people's homes, limited ability among older people to pay new taxes based on the value of their homes, and the fact few older homeowners move home and therefore incur transaction taxes, such as Stamp Duty or Capital Gains Tax. The incidence of inheritance tax on the housing wealth of older homeowners could be increased, but would cut across the direction of current government policy

6.1. Introduction

Owning a home provides households with a financial asset. For many older homeowners, owing a home has been highly profitable during several decades of above-inflation increases in property prices, particularly in the South and East of England.

However, capital gains for older homeowners on the value of their homes are untaxed and – in the view of some people - unearned. The position of these older homeowners is regularly contrasted with other groups, notably young people struggling with rental costs and to afford to buy a home of their own.

This has resulted in public debate on fairness and equity between the generations. For example, it is noted that young workers with no prospect of being able to afford to buy their own home must pay taxes toward the cost of universal entitlements for older homeowners – such as the State Pension, despite older homeowners experiencing tens of thousands of pounds of increased wealth through no additional work on their part.

This debate has stimulated growing interest in the potential for new taxes on the housing wealth of older owners, both to improve intergenerational fairness in taxation and public spending, and to help achieve sustainability for the public finances in the context of an ageing population.

However, major questions for this agenda remain, in particular:

- Is it feasible to tax the housing wealth of older homeowners?
- How would older homeowners pay such taxes?

6.2. Evaluating the options

In most areas of the UK, the median house value of the homes of older people living in owner-occupied homes is £150,000 and £200,000 (2011-12 prices).

House value (£), 65+ homeowners, UK, (USoc)

However, the wealthiest 5% of older homeowners have homes in excess of £550,000.

At present, this wealth and any increases in it owing to property price inflation are entirely untaxed.

Policymakers have several basic options for taxing this wealth.

- **Capital Gains Tax**

Homeowners in the UK do not pay capital gains tax on the value of their primary homes. However, the housing wealth of older homeowners could be taxed when homes are sold, proportional to the 'capital gain' experienced. For example, if a home was purchased for £50,000 but is eventually sold for £200,000, the capital gain accrued during this period could be taxed. Capital gains tax could be introduced for households of all ages, or just those in retirement in policymakers were particularly concerned about the housing wealth accrued by older homeowners.

As a mechanism to increase the taxation of older people's housing wealth, the principal disadvantage of capital gains tax is that, as noted above, over 80% of older homeowners report that they plan to remain living where they are, so **the incidence of the tax will be limited**.

The second key disadvantage of capital gains tax is that - more than the Stamp Duty transaction tax on property purchases - it may prove a **disincentive to moving**, particularly for older people who have lived in one location for many years and experienced considerable capital gain in the value of their property.

In this way, capital gains tax may directly cut across policy objectives around encouraging older people to move home in order to reduce under-occupancy, and to increase the percentage of older homeowners living in specialist accommodation.

- **Mansion/land/council tax**

Older owners could be required to pay regular annual taxes proportionate to the value of their home, such as a 'mansion tax', land value tax, or additional council tax payments. Such taxes are effectively taxes on the holding of an asset.

Two principal problems can be identified. First, such taxes may be difficult to administer, in particular, to fairly and transparently determine the value of people's homes in the absence of data on its market value.

Second, such taxes are effectively income taxes paid by those with valuable homes: in order to pay such taxes, individuals do not release their housing wealth, but instead pay the cost of the tax from their income. Although such taxes may be used by policymakers to encourage individuals to move to smaller, cheaper accommodation, these taxes ultimately fall on income not wealth. Indeed, some older homeowners with valuable homes may struggle to afford them because they have a low income.

As noted above, Older Owners found around half of older people in living in owner-occupied housing in the UK had a total, gross monthly personal income of around £1000 per month or less in 2011-12. However, in much of the UK, total gross monthly personal income for older homeowners at the 25th percentile was around £650 (2011-12 prices).

These figures suggest that depending on how tax thresholds were set, many older owners would struggle to pay a regular tax on the level of their housing wealth. As such, policymakers would have to look at options around allowing people to defer payments until death or until a home is sold.

- **Inheritance tax**

The housing wealth of older homeowners could be taxed after their death, either by lowering inheritance tax (IHT) thresholds, or lowering IHT thresholds for property specifically.

However, such changes would cut across the direction of current government policy. In Summer Budget 2015, the government announced it will create a transferable nil-rate band from April 2017 that will apply when a main residence is passed on death to direct descendants, such as a child or grandchild, which will be worth £175,000 by 2020-21.[16] This new nil-rate band for property is in addition to the inheritance tax nil-rate band, which is set at £325,000 for the estates of individuals.

6.3. Conclusion

The analysis set out in this chapter suggests that - despite concerns around fairness and intergenerational equity - there is limited scope to increase taxation of the housing wealth of older homeowners. This reflects:

- Difficulties in valuing older people's homes;

[16] HM Treasury (2015) *Summer Budget 2015*, London

- Limited ability to pay new annual taxes based on the value of people's homes;
- The fact few older homeowners move home and therefore incur transaction taxes, such as Stamp Duty or Capital Gains Tax;
- The government's interest in reducing inheritance tax on property wealth.

Although the arguments in favour of increased taxation of older people's housing wealth appear compelling to many stakeholders, the feasibility and practicality of such taxes is limited.

7.Conclusion: Building a strategic policy toward older owners

Key points:

- The government should: 1. increase the supply and take-up of specialist retirement housing - in the right locations; 2. tackle the barriers and costs of moving home for older homeowners; 3. tackle the affordability gap for older homeowners through partial/shared ownership and 'Help to Buy'; 4. help older homeowners 'downsize in place'
- Implementing these measures will: increase the proportion of older homeowners living in accommodation suitable to their disability and health characteristics; potentially reduce the incidence of under-occupancy, releasing larger homes into the housing stock; increase the taxation of older people's housing wealth, through Stamp Duty; and, increase the proportion of older homeowners who supplement their retirement income using their housing wealth, through downsizing

7.1. Introduction

The rise of older homeowners in the UK is unprecedented. There are now as many as 6.5 million older people living in owner-occupied homes just in England, many of whom have experienced significant inflation in the value of their property wealth.

The growth in older homeowners has given rise to several different policy agendas, variously framing the homes of older owners as:

- A site to help them live independently;
- Underused accommodation that could be better allocated;
- Potential income source for their owners; and
- A source of potential tax revenue.

However, by using the findings of Older Owners and other research, this report has been able to explore and evaluate these differing agendas:

Specialist housing and home adaptations

Policy Aim:

- Increase take-up of specialist retirement housing and home adaptations among older homeowners

Conclusions:

- Between 20% and 40% of older homeowners in the UK may benefit from some form of adapted or specialised housing, on account of having a longstanding disability or health issue;
- There is considerable, potential untapped demand for home adaptations and specialist housing; however
- Over 80% of older homeowners would prefer to remain living where they are, and remain in the same neighbourhood;
- Such preferences may relate to a strong neighbourhood attachment among older homeowners reflecting a sense of belonging to a close-knit neighbourhood, being able to rely on neighbours.

Under-occupancy and housing supply

Policy Aim:

- Reduce under-occupancy among older homeowners in order to improve housing supply for other groups.

Conclusions:

- Taking into account who older homeowners live with, and the number of people in their home, older owners do exhibit substantial levels of relative under-occupancy; however
- Under-occupancy is also observable among homeowners in other age-groups, and most households with 2+ spare bedrooms are in fact in the 25 to 64 age-group;
- It is because of inadequate house building that under-occupancy is problematic for policymakers, rather than because of any intrinsic negative effects for society.

The use of housing wealth to fund retirement

Policy Aim:

- Older homeowners – particularly those with a low income – to supplement their retirement income using their housing wealth, through downsizing or equity release products.

Conclusions:

- Around 20-25% of older homeowners may be motivated by having a low income to seek to supplement it through the use of housing equity;
- However, if it is assumed that on average lower-income older homeowners also have the lowest value homes, then few in this group may have sufficient equity to provide a significant income boost or enable acceptable alternative housing choices in the housing market;
- There is limited scope for older homeowners to use their housing wealth to fund a retirement income;
- Housing wealth is unlikely to prove a remedy for the incidence of low incomes among older homeowners.

Older owners and taxation

Policy aim:

- Increase taxation of the housing wealth of older homeowners.

Conclusion:

- There is limited scope to increase taxation of the housing wealth of older homeowners, reflecting difficulties in valuing older people's homes, the limited affordability of annual taxes based on the value of people's homes and the fact few older homeowners move home and therefore incur transaction taxes.

7.2. Open Plan: Building a strategic policy toward older owners

This report has explored, evaluated and compared the different policy agendas affecting older homeowners in light of the findings of Older Owners.

Bringing together analysis of these different policy agendas and new research on the lives of older homeowners, it is possible to develop policy recommendations that will advance the aims of policymakers, taking into account the different agendas:

1. **Increase the supply and take-up of specialist retirement housing - in the right locations** – there is significant potential untapped demand for specialist retirement housing among millions of older homeowners living disability or long-term condition. However, evidence cited above on neighbourhood attachment and moving plans indicates that older homeowners must be given good specialist housing options in their neighbourhood if they are to take-up retirement housing. Policymakers must give new consideration to how specialist retirement housing can be developed in the neighbourhoods and communities that people want to live in.

2. **Tackle the barriers and costs of moving home for older homeowners** – including the stress of moving home, the need to discard furniture and possessions, as well as the sunk costs of moving, such as surveyor and legal fees, which may be significant to older people living on a fixed income. Policymakers should explore how these barriers could be reduced, for example, through the provision of specialist moving services. Age UK has called for the development of specialist housing and financial advice, targeted at homeowners, to explore the range of options available to carry out essential repairs, potentially including the effective use of grants, loans, home equity and other sources of financial assistance.[17] The APPG on Housing and Care for Older People has also called for more information on housing options to be made available, both upfront and ongoing, relating to utility savings, lower maintenance costs, and advice on benefits.[18]

[17] Oldman J (2014) *Housing in Later Life*, Age UK, London
[18] APPG on Housing and Care for Older People (2014) *The affordability of retirement housing*

Increasing the supply and take-up of specialist retirement housing by older homeowners, and reducing the barriers and costs to moving home will:

- **Increase the proportion of older homeowners living in accommodation suitable to their disability and health characteristics;**
- **Potentially reduce the incidence of under-occupancy, releasing larger homes into the housing stock;**
- **Increase the taxation of older people's housing wealth, whether through Stamp Duty or – in future - the potential introduction of Capital Gains Tax on primary homes.**

In addition, the government should:

3. **Tackle the affordability gap for older homeowners through partial/shared ownership and 'Help to Buy'** – since Older Owners found that the poorest 25% of older homeowners had no more than £140,000 in housing wealth (2011-12 prices) and may therefore may be locked out of specialist accommodation, the government should explore various options for partial or 'shared' ownership. For example, traditional shared ownership models allow people to purchase part of a property (usually between 25% and 75%) and rent the remaining portion. However, shared ownership models are largely offered only by housing associations, rather than private developers. Following the government's 'Help to Buy' policy targeted at first-time buyers – essentially state-backed subsidized mortgage lending - the APPG on Housing and Care for Older People has proposed that this scheme could be extended to older people who wish to move into specialist, owner-occupied housing, but cannot afford to do so.[19] In addition, extending the availability of conventional mortgages to older homeowners during retirement may increase the options.

Tackling the affordability gap for older homeowners will:

- **Increase the proportion of older homeowners living in accommodation suitable to their disability and health characteristics;**
- **Potentially reduce the incidence of under-occupancy, releasing larger homes into the housing stock available.**

Finally the government should:

4. **Help older homeowners 'downsize in place'** given a principal barrier to taking-up downsizing may be the considerable level of attachment older homeowners feel toward their neighbourhood and community. Policymakers should explore how to make it easier for individuals to 'downsize in place', i.e. through the conversion of people's houses into flats, in which older homeowners can continue to live. Through converting properties, older homeowners may also be able to release capital from the sale of a flat that they can use to both fund conversion and the adaptation of their home.

Helping older homeowners downsize in place will:

[19] APPG on Housing and Care for Older People (2014) *The affordability of retirement housing*

- **Increase the proportion of older homeowners living in accommodation suitable to their characteristics;**
- **Increase the proportion of older homeowners who supplement their retirement income using their housing wealth, through downsizing.**

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