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The growth of later life tenants

How the private rented sector is providing a home to more later life tenants as the UK population ages

The private rented sector will play an increasingly important role in housing later life tenants



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The UK has an ageing population and this has broad implications for how people choose to live as they reach later years living. Today, 20.9 million people are over the age of 55; by 2043, that number will grow to 26 million.

Over-55s are utilising the private rented sector to provide a home in increasing numbers. The number of households living in privately rented property in England where the Household Reference Person is over 55 has doubled over the past decade. Within that group, over 65s specifically have seen a 93% rise.

Whilst the numbers are still relatively low in the context of the whole market – 16.3% of private renters are over 55 – the forecasted growth of the over 65 age demographic across the UK will result in increasing numbers of people relying on the private rented sector (PRS) in later life.

The care home sector is failing to keep pace with demand for new beds and social and demographic changes are creating increasing numbers of single person households – the majority of whom are in the over 55 category – and home ownership is often out of their reach.

For many, the PRS will be the solution and landlords are already reacting to this trend. Paragon research shows that a fifth of landlords expect growth in the market for retired renters over the next year.

Catering for later life renters presents opportunities and challenges for landlords. This cohort of tenants typically stay in a property for longer, maintain the home well and benefit from stable income, usually in the form of a pension.

However, homes need to cater for the physical restrictions some of these tenants may face, whilst this tenant group has a great propensity to have a disability or long-term illness.

The PRS has proven capability to adapt to meet the needs of a broad range of tenant groups, from those leaving home for the first time, to young couples, families and, increasingly, those looking for a home for their later years.

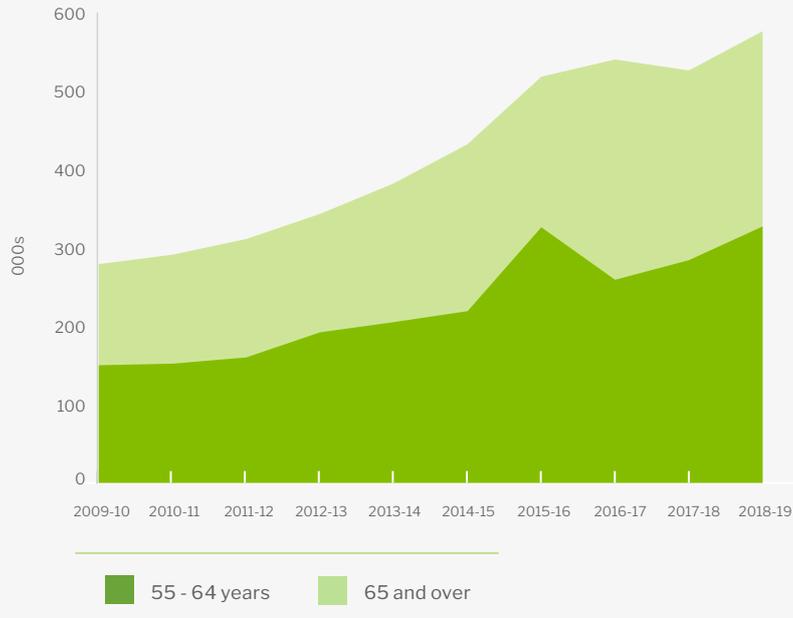
A growing number of over-55s in the private rented sector

Over-55s are the fastest growing tenant type in the private rented sector

Number of over-55 households in private rented homes

Source: MHCLG

The number of privately rented homes (not including socially rented or those without an assured tenancy agreement) in England where the Household Reference Person (HRP) is aged 55 or over has more than doubled since 2009/10 to 576,000.

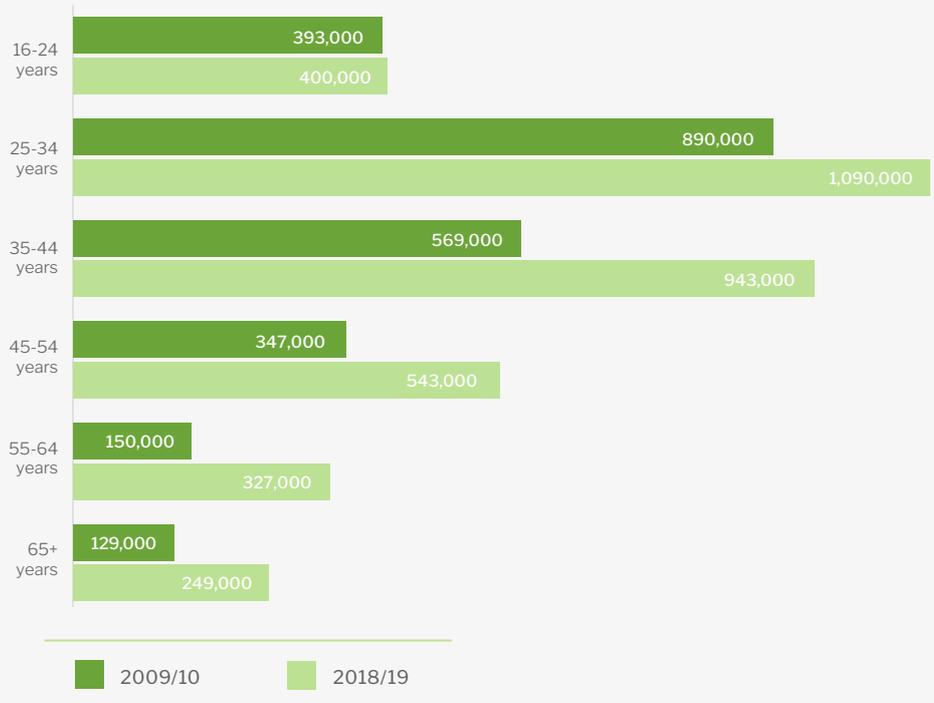


No of households in PRS by age category

Source: MHCLG

The 55-64 and 65 and over cohorts of tenants are the fastest growing segments of the private rented sector, increasing by 118% and 93% since the turn of the last decade respectively. This rate of growth is nearly double the rate of the next fastest growing segment – 35-44 year-olds.

The youngest group of tenants – 16-24 year-olds – has remained relatively stagnant at just 1.8% growth.



Growth between 2010 and 2019

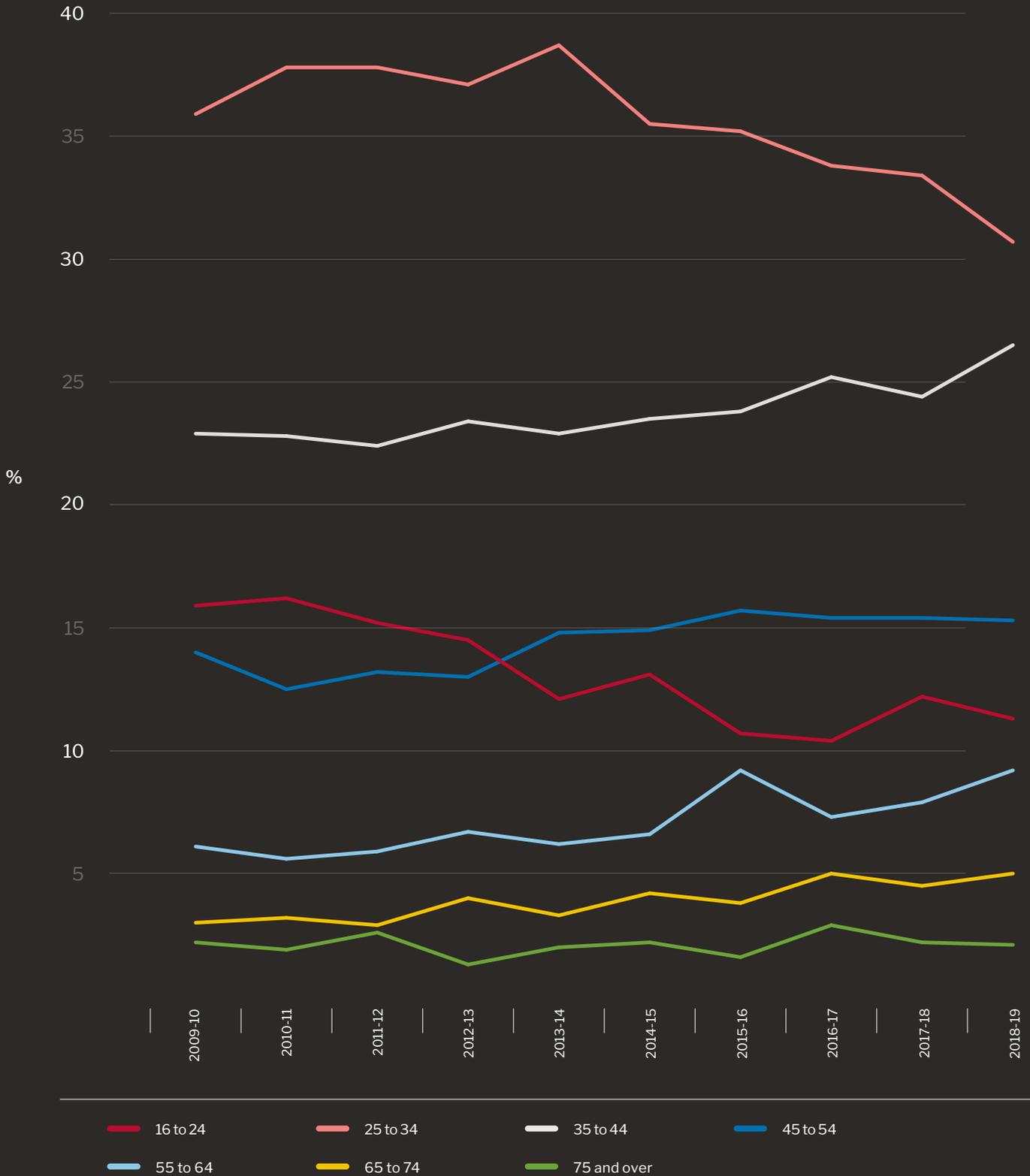
Age Category	16-24	25-34	35-44	45-54	55-64	65+
Growth (%)	1.8%	22.5%	65.7%	56.5%	118%	93%

Proportion of households in PRS by age bracket

Source: MHCLG

As a proportion of the broader private rented sector, those aged over 55 represents 16.2% of privately rented households and this has steadily grown since the turn of the decade, when 11.3% of the sector was made of over-55s. Landlords appear to be responding to this change in demand.

A Paragon survey of customers from July 2020 showed that 21% of landlords expect to let more to older singles in the future and 20% expect to let to retirees. This was second only to letting to professionals or executives/companies.



Who are the later life tenants?

What are the demographics of some of the tenants driving the growth in later life renting?

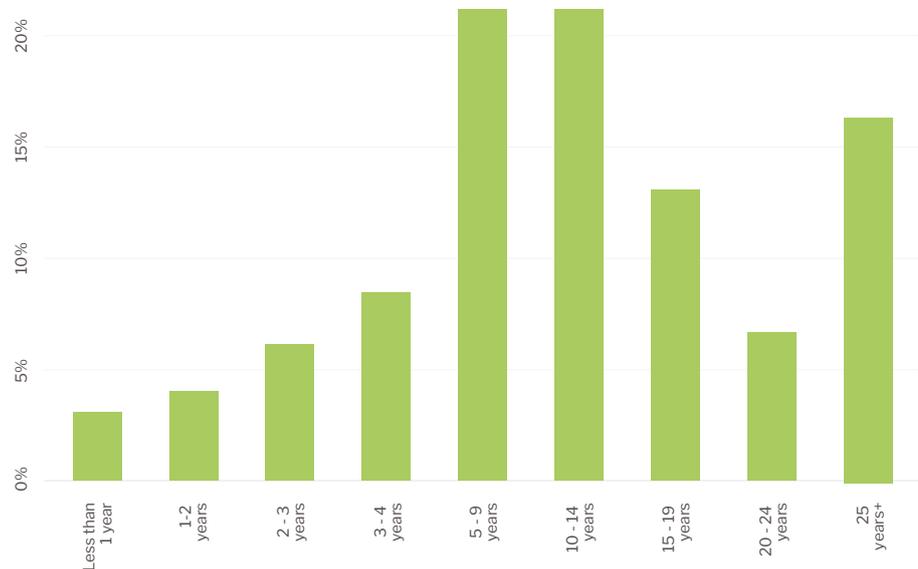


Paragon Bank research of tenants shows that over 55s are much more likely to live alone, with nearly half (48%) in this category versus 23% of under 55s, and they also tend to live in the property for a long period. In addition, they are much more likely to be men, accounting for 62% of tenants.

Half (49%) of over 55s have lived in only one or two rented properties; of those who have lived in only one property, 46% of tenants have lived there for 10 years or more. The average length of time those aged 55 or over have lived in the PRS is 13 years.

How long 55+ tenants have lived in the PRS

Source: Paragon





Higher levels of satisfaction

The longevity of this group of tenants could be explained by their satisfaction with the tenure. Nearly seven in 10 (68%) of over 55s said that renting suited their needs or they enjoyed renting, compared with 49% in the under 55 group, whilst an overwhelming majority (63%) said they were pleased they don't have to worry about repairs.

When asked about the reasons for renting, 39% said they didn't have a mortgage deposit, whilst 22% said they didn't want the responsibility of owning a home – compared to 9% of under 55s – and 16% said it enabled them to live in an area couldn't afford to buy. Meanwhile, 15% said that it gave them greater flexibility to move more easily.

Tenants in the 55+ are also much less likely to want to own their home – 45% compared to 81% of under 55s. Of those who do,

62% don't think they will be able to afford their own home, whilst one in five (18%) believe they will buy within the next two years.

Lower incomes

People in this age bracket also tend to have lower incomes. Although most HRPs aged 65 and over were retired (90%), around 4% were in full-time work, and a further 5% were working part-time. Despite this, those aged 65+ spent the same proportion of their income on rent (31%) as those in the 16-34 age bracket. Those aged between 35 and 64 paid 29% of their income on rent, reflecting the stronger financial position of this group.

However, those in the 65+ category were less likely to report any difficulty paying rent. Just 18% of this cohort said they had difficulty paying rent, compared to 33% of those aged 35-64 and 22% for those below 35.

68%
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Poorer health

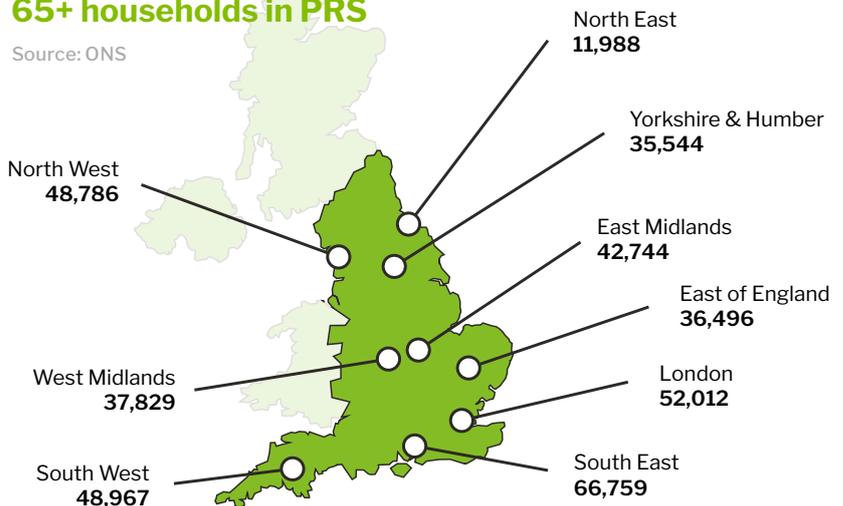
As you would expect, the over-65 group has a higher proportion of households with poor health. Almost half of households in England (48%) with a HRP aged 65 and over had at least one household member with a long-term illness or disability. This compares to 19% of those aged between 16 and 34 and 31% of those between 35 and 64.

Regional breakdown of 65+ households in PRS

Source: ONS

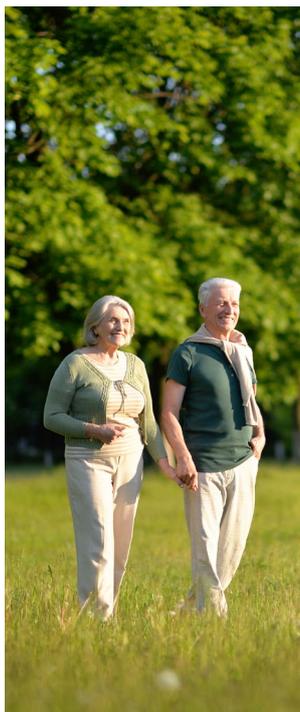
Regional split

Regionally, the South East, London, North West and South West account for the highest number of households in the PRS where the household representative is aged over 65.



What has driven the growth in later life renters?

Divorce, stagnating pension income and an increase in single person households are just some of the factors that could be leading to older renters.



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Today males have narrowed the life expectancy gap with females to

3.7 years

Divorce

In England and Wales, divorce is in decline – Government data shows a 28% fall in the number of divorces between 2005 and 2015. But older people are bucking the trend. In the same period, the number of men divorcing aged 65 and over went up by 23% and the number of women of the same age divorcing increased by 38%.

Men living longer

Since the early 1980s, men have almost always experienced greater improvements in life expectancy at birth than females and today males have narrowed the life expectancy gap with females to 3.7 years. A possible explanation for the convergence of life expectancy improvements between the sexes is men adopting healthier lifestyles and benefitting from safer working conditions. Throughout the 20th century, the proportion of the agricultural and manufacturing workforce, which are more dangerous and require more physical labour, has been in decline.

Stagnating pension income

Pensioner income has stagnated since the turn of the last decade, according to the Department for Work and Pensions figures. The average income of all pensioners in 2018/19 was £320 per week, compared to £314 in 2009/10. Inflation averaged 3.1% per year over the same period, meaning

something costing £100 in 2009, would cost £135.15 in 2019, putting strain on retirement incomes. The low interest rate environment of the past decade has also limited income from savings, whilst the proportion of pensioners receiving an income from investments has declined consistently since the mid-1990s. An option for asset rich, cash poor homeowners could be to sell and either downsize or rent.

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Downsizing and flexibility

The PRS provides older tenants with flexibility to move quickly or change where they live relatively simply. This could be, for example, to move closer to other family members or friends. Later life tenants may wish to sample a new area before deciding whether they wish to buy permanently, or to downsize and move into something more manageable.



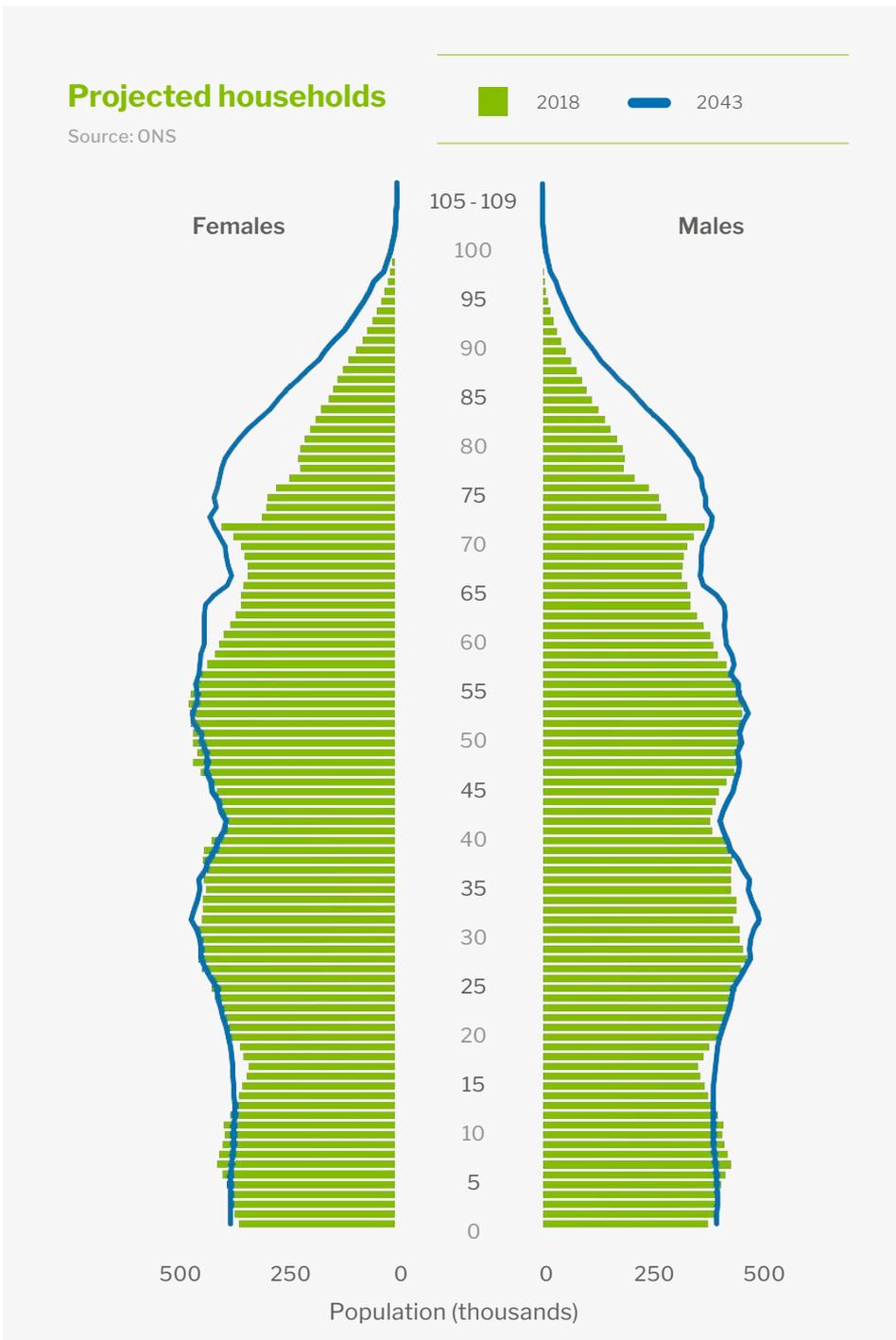
An increase in single person households

The number of people living alone has increased by a fifth over the last 20 years, from 6.8 million in 1999 to 8.2 million in 2019. Those who are living alone are less likely to own their home than couples without children - 50% of households compared with 75% respectively in 2017.

The majority of this increase is driven by the growth in the numbers of men living alone (72.1%), predominantly aged 45 to 64 years. Government statisticians suggest this may be because higher proportions of men than women never marry, men tend to marry at older ages than women and marry women younger than themselves or partnership dissolution, leading to men living alone while women may live with any children from the relationship

An ageing population

An ageing population and a growing number of older households will fuel future demand.



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1960s baby boomers double the number of over 85s by 2043

The UK population is getting both larger and older and that is expected to put more pressure on the PRS to provide good quality homes to later life tenants.

Population forecasts show that by 2043, the proportion of the UK population aged over 55 will increase from 30% to 36%.

In terms of numbers, that represents 6 million more over 55s to approximately 26 million people. By mid 2043, there are projected to be many more people at older ages. This partly reflects the 1960s baby boomers now being aged around 80 years but also general increases in life expectancy.

In mid 2018, there were 1.6 million people aged 85 years and over; by mid 2043, this is projected to nearly double to 3 million.

English household growth by age band

Source: ONS

The number of households in England is expected to grow from 23.2 million today to 24.8 million by 2028 and 26.3 million by 2038, and it will be people in the 55+ age bracket driving that growth, with those aged 75 or over recording the strongest increase.

By 2028, according to ONS stats, there will be a 34.5% increase in the number of households with a household representative of between 75 and 84 years and a 24.1% increase in households with an HRP of 85 or older. Over 55 households will account for half of England's total households by this point.

Age of HRP	Mid-2018	Mid-2028	Total change 2018 to 2028	Average annual change 2018 to 2028	Percentage change 2018 to 2028
16 to 24 years	732,000	735,000	3,000	300	0.4
25 to 34 years	3,082,000	2,882,000	-200,000	-20,000	-6.5
35 to 44 years	3,974,000	4,300,000	326,000	32,600	8.2
45 to 54 years	4,747,000	4,395,000	-352,000	-35,200	-7.4
55 to 64 years	4,002,000	4,547,000	545,000	54,500	13.6
65 to 74 years	3,311,000	3,576,000	265,000	26,500	8.0
75 to 84 years	2,355,000	3,168,000	813,000	81,300	34.5
85 years and over	1,000,000	1,241,000	241,000	24,100	24.1

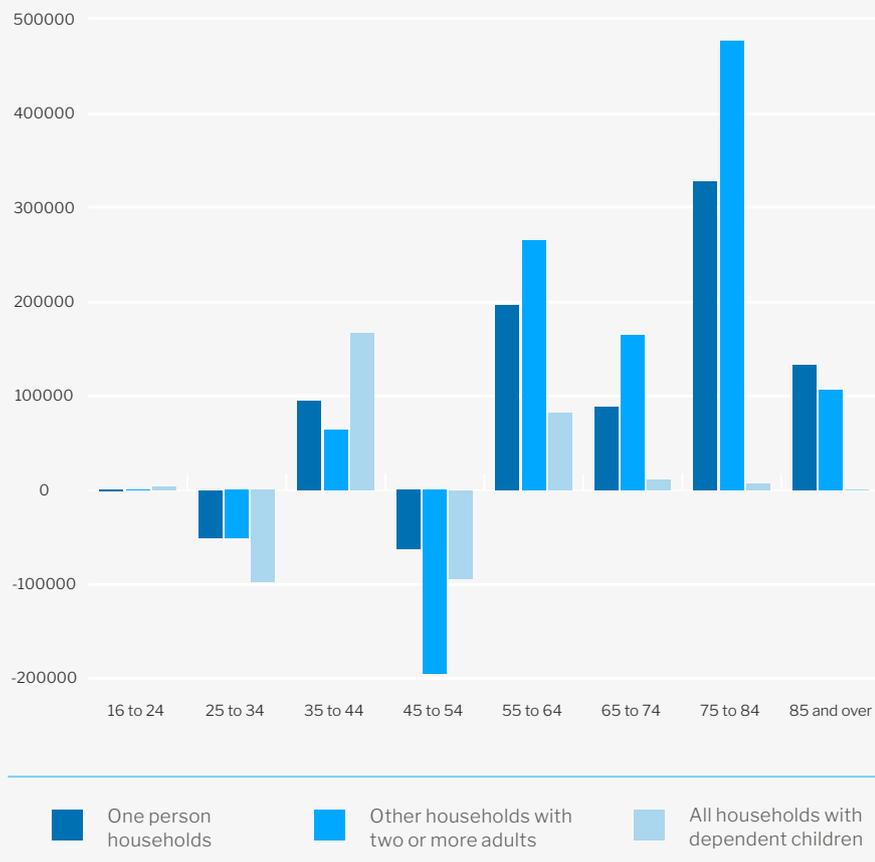


Changes in household structure

Source: ONS

What's also striking in the forecasts, is the growth of single person households, a group which has a greater propensity to rent.

The number of households with dependent children will only increase by approximately 80,000 (1.2%), while one-person households and other households with two or more adults will increase by 727,000 (10.1%) and 833,000 (8.8%) respectively. The largest projected growth for one-person households and other households with two or more adults in the 10 years to 2028 is where the household reference person (HRP) is aged 75 to 84 years; 29.5% and 39.1% respectively.



Can the care home sector pick up the slack?

New care home construction is failing to keep up with forecast demand

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730,000
total number of retirement housing units across the UK

52%

of those were built or last renovated over 30 years ago

At current development rates, it is forecast that the number of beds in the care home sector will fall short of what's required to satisfy demand. The UK care home market is growing in absolute terms, but declining in relative numbers.

Across the UK, the number of beds only increased by 0.9% between 2014 and 2019, while the population aged 85+ grew by 9.1%. According to analysis by Knight Frank, the number of beds per 100 people over the age of 85 has fallen from 33.7 to 28.7 over the past decade. If the same rate of growth in beds is maintained over the next 10 years, bed provision will fall much further.

In addition to new developments not keeping pace with population forecasts, the sector also faces an issue with ageing stock. There are 730,000 retirement housing units across the UK, according to the Elderly

Accommodation Counsel (EAC). More than half these homes, 52%, were built or last renovated over 30 years ago.

In the 2019/20 financial year, a total of 7,058 beds (122 homes) were newly registered and 6,789 (233 homes) were de-registered as older stock was taken out of the market. With 58% of de-registered homes rated as 'inadequate' or 'requires improvement' by the Care Quality Commission (CQC), failing care standards are a clear cause of closure.

Financial stress is an equally significant cause of closure. Increasing costs, especially staffing costs, have impacted many care homes in recent years at a time when fee levels derived from local authorities have been frozen. The COVID-19 pandemic will add to the financial pressures for many smaller independent homes not ready for a severe hit to occupancy.

Elderly care beds (per 100 people aged 85+), by region in 2020

Source: Knight Frank



What landlords should consider when letting to later life tenants

Later life tenants will have their own set of requirements when it comes to renting property. We look at some that landlords should consider.



The growth of later life tenants brings opportunities for landlords, but there are key considerations for this cohort of tenants. These include:

Location

Location is highly important for later life tenants. As is the trend with the location of modern care homes and retirement villages, being close to town centres and local amenities is attractive. Satellite towns are particularly popular as they are typically quieter than cities but offer the same types of essential shops and facilities.

Tenancy terms

Later life tenants typically prefer security of tenure and will stay in a property for a longer duration. Landlords should be prepared to cater for their requirements and for the tenant to make amendments to the property so it is a 'home', such as decorating.

Pets

According to The People's Dispensary for Sick Animals, 36% of dog owners are over the age of 55 compared to just 6% of dog owners being aged 18-24. As later life renters are more likely to be single person households, the propensity to own a pet is likely to be higher for wellbeing purposes. Many landlords stipulate no pets in their terms, but may need to have a more flexible approach on this issue.

Rental inflation

As highlighted, although those aged 65 or over report fewer difficulties in meeting rent payment, this group tend to have lower incomes, relying on their pensions. Therefore, they are likely to have less ability to meet above inflation increases in rents or any unexpected spike in rental payments. Landlords considering this tenant type may balance keeping rent inflation low to benefit from the low rent arrears this group typically experiences.

Property specification

Around half of 65+ households have at least one member with a long-term illness or disability and landlords have to be conscious that property may have to be altered to support a tenant's specific needs. For example, hoists installed in bathrooms or ramps to aid access to the property. Tenants can apply for a Disabled Facilities Grant of up to £36,000 (amount varies dependent on country) to help with any work required as long as they stay in the property for more than five years. You can find more information about the grant [here](#).

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