The retirement sector gold rush

Baby boomers with lots of equity are eyeing luxury retirement schemes. Anviksha Patel reports

As the UK's later-living sector grows, the choice for older people is also increasing.

Luxury schemes such as Riverstone's Kensington and Fulham villages, Auriens' Chelsea scheme and Audley villages are popping up all over more affluent parts of the capital.

Forecasts suggest one in four of the UK population will be over 65 by 2037. With Savills research estimating that older homeowners are sitting on around £1trn of housing equity around London and the South East, demand for such schemes is only set to grow.

Dusk approaches: Riverstone's retirement village in Fulham

But will it translate into a wave of luxury later living development? And if yes, how far beyond London will that wave extend?

During the pandemic, house prices have skyrocketed and those who bought a property in the 1970s or 1980s are now living in homes worth "25 or 30 times" more than they paid for them, according to Octopus Real Estate retirement director Kevin Beirne.

"If you were lucky enough to buy a house in 1977 in London or the home counties, you didn't realise that you were also getting a little pink ticket that was equivalent to a small lottery," he says.

This major spike in equity means many older homeowners can afford a higher standard of living than previous generations.

Elevated expectations

As Anchor Hanover sales director Phillip Hulme explains: "These customers are sitting on extraordinary pieces of wealth and their expectation – from everything from the cars they own to the kind of lifestyle they need – has elevated.

"It's no real surprise that later living has followed that premium luxury upsweep. You can get a luxury holiday, you can get a luxury face soap, you can get a luxury lawnmower – why wouldn't retirement living be the same?"

Developers have catered to this growing demand for luxury by creating a premium residential product for the affluent elderly demographic.

Phillip Hulme
Anchor Hanover

> **“ Customers are sitting on extraordinary pieces of wealth**

The key difference between luxury later living and the general high-end residential market, especially in urban areas, is where its customers come from.

"About 75% of our clients are coming from within three miles," says Auriens chief executive David Meagher. "That would increase to about 90% if you took overseas people who had a historic connection with the area.

"These are the people who have lived in Chelsea or Kensington, moved overseas and want to move back."

The thinking behind this is to not take older people out

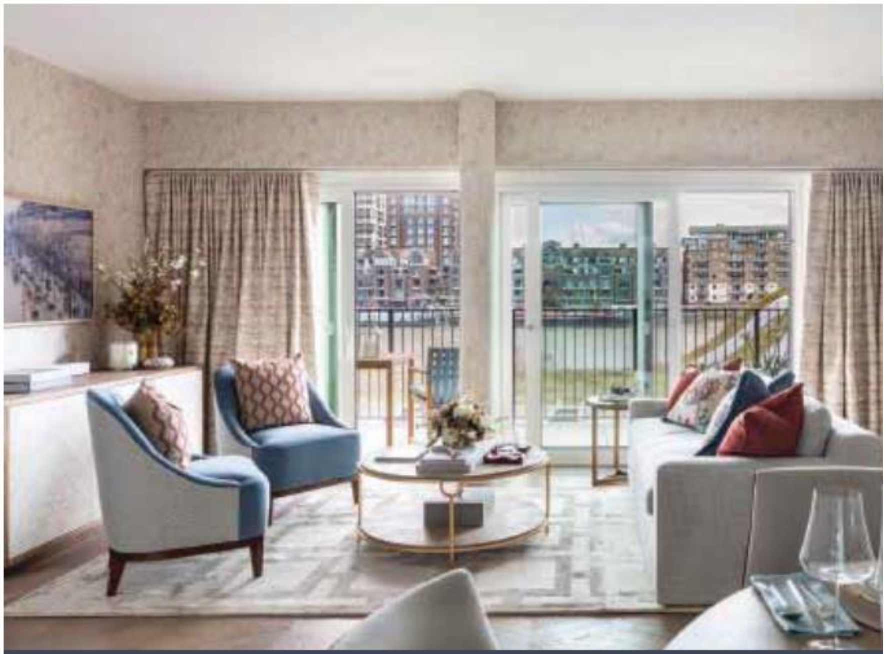
« of their comfort zone or the surroundings they are used to.

"Your day-to-day doesn't have to completely turn on its head to move there," says Savills' director of residential research Lawrence Bowles.

"You still have access to all of that community and all of the friendships that you've built up in the area over the last three or four decades you've been living there."

But he adds that outside London, residents will come from further away. "If you look at housing schemes that are in certain locations - particularly seaside towns - if you've got some local draw, the catchment can be a lot wider.

"We've also seen quite a few people who may have grown up in the North West, have moved down to a more affluent area, built up their equity, and now that they're retired, they want to move back to their roots."



Ebb tide: the riverside view from an apartment in Riverstone's Fulham development

High-end flair

But what does a luxury later-living home actually look like? For starters, apartments tend to feature high-spec finishes and very discreet care features, such as elegant railings in the bathroom that look good and also allow for ease of access or top-end wet rooms that allow for wheelchair access.

Luxury developments also offer high-end amenities and communal facilities, such as cinema rooms, libraries and restaurants to encourage family visits and socialising.

According to Riverstone chief executive Jason Leek, this is what potential new customers want post lockdown.

"These modern amenities and five-star hospitality services help to foster and encourage interaction among residents, which is what many are now looking for after finding themselves isolated from society during lockdown," says Leek.

"While bespoke care provision also shouldn't be overlooked, over-65s want to live a life that is uncompromised."

Most luxury later-living schemes have a feel of a high-end hotel to them. It's all about service and convenience, according to Meagher, who explains the thinking behind Auriens' offer.

"The idea came when a friend said that after their father passes away, their mother wanted to move to Claridges. We started thinking about how Margaret Thatcher moved to the Ritz, Coco Chanel spent a long time at the Ritz in Paris and Richard Harris lived in the Savoy.

"There was obviously an attraction to people looking for a certain lifestyle, a certain service, a certain level of convenience in their later years."

People are prepared to pay top dollar for such convenience. Prices for a typical for-sale apartment in one of Riverstone's luxury developments range from £1m to £3m. Auriens' apartments are offered at a rent starting from £165,000 a year, with bills included.

The schemes popping up now are specifically catering to affluent baby boomers but, given the generational wealth divide in the UK is so stark, younger people are unlikely to be able to afford these luxury schemes when it comes to their retirement.

So how can operators futureproof their schemes? It is a question Anchor Hanover has already given some serious consideration to.

Kevin Beirne
Octopus Real Estate

"We've got another 20 years of baby boomers entering retirement

"We have to make decisions, which are going to be as useful now and as effective in 50 years as they are today," says Hulme.

"So, about 18 months ago, we started a resales operation to make sure that we could look after people in their family at the time when they leave us.

"The other thing that we've very successfully offered is a shared ownership and shared equity product, because I've seen quite an explosion in customers presenting to us on initial sale, that maybe have a substantially priced property that has equity release on it."

While the likes of Hulme might be grappling with this issue, it is not something that is at the forefront of Beirne's mind at the moment.

"We're only at the start of the boomer journey now," he says. "We've probably got another 20 years of baby boomers entering into retirement, which is actually a full lifecycle of a

Fresh air: outside communal space at the Auriens Chelsea development

built asset of this sort.

"It's a here-and-now issue rather than thinking about whether we start to run out of road in the near term. That's unlikely to be the case. There's still loads to be done in the current cohort."

Although this relatively nascent new subsector is expected to enjoy tremendous growth over the next few years, it faces an issue that is all too familiar to later-living operators: planning.

Lack of understanding

Samantha Rowland, head of senior living at Savills, says planning committees still do not understand the concept of later living in their constituencies.

"We're still seeing planning committees come back and say 'we don't want retirement living in this area, because it's going to bring lots of old people here'," she says.

"As we've discovered by looking at the audience catchment, they're often three miles away, so the old people are here already. You're not drawing them in from outside. You're not going to put an undue strain on your local services, because they're here anyway."

Bowles adds: "I can completely understand why there's pushback from planning officers where, on the one hand, you've got a developer offering these luxury schemes, all these beautiful services and it's extremely high-end. And at the same time, they're saying: 'We are providing all these services and the scheme's unviable if we provide all these section 106 obligations.' There's definitely a balance there."

Lawrence Bowles
Savills

"I understand why there's pushback from planning officers

Hulme believes part of the problem is that planning applications are not being promoted in the right way, which leads to difficulties.

"Where all of us as an industry fail is planners don't really understand that it's not a unit of property that we're promoting," he says. "It's a unit of lifestyle, which is the difference."

Use classes are perhaps one way for these luxury schemes to be differentiated and delivered, Rowland suggests.

"Do you have to have a C2 badge to deliver the luxury high-end facilities? Does it have a positive or negative effect, and obviously the C2 use class is associated with care homes," she says. "But you have really high-spec residential schemes within C3 and does it help? The question is: how should developers be presenting it to planners?"

Once developers get over the planning hump and the public come to understand what later living actually looks like, it may make for smoother sailing for the sector in future.

In the next few years, experts expect to see more luxury later-living schemes delivered and more choice offered to potential inhabitants, with different fee models, different amenities and in different locations to appeal to every older person.

"The more older people are familiar with the concept of a retirement community, the more they want to think about moving into one," says Beirne.

"That *Golden Girls* effect of having retirement seen as a positive and in a wider social context, it'll be really interesting to see how that drives interest over the next couple of years."