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London Flats With Pool, Cinema Show Demand for Retirement Luxury

- UK later-living property set to attract £3 billion this year
- Goldman Sachs among major investors backing the sector



Residents have access to a private cinema, which hosts movies and talks. *Source: Nick Rochowski*

By Damian Shepherd

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Retirement housing is turning into an up-and-coming area of British real estate, with Goldman Sachs Group Inc. and a growing cohort of investors betting on demand for luxury in later life.

The US bank is among the backers of Riverstone, a property firm that's building ten blocks of swanky apartments for older residents in London. Goldman Sachs plans to pour £3 billion (\$3.5 billion) over the next five years into the firm, which has so far completed two projects in Kensington and Fulham.

Martin Earp, who became chief executive officer of Riverstone in June, said the Kensington complex "rips up the retirement rule book," with floor-to-ceiling windows and a balcony or terrace in each of the 190 apartments, which cost wealthy pensioners as much as £3 million.



A 2,000-book library is on show near the entrance to Riverstone Kensington. *Source: Nick Rochowski*

“We’re seeing a distinct shift in behavior towards retirement from the baby boomer generation to that of their parents,” Earp said. “We have people who have lived in London most of their lives and want to continue to enjoy the wealth of amenities that are on the doorstep.”

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While most retirement housing in the UK is built for social renters, the rapidly aging population means there is growing demand in many niches of the market, at a time when a dearth of supply has helped push overall house prices to record highs. Almost one in five people in England and Wales are 65 or older, according to census figures published last year. Almost one in four will be in this group by 2043.

A record £2 billion was invested in UK senior developments in the first nine months of 2022, and the total is set to rise to £3 billion by the end of the year, according to broker Knight Frank. That would represent a 50% year-on-year increase, as backers including UK pension funds and private equity pile into the sector, according to a Knight Frank report published this month.

“There is headroom for a lot more investment in senior housing in the coming years,” said Oliver Knight, head of residential development research at Knight Frank. “The £3 billion is a scratch on the surface of what could be delivered.”



An Italian restaurant inside Riverstone Kensington is open to both residents and the public. *Source: Nick Rochowski*

Kensington residents become part of the Riverstone Club, which offers access to facilities including a spa, espresso bar, Italian restaurant and private cinema. A gym that monitors intricate details of residents' health is also available, as well as sensors and floor-level buttons to alert staff to medical emergencies.

“This is a generation that invented the term ‘teenagers’, partied at school and university, and they handled their careers differently by moving jobs rather than having a job for life,” Earp added. “This is what we have already seen in Australia, the US and Canada where integrated retirement communities form a significant proportion of homes for over-65s.”



The development also has a swimming pool and spa. *Source: Nick Rochowski*

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To be sure, Britain's economic headwinds driven by rising inflation and a global energy crisis make it more challenging to borrow, which will affect the funding available for new developments. Knight Frank says this could weigh on timescales for investment earmarked for the fourth quarter of 2022.

Still, investors with a longer term horizon see the demographic tilt toward retirees in need of suitable accommodation. Knight Frank polled 54 institutions and found that while only 31% were currently active in the senior housing sector, 67% expect to be active in five years' time, the largest projected increase of any sector in the poll.

“There remains a compelling investment case for assets that benefit from changing ways of living, and long-term shifts in demography, such as seniors housing,” said Tom Scaife, head of the seniors housing team at Knight Frank. “Investors are focused on both development returns and long-term cashflows, which are underpinned by an exploding wealthy senior cohort with the means to downsize.”

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