EXPERT REACTION ALTERNATIVES UK & IRELAND

This year is the year for a boom in retirement living investment

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Sector's credentials will attract a wave of capital

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Which real estate sector combines government support, fast-growing customer demand driven by irrefutable demographic evidence, across-the-board blue chip investor interest and impeccable ESG credentials?

The answer is integrated retirement communities, which start a "coming of age" year in 2022 with December's support from government through the People at the Heart of Care white paper in its sails.

This pledged £300m towards specialist housing including retirement communities, recognised a need for greater awareness of housing-with-care options and suggested support for a task force to deliver cross-government action to help older people.

And there is no doubt that the demand is there: housing with care in the United Kingdom has a penetration rate of 0.8% among the over-75s population, compared with 5% in Australia, 5.5% in New Zealand and 6% in the United States.

At the same time, a raft of research published over Christmas shows further trends in support of integrated retirement communities.

A poll of 2,000 adults by Aviva shows that 60 is now the most popular age to retire early, with 26% doing so because they have saved enough money to no longer need to work.

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Legal & General has also found that 1.3 million people plan to retire early due to changes in lifestyle triggered by the pandemic, and wealth management firm Moneyfarm has also found that one in four 18-34 year olds are setting early retirement as a financial goal.

And while many people are planning for early retirement and are prime candidates to live in integrated retirement communities, the beauty of these developments is that they also provide good settings for over-65s to continue to work full-time or part-time as part of their offer.

All these drivers are why Riverstone's backer Goldman Sachs and Axa IM Real Assets, Legal & General/NatWest, Blackrock and M&G have made major commitments to the UK retirement sector, Knight Frank forecasting a 30% increase in 2021 on 2020's record £1.3bn investment deployed.

Major mismatch

The agent forecasts that the number of specialist retirement housing units will grow by 9% over the next five years, but even then the rate of delivery will be out-stripped by the UK's ageing population, deepening the mismatch between supply and demand.

Institutional investors are attracted by the predictable, long-term nature of the returns they can generate from retirement communities driven by demographics, and the variety of options on offer from development for sale or rent to choices of rural, suburban and town and city centre settings.

Crucially, integrated retirement communities are growing in appeal to customers as they learn more about the concept.

Future residents see the benefit of buying a home in the right location which includes amenities like pools, cinemas, well-being and social events through to provision of bespoke care if it is needed, providing peace of mind and futureproofing.

Riverstone is backed by Goldman Sachs

According to research from over-55s research and branding specialists Boomer & Beyond, for those planning to move 52% want to live in a smaller property, 47% want to live in a low-maintenance property and 41% want to live in a property with a smaller garden.

Over 65s appreciate the quality of owning a new-build property after years of maintaining their often problematic and costly family homes, and are happy to pay a premium to do so – according to Boomer & Beyond research, 62% find the concept of living in a retirement community appealing.

Also, the strong housing market in general is encouraging people to move to retirement communities because they should be able to achieve a good price and a relatively easy sale of their current homes.

Ticking the boxes

In today's world, rock solid demand and shortage of supply can only tick two big boxes for institutional real estate investors: ESG demands also have to be satisfied, and retirement living ticks every box.

After the pandemic shone a harsh light on the conditions that many older people live in, there can be no doubt that giving people a new option of housing with care instead of their current homes fulfils a crucial societal need.

As a new sector, retirement communities are very often provided in new build developments so can satisfy the most stringent sustainability demands as well as providing much-needed construction and longer-term jobs for local communities.

Look out for real momentum from the integrated retirement community sector in 2022, as acquisitions, development and investment grow rapidly – driven by those key fundamentals of demand, powerful backing, ESG and government support.