




Last-time buyers

***The challenges and opportunities for 55+ home-owners
wanting to move home***

Executive Summary

- Property transactions have been sluggish in recent years and continue to be well below their pre-crisis levels. The experiences of different groups of buyers have varied greatly. The number of moves by existing home-owners has languished for a decade, but this weakness relates entirely to mortgage-financed activity. Cash-financed moves, mainly by older households who own their property outright, have never been higher.
- Far from being a niche sector, “last-time buyers” – home-owners who are aged 55 or older and who move property – now total about 200,000 each year. Their numbers have doubled within a decade. They account for one in three of all moves into or within the owner-occupied sector.
- With older home-owners accounting for a growing share of overall home-ownership and housing equity, and the lion’s share of those who own their homes outright, it should come as little surprise that cash has become more prevalent amongst this group over recent years.
- Yet last-time buyers each year still only represent about 2½% of the 8 million or so older home-owners. Various surveys suggest that many more such households are interested in the idea of moving, but face a number of headwinds.
- The principal obstacle seems to be a lack of suitable properties to buy. Relatively few older home-owners actually need to move for health or other personal reasons (that is a hallmark of later years), and for the vast majority any move is aspirational in nature and focused on the mainstream housing market.
- Most would-be last-time buyers are keen to find a home that is more manageable, energy-efficient and low maintenance.
- This should be a golden opportunity for the new-build sector, but strangely, house-builders appear to have been slow to develop and market homes for last-time buyers. This may be a policy area where the Government, working closely with the lending and house-building sectors, needs to kick-start activity, much as it did for first-time buyers with its Help to Buy initiatives.

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- Last-time buyers may wish to downsize to a smaller property, but not always, and even when this is the case, that does not automatically imply that it will be cheaper than their current home. As a consequence, would-be last-time buyers also point to high transaction costs and more general affordability pressures as problems.
 - With a limited stock of suitable properties for discerning older home-owners and demographic trends, affordability challenges look set to grow over time and with them the financing needs of last-time buyers.
 - The Government may not find it easy to support last-time buyers financially, because of inter-generational sensitivities about helping those who are already fortunate enough to be home-owners, and this makes it even more important that the mortgage lending industry looks to what it can do.
 - The financial innovation around lifetime mortgages, lending into retirement and, more recently, retirement interest-only mortgages, allied with efforts to provide advice within an increasingly holistic context, have all been positive developments in this respect, but more can and will be achieved.
 - A better flow of household finance will encourage house-builders to prioritise last-time buyers in their planning. With collaboration across all stakeholders, this part of the housing market has strong upward growth potential.

Last-time buyers and why we are interested in them

Who are last-time buyers?

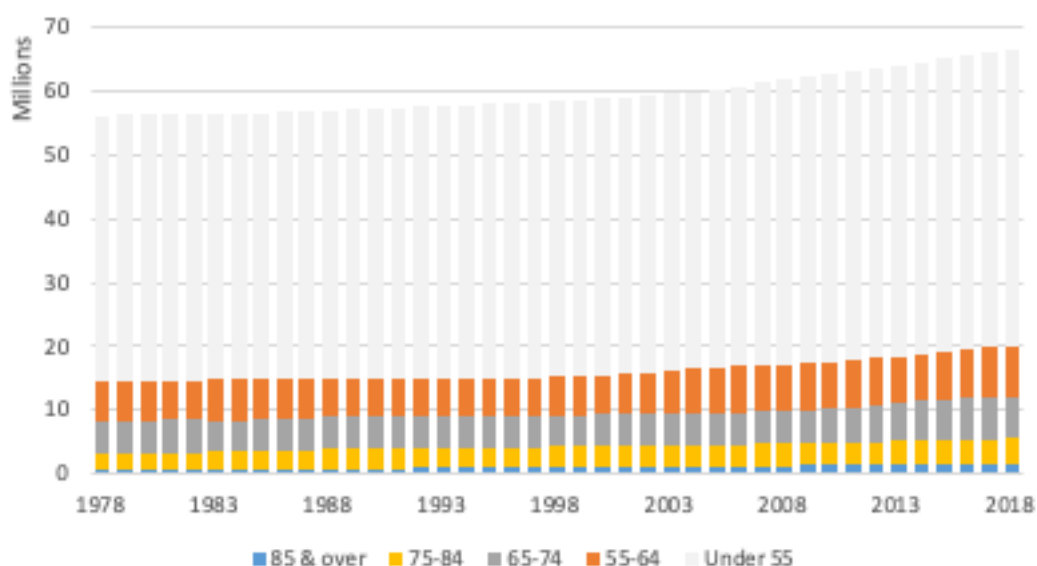
Although some of us might know older family members who bought a home when they first got married or settled down, and then lived in the same property ever since – in some cases, for 40 or 50 years or even longer - such instances are becoming less common.

Even with fewer house sales than in the past, most of today's home-owners are likely to move at least a few times during their adult lives. And, as we shall see, their decisions on whether and when to move as they get older can have a big bearing on the wider health of the housing market.

Given the diversity of people's lives, there is no hard and fast definition of last-time buyers. As in the above example, the property that we buy as a first-time buyer may sometimes also turn out to be our last purchase.

But, for the purposes of this report, we are interested in older home-owners – by which we mean those who are 55 or older - who are interested in moving home.

Chart 1: UK population by age group, millions



Source: Office for National Statistics

Note: Figures for 2017 onwards are 2016-based principal projections

This is a group that already encompasses virtually all baby boomers as well as the older inter-war generation.

There are now more than 20 million people in these older age groups, and they represent a significant and growing portion of the entire population. Official projections indicate that nearly all population growth over the next 20-30 years will be concentrated amongst those who are 55 or older.

Most (but not all) last-time buyers are empty-nesters, whose children have grown up and at least begun to settle down independently, and who are contemplating moving from what has been the family home.

The focus of this report is very much on those looking to move within the mainstream housing market, rather than into specialist housing for the infirm or those needing care. The latter - what many of us might think of as “retirement housing” – tends to be associated with later life households or those with particular accommodation needs and has already been the subject of considerable scrutiny from policy-makers and others¹.

By contrast, the topic of mainstream housing, despite being where the vast majority of older home-owners live, and want to continue living, has been rather neglected. As we shall see, this should be an area of considerable interest to policy-makers, housebuilders and financial service providers.

Why are we interested in last-time buyers?

For many of us, when we think about the housing market, our attention naturally turns to first-time buyers, and the many challenges facing young people in getting on the housing ladder.

And first-time buyers are, of course, hugely important.

They represent a key ingredient in the smooth running of the housing market. Most first-time buyers purchase lower-priced properties and, in doing so, they enable other moves further up housing chains to happen. House purchases by private

¹ see for example [Housing for Older People](#), CLG Committee , February 2018 or [Top of the Ladder](#), DEMOS, September 2013

landlords provide a similar function, of course, but their numbers are dwarfed by first-time buyer activity.

Research underlines that the ability or otherwise of young households to get on the housing ladder has implications for their sense of security and longer-term financial well-being. We are all aware that the perceived unaffordability of residential property for younger people has been front and centre of a debate about intergenerational unfairness.

But, notwithstanding their importance to policy-makers, lenders and other housing market players, it would be a mistake to view the housing market as being synonymous with first-time buyers.

Indeed, in recent years, first-time buyers have only accounted for about 30% of total transactions.

The market also features a range of investment activity, most obviously property purchase by BTL landlords, and other activity such as the purchase of second homes and transfers of ownership. However, by far the biggest share of transactions is made up of existing home-owners moving property.

Unfortunately, this is not always apparent when figures on those moving property are published, because these are often based exclusively on mortgage lending activity and in practice many moves are in fact cash-financed.

One positive side-effect following the introduction of a 3% higher stamp duty rate on purchases of additional dwellings is that it has given us a better handle on the composition of transactions.

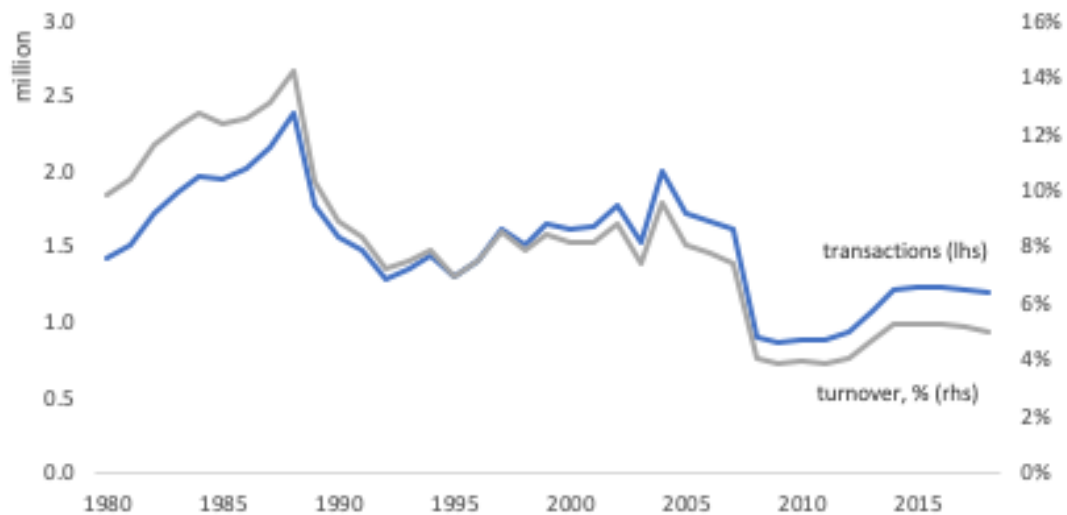
Recent stamp duty metrics indicate that about a fifth of property transactions represent purchases of additional dwellings (the ability of households to apply for refunds in certain cases makes it difficult to come up with more precise estimates).

Allowing also for first-time buyer activity, we can infer that moving home accounts for about half of all purchases (most, but not all, of these will be made by those who are already home-owners). Some analysis by Neal Hudson² a few years ago provides reassurance that this estimate is in the right ballpark.

² [*Missing Movers: A Long-Term Decline in Housing Transactions?*](#), Council of Mortgage Lenders, June 2017

We know that the size and nature of property transactions provide helpful pointers about the overall health of the UK housing market, and also the potential future trajectory for industry net lending³.

Chart 2: Housing market activity, UK



Source: HMRC; Office for National Statistics; author estimates

As Chart 2 shows, the UK has experienced a significant long-term decline in house purchase activity.

Although sales recovered strongly from their recessionary lows of about 860,000 in 2009 to around 1.2 million, activity has languished around this level for several years and continues well below pre-recession levels of nearer 1.6 million home sales.

Allowing for the fact that many more homes are privately owned today, property turnover – that is, buying/selling activity relative to the stock of homes - has halved over the past 25 years. Transactions continue to run at only about three-quarters the pace before the credit crisis, whilst turnover is at least a third lower.

Data limitations mean that we do not have a full picture, but we do know that different groups of property buyers have been affected differently:

- First-time buyers have more or less regained their pre-recession levels, helped by government housing initiatives such as the Help to Buy Equity Loan

³ [Approaching the limits to lending growth?](#), IMLA April 2018

scheme and the recovery in the credit risk appetite of mortgage lenders following the global financial crisis;

- Buy-to-let landlords had recovered some of their former buoyancy, before a raft of tax and regulatory measures⁴ hit investment intentions from 2015 onwards;
- There has been only a modest pick-up in the number of movers using mortgage finance and, according to UK Finance figures, this group of buyers accounts for the lion's share of the decrease in overall activity;
- By contrast, cash buyers have been the most buoyant group, with the volume of purchases actually moving a little bit higher.

This latter point is important because, if we make the reasonable assumption that cash-financed investment activity has followed a similar path to buy-to-let lending, the inference is that recent years have seen greater numbers of cash-financed movers. This in turn means that published figures on movers, where they are based on mortgage-financed transactions only, potentially misrepresent what is really happening in this core part of the market.

And this is the backdrop to our interest in last-time buyers.

To what extent is the behaviour of last-time buyers driving recent trends amongst home movers and what does the future hold?

We know that the ageing nature of our population is having profound socio-economic impacts for the UK generally, and as we shall see this is no less true for the housing market.

The next section pulls together what we know about the housing circumstances of older age groups, and in particular last-time buyers.

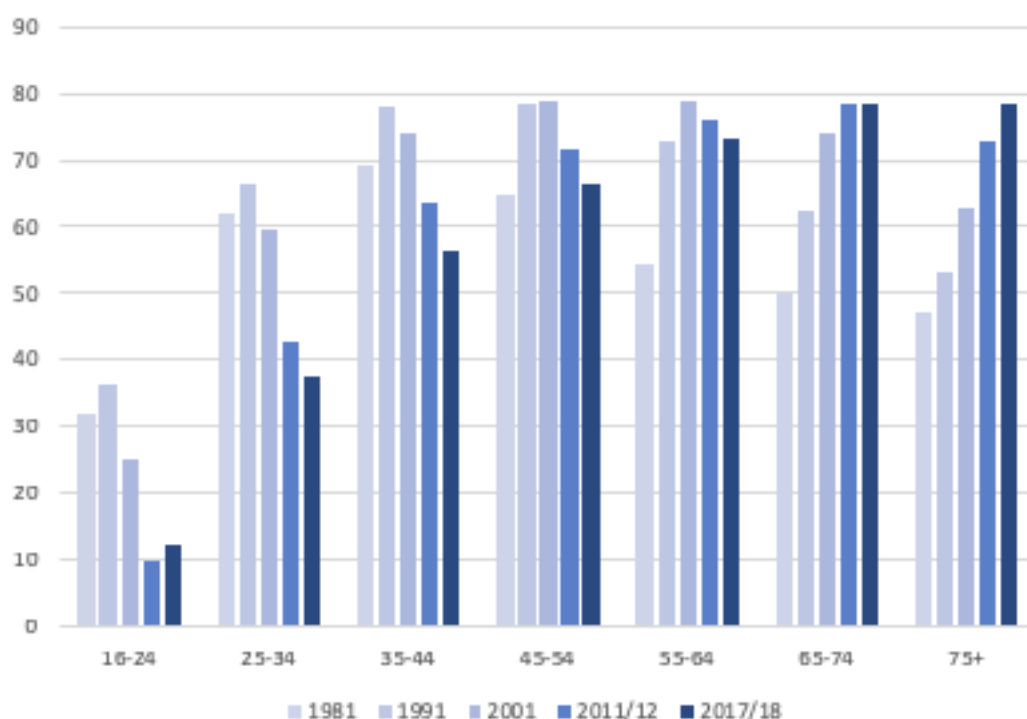
⁴ [Buy to Let under pressure](#), IMLA, February 2018

What do we know about last-time buyers?

Ownership by age

As we touched on in IMLA's later life lending report⁵, older age cohorts have become a more dominant part of overall home ownership.

Chart 3: Home ownership by age, England, % of age group



Sources: English Housing Survey (2008-9 onwards); Labour Force Survey (1981, 1991, 2001).

With the population getting older and younger households struggling to get on the housing ladder because of affordability issues, today's older age groups are more likely to be home-owners than in the past. They also enjoy much higher home ownership rates than younger age groups – today, well over 70% of those aged 55 or older are home-owners, more than double the rate of ownership seen for 25-34 year-olds.

These trends mean that older home-owners account for a growing share of home ownership. According to the latest English Housing Survey, they own about 55% of

⁵ [Developments in later life lending to an ageing population](#), IMLA, July 2018

all owner-occupied dwellings and younger home-owners the remaining 45% - almost the exact mirror image of the position just over a decade ago.

With more mortgages extending to retirement or into the early retirement years, as evidenced by recent FCA figures⁶, the proportion of older home-owners who own their home outright has not changed dramatically over the past decade or so. Nevertheless, a majority of older home owners – 63% - do own their property outright, and they account for the bulk (84%) of all outright owners.

Not surprisingly, older home-owners also hold a disproportionate share of housing equity - £1.8 trillion out of a total £2.6 trillion of housing equity, according to one source⁷.

The upshot of all this is that the behaviour of older home-owners has the potential to profoundly affect the functioning and health of the housing market, both now and for decades to come⁸.

This makes it important to understand the circumstances, needs and aspirations of older home-owners.

This is harder than it sounds, not least because the older age cohort, from which our last-time buyers are drawn, is by no means a homogeneous group. The circumstances and behaviour of a 55-year-old have no more in common with an octogenarian than they do with someone in their late 20s. We need to develop a much more nuanced approach, which recognises that we are dealing with an incredibly large and diverse group.

How often do older people move?

Broadly speaking, people tend to move less often as they get older (see Chart 4), but there are some key differences across the different tenures.

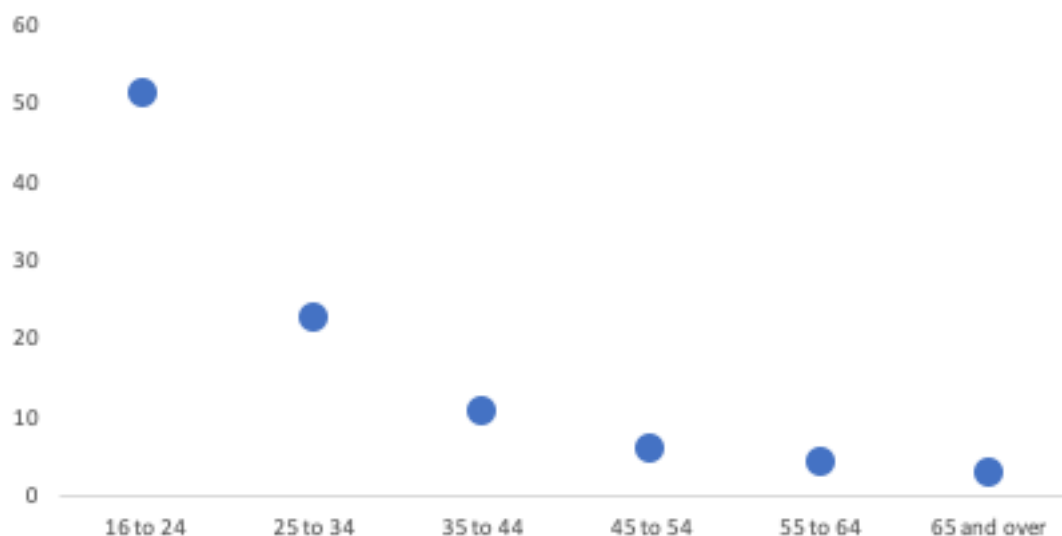
⁶ [The mortgage market today – FCA analysis of an evolving sector](#), FCA, February 2109

⁷ [Equity release rebooted: the future of housing equity as retirement income](#), Equity Release Council, April 2017

⁸ [The last-time buyer: housing and finance for an ageing society](#), Centre for the Study of Financial Innovation, March 2019

In the private rented sector there is a high frequency of moving home amongst younger age cohorts, but turnover rates broadly halve for the 55-64 age group and then again for the 65+ group. For home-owners, much of the slowdown in mobility has already set in by 45-54 and we see relatively modest declines after that. By contrast, for those in social housing, turnover rates actually build from the mid-life years onwards, presumably in part reflecting efforts by local authorities and housing associations to make the fullest possible use of their housing stock.

Chart 4: Proportion of households moving in past year, all tenures, %



Source: English Housing Survey Table FA4141 and 2017-18 Household report

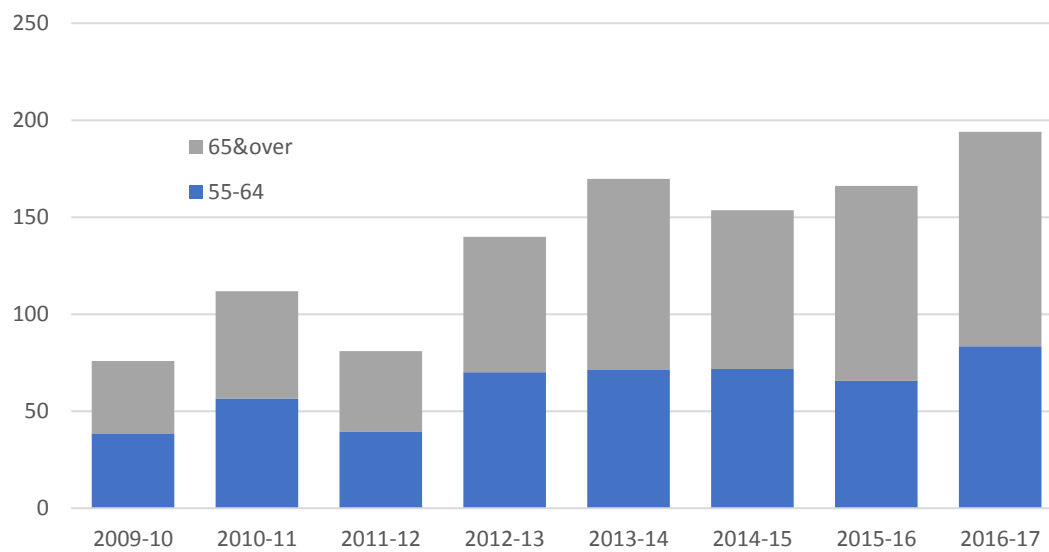
Note: These figures represent the average for the three years ended 2016-17

Although we should not read too much into single year data, because of sampling errors, English Housing Survey figures point to a material increase in property purchase activity by older households over recent years (Chart 5). While a small proportion of these – a little over 10% - will reflect moves from other tenures (mainly the private rented sector) into home ownership, they provide a reasonable proxy for moves by older home-owners.

Indeed, when we take into account that these figures relate only to England, it is clear that at a national level about 200,000 older home-owners now move each year.

Such last-time buyers now represent a material part – roughly a third - of all property moves.

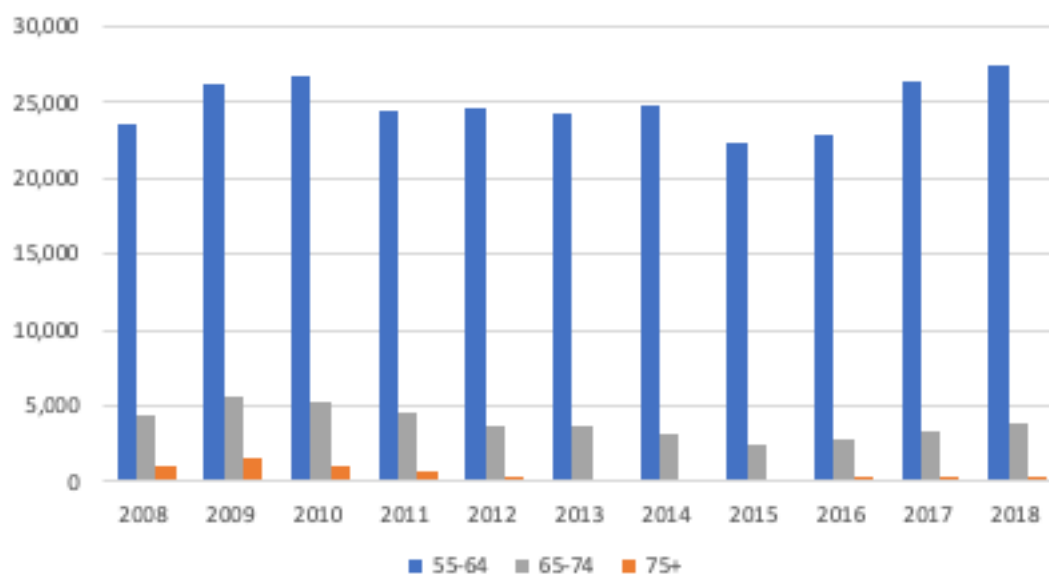
Chart 5: Number of older households buying home-ownership properties within past year, England, 000s



Source: English Housing Survey Table FA4141

Interestingly, the number of moves by older home-owners which are supported by a mortgage has grown by nothing like this over a similar period. Mortgage-financed moves account for a relatively small fraction of all older moves (well under 20%, when geographical differences in data sources are allowed for). This strongly suggests that most last-time buyer activity, and much of the growth in that activity, has to date been cash-financed.

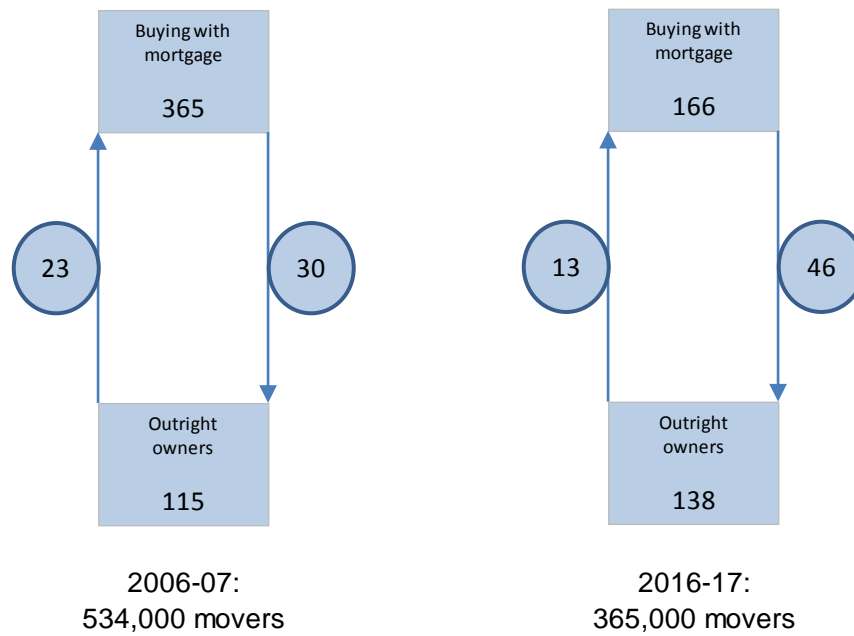
Chart 6: Moves where mortgage taken out by older households, UK



Source: UK Finance

We get a strong sense of the increasing role played by cash when we dig a little deeper behind the English Housing Survey metrics.

Figure 1: Household moves within home-ownership, England



Figures and arrows indicate the number of households (000s) moving into, out of or within each category in the past year.

Source: English Housing Survey, full household sample

Figure 1 provides a simplified version of what has been happening over the past decade.

Although the number of movers has picked up from 2009-10 lows, they have not fully recovered their pre-crisis levels. We can see, however, that the weakness centres entirely on those buying with a mortgage. Indeed, the number of moves by those who own their properties outright has more than regained its previous position.

Last-time buyers account for nearly all of the moves (132,000) by outright owners (138,000) in 2016-17.

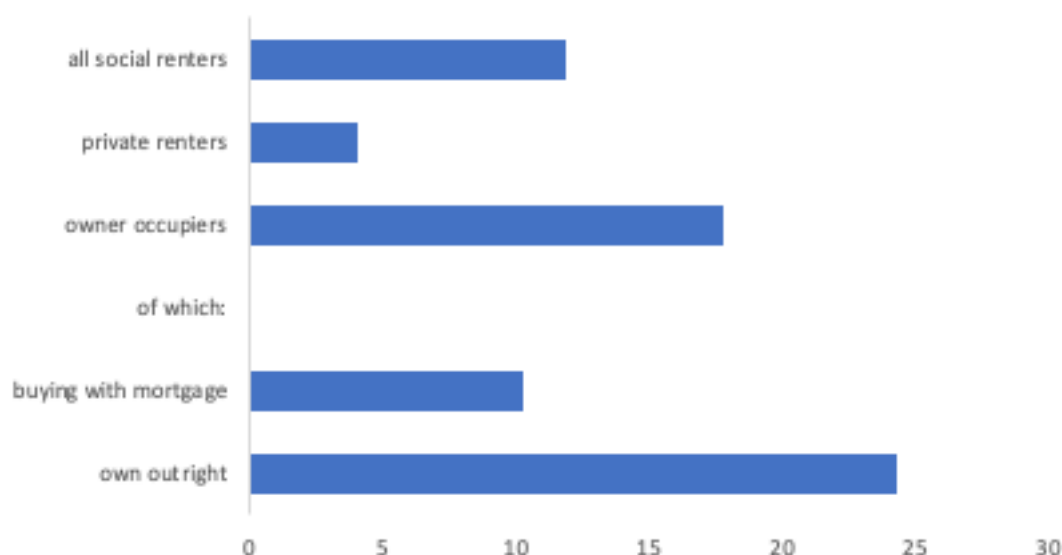
We also see from Figure 1 that there are higher numbers of households redeeming their mortgage around the time of a move and becoming an outright owner, a development that may be indicative of downsizing. The pattern for those moving in

the opposite direction – from mortgage-free to having a mortgage on the property bought – has been erratic (at least, according to the Survey of English Housing), but clearly downwards over time.

Some of the growth in last-time buyer activity reflects the fact that there are now 8 million older home-owners – a million more than a decade earlier. The proportion of older home-owners moving has picked up, but still accounts for only 2½% of the age cohort annually.

An important ramification that flows from still modest rates of moving among older age cohorts can be seen in how long households remain in their current home. For home-owners, as can be seen in Chart 7, the average number of years spent in the current home dwarfs that of other tenures. These broad orders of magnitude have changed little over recent years.

Chart 7: Average number of years in current home, by tenure, 2017-8



Source: Office for National Statistics 2017-18 English Housing Survey, Annex Table AT1.18

Usage of homes by age

This brings us to a subject which has generated considerable heat, but little light, over recent years - whether older people “hold on to too much housing”.

A little surprisingly, given the persistent policy concerns that have been expressed about shortfalls in new housing supply over the years, many UK homes are classified

as under-occupied. Not only that, but the UK has a greater incidence of under-occupation than most other European countries, including those with similar-sized populations⁹.

How under-occupation is measured?

The starting point for the official definition of under-occupation is something called the “bedroom standard”.

This comprises a slightly arcane set of rules on how many bedrooms a household needs, based on number of adults and their partnership status, together with the number, age and gender of any children in the household.

Where a household has at least two rooms over and above the bedroom standard, then official data will classify the property as being “under-occupied”.

It is worth noting that this administrative definition of under-occupation may be at odds with the perceptions of many older people themselves.

The metric makes no allowance for the size of bedrooms, whether couples sleep apart because of choice or disability, whether older people play an active role in looking after their grandchildren, wish to have space for family members to stay, or use spare rooms for hobbies and interests.

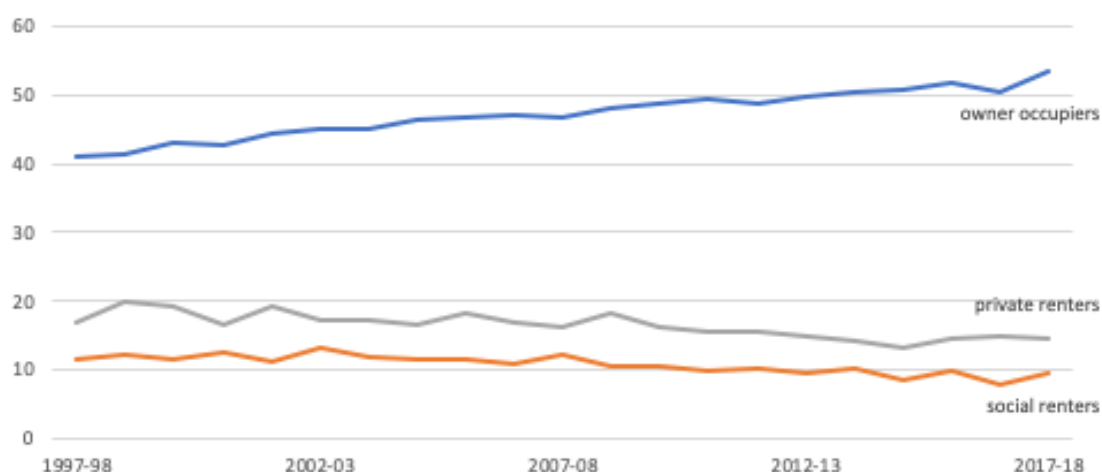
Reliance on the bedroom standard means that any couple or single person living in a property with three or more bedrooms is automatically considered to be under-occupying.

Nearly 9 million homes in England (38% of the total) are under-occupied, based upon the official definition (of at least two rooms over and above the bedroom standard), according to the Office for National Statistics.

There is huge variation by tenure, with home ownership firmly under the spotlight, as Chart 8 shows. About 7.9 million of the 9 million under-occupied homes are to be found in the owner-occupied sector. According to the figures, just over half (54%) of owner-occupied dwellings are under-occupied, compared with 10% of social housing and 15% within the private rented sector.

⁹ [EU-Statistics on Income and Living Conditions](#), Eurostat

Chart 8: Trends in under-occupation, % of tenure, England



Source: Office for National Statistics, 2017-18 English Housing Survey Headline Report

A recent English Housing Survey article¹⁰ confirms that under-occupation tends to increase with age. According to the data, older people (those 55 or older) account for nearly two-thirds of total under-occupation.

But it also looks at a range of factors, including ethnicity, tenure, socio-economic group and income, that are also associated with under-occupation, suggesting that the issue is far from straightforward.

And knowing that there is a strong association between age and under-occupation does not tell us whether older households are happy with their housing situation, nor what if anything might be done to change things.

¹⁰ [Households under-occupying their home](#), MHCLG October 2018

Why do older home-owners move home

Contrary to the common perception that older home owners are reluctant to move, studies suggest that the opposite is true – and that there is in fact a strong interest in the idea of moving home.

For example, according to a Prudential study¹¹, 47% of the home-owners over 55s, representing about 4 million households plan to downsize at some stage. Another study, this time from Legal & General¹², suggests that there are 3.1 million last-time buyer households looking to downsize, and that this is set to grow to 3.7 million by 2026.

The Prudential study goes on to highlight that the most frequent motivation for older home-owners is to have a home that is easier to manage and has lower household bills – a point on which numerous research reports concur.

The desire to release equity seems to be a less powerful driver, although it still happens – often incidentally – in a significant number of cases. An earlier study from the International Longevity Centre¹³ indicates that the motivation to release equity via downsizing declines with age.

Where the motivation is to withdraw housing equity, this is mainly and more usually to boost pension income or savings, rather than gifting money to family members (for example, to help them buy a home). The Prudential study is one of several suggesting that, when housing equity is withdrawn, a typical amount is about £100,000.

¹¹ [Nearly 4 million plan to downsize](#), Prudential press release, September 2017

¹² [Last Time Buyers](#), Legal & General, April 2018

¹³ [Generation Stuck: Exploring the Reality of Downsizing in Later Life](#), International Longevity Centre, January 2016

What do we mean by downsizing?

Downsizing is not as straightforward a concept as we sometimes think, and studies sometimes add to the confusion by being a little vague as to what is being looked at or even see downsizing as a proxy for all moves by older households.

Although most people associate downsizing with moving to a smaller home, it can also refer to moving to a cheaper property. The table below, drawn from an NHBC Foundation report on moves to new-build homes, usefully illustrates that the two are not necessarily simultaneously true.

Table 1: Downsizing by size and financial outcomes

	Fewer bedrooms	Same number of bedrooms	More bedrooms
Cheaper home	19%	14%	7%
Similar price home	10%	8%	6%
More expensive home	6%	13%	16%

Source: Moving insights from the over-55s, NHBC Foundation, December 2017

In this table, few would disagree that the 19% figure in the top left hand cell represents downsizing.

If we define downsizing simply in terms of fewer bedrooms (assuming this is a useful measure of size), then we might estimate that the whole of the left column, that is 35% of cases (19%+10%+6%) represent downsizing.

Alternatively, if our preferred metric is cheapness, then we would estimate that the whole top row, that is 40% (19%+14%+7%) of cases involve downsizing.

Finally, if we give size and financial outcomes equal ranking then we might also include moves to a cheaper home that has the same number of bedrooms (14%) and moves to a similar-priced home with fewer bedrooms (10%) to our original top left hand figure of 19%, and conclude that 43% of cases represent downsizing.

Older home-owners are not only interested in downsizing, of course.

An NHBC Foundation study¹⁴, albeit one focused on the new-build sector, found that house moves by the over 55s divide fairly equally between those moving to fewer bedrooms, the same number or more. And, as the boxed article on downsizing shows, not all moves to a smaller- or similar-sized property will necessarily be cheaper, especially if higher quality or a better location is being sought.

Crucially, in the majority of cases, older home-owners do not need to move home, whether for financial reasons or the need for care. This may change over the coming decades, as the number of very elderly folk grows or as changes in pension arrangements give a financial imperative sharper focus.

But for now and the foreseeable future, moving home for the majority of older home-owners is likely to be highly discretionary in nature and focused on mainstream housing.

¹⁴ [Moving insights from the over-55s](#), NHBC Foundation, December 2017

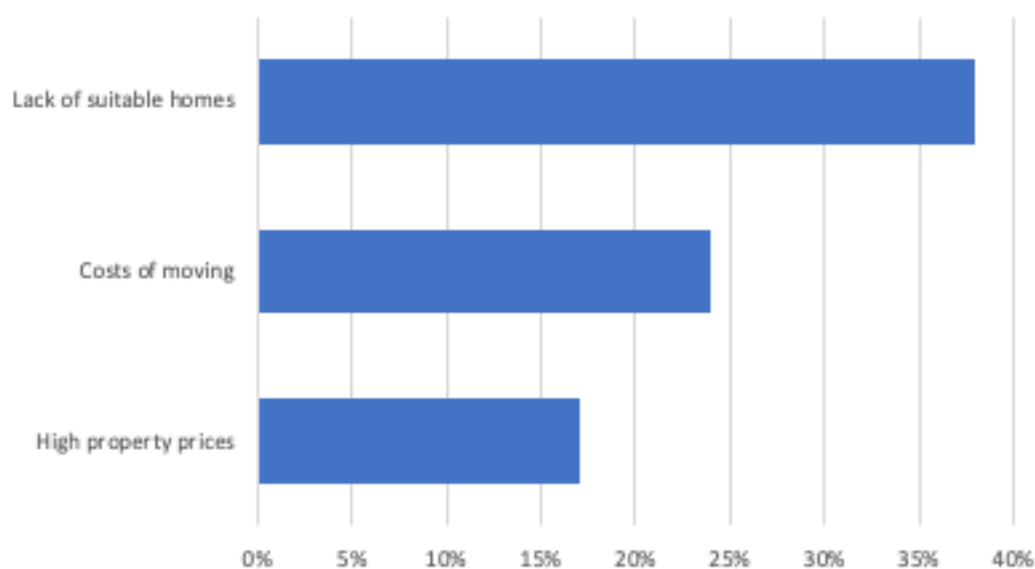
Obstacles to older home-owners moving home

Although we should not read too much into surveys of household intentions, it does not seem like too big a stretch to suggest that the current number of moves by older home-owners is sub-optimal and that, even after several years of strong growth, there continues to be significant upside potential.

A wide array of factors serves to hold back activity, but prominent among them are poor choice of suitable properties to buy, high transaction costs and affordability pressures. This section explores these and other headwinds.

Taken together, such factors will restrain moving behaviour to some degree, and so contribute to a situation in which households stay on in the properties where they have brought up their families long after their children have left home.

Chart 9: Reasons why downsizing is not more popular



Source: Prudential press release, September 2017

Choice of property

We have known for a long while that older households are under-served. The Joseph Rowntree Foundation¹⁵ pointed out the limited choice of both mainstream

¹⁵ [Older people's housing: choice, quality of life, and under-occupation](#), Joseph Rowntree Foundation, May 2012

and specialist housing as long ago as 2012, but the problem almost certainly predates that study by a number of years.

A June 2018 study from Key Retirement¹⁶ confirms that finding a suitable home for older people to move to remains a major obstacle.

While a proportion of older households are interested in “retirement homes”, too little such stock is being built – just 6-7,000 units annually – and most of the property that is being developed is designed for an elderly population, with mobility or other health issues, rather than younger and more active cohorts.

Although 2017’s Housing White Paper recognized the challenges for later life households needing to find suitable retirement housing, the dearth of choice in the mainstream sector (where most older households actually want to be) does not seem to have registered as a policy concern in the same way.

It is bewildering in the extreme that the desire of older home-owners to find homes that are more manageable, energy-efficient and low maintenance has not translated into a golden opportunity for private sector house-builders. That it has not would suggest that there is a market failure of some kind, and that Government may need to intervene.

With demographic-led demand set to increase, it is hard to avoid the conclusion that we need to unblock new supply and develop new models of housing that cater for mainstream last-time buyers.

Transaction costs

Our taxation system confers generous tax advantages on housing wealth and serves to discourage people from moving home.

Capital gains tax exemption and inheritance tax relief on main homes, together with the failure of policy-makers to index Council Tax in line with house price inflation, all encourage people to hold on to their residential property wealth.

While the government has sought to ensure that home-owners selling or downsizing their homes are not put at a disadvantage with respect to inheritance tax (following

¹⁶ [Last-time buyers struggle to find the homes they want](#), Key Retirement, June 2018 press release

the July 2015 Budget changes), public policy does very little at present to incentivize older people to move or downsize.

The transaction costs associated with buying and selling property can be large and are, in many cases, dominated by stamp duty. IMLA, like many organisations, believes that stamp duty is a poorly designed tax, which acts as a significant across-the-board deterrent for those thinking about moving home. Such adverse effects may loom particularly large in the minds of older home-owners for whom such moves are in most cases highly discretionary.

Affordability pressures

With only a limited choice of suitable property to move to, high transaction costs and some households interested in moving to properties which are a similar price or more expensive, many older home-owners are likely to face financial obstacles to a move. While some may be able to use their savings or pension pots, in other cases financial products may be needed.

There has been considerable innovation around mortgages that extend into retirement, lifetime mortgages and retirement interest-only (RIO) products over the past few years, and these have undoubtedly filtered through into help for some last-time buyers. Further innovation will broaden and deepen demand from older home-owners, and hopefully encourage more new supply of attractive homes.

Other obstacles

There are of course many other challenges facing older home-owners looking to move home.

For many of us, the idea of staying in a neighbourhood we know, close to friends and family exerts a strong emotional pull. This is true whatever our age, but often grows in our later years, when, alongside any deterioration in physical or mental well-being, we may encounter a period of living on our own, loss of social contacts and a risk of loneliness.

One profound challenge can be the need to sort out all the stuff we have accumulated over decades. This often presents both practical and emotional challenges, especially for those looking to move into a smaller property.

And for some in their later years, the sheer “hassle” involved in buying, selling and moving, viewing properties, engaging solicitors etc may be enough to quench the idea of moving home altogether or necessitate bespoke help.

Some of the factors described in this section help to explain why moves in later years may be increasingly tied to well-being needs. This stands in marked contrast to the broader picture for last-time buyers, for the vast majority of whom moving home is discretionary and aspirational.



Policy considerations

This section looks at some of the policy issues our report raises.

Successive governments have directed considerable effort towards promoting home ownership over the past few decades. This has largely been synonymous with promoting the interests of prospective first-time buyers.

More recently, government housing policy has also focused on boosting new supply. This follows the 2004 Barker Review¹⁷, which found that the UK would need much higher levels of new housing supply over a sustained period, in order to mitigate our deep-seated affordability problems.

Post global financial crisis, we have seen significant levels of government intervention, aimed at supporting new-build activity or first-time buyers or both, as for example with the Help to Buy Equity Loan scheme.

While such focus is laudable, there is a danger that housing policy risks neglecting the wider workings of the housing market and so fails to consider interventions that could support broader policy aims.

We sense that there may be something of a policy blind-spot when it comes to older home-owners. If this is indeed the case, that would seem particularly unfortunate, given that such households now account for more than half (55%) of owner-occupied homes, and their circumstances and behaviour are set to profoundly shape the functioning and wider health of the entire housing market for many years to come.

Their importance suggest that we should develop policies around this age cohort, and perhaps last-time buyers in particular.

Older home-owners are experiencing a similar range of pressures to first-time buyers. But with few schemes designed to help, and limited prospect of older home-owners being supported by the Bank of Mum and Dad (although there are examples of children helping their parents financially), there may be opportunities here for policy interventions that promote a better range of housing outcomes.

¹⁷ [Review of Housing Supply](#), HM Treasury, March 2004

Previously, much attention has centred on “downsizing”, and the asserted benefits for those looking to get on the housing ladder, as larger family-sized properties return to the market and their ownership percolates down through the generations¹⁸.

At times, the wider public debate has been shrill and unproductive.

Whilst it may well be the case that downsizing would nudge under-occupation rates lower, the effect is likely to be rather modest and drawn out over many years. This is not to say that a more intensive use of our existing housing stock would be unwelcome, but there is a danger that it focuses on the wrong issue.

If a healthy housing market is one where households face a good choice of properties and can move easily between them as their circumstances change, then the UK fails this test when it comes to older people.

With life expectancy now greater than for previous generations, it is even more important that government policy is holistic and strives to enhance the lifestyle and living conditions of older households.

We recognise that there may be some political sensitivity to helping those who are already deemed as being fortunate enough to own a home, but these issues can be addressed, especially if measures are shown to deliver wider policy benefits. For example, as a Local Government Association report¹⁹ noted, the suitability of housing is crucial for the health and well-being of individuals and impacts on other public spending areas such as the NHS and social care.

Building more homes

The most pressing issue is the lack of suitable homes for older households. In the case of mainstream housing suitable for older home-owners, we recommend that the government reviews what is inhibiting the industry from offering such properties.

In addition to looking at what changes to the planning system might be needed, we would encourage the Government to consider whether it has a direct role in kick-

¹⁸ See for example [The last-time buyer: housing and finance for an ageing society](#), Centre for the Study of Financial Innovation, March 2019

¹⁹ [Housing our ageing population](#), Local Government Association, September 2017

starting such activity. After all, the Government has demonstrated with its Help to Buy interventions that it can be a positive catalyst for change, and sometimes at little if any longer-term fiscal cost.

Back in 2014, the All Party Parliamentary Group (APPG) on Housing and Care for Older People proposed a “Help to Move” equity loan to help later-life home-owners trade down into retirement properties. Might it be possible to re-purpose the Help to Buy Equity Loan scheme to make a broader range of aspirational moves affordable for older households? Perhaps altering or removing the 5-year interest free period and setting the interest rate on the equity loan portion, in ways that recognize that the target recipient is already a home-owner? The primary aim would be to facilitate rather than to subsidise.

As well as supporting the choice and lifestyle preferences of older home-owners, such an intervention might stimulate more last-time buyer homes to be built and faster build-outs (as per the Letwin Review²⁰). There might also be benefits for the energy-efficiency of the overall housing stock, because the faster return of larger family-sized homes back into the wider market is likely to be associated with better maintenance as well as greater retro-fitting of energy-saving features.

To the extent that the policy underpins higher property turnover, there would be benefits for overall market liquidity. In this context, it is worth noting that more purchases by last-time buyers over recent years have helped to underpin market liquidity when most other transactions have been soft.

More property transactions would also be positive for the fiscal position, other things being equal, because of the higher tax yield associated with stamp duty and other move-related expenditure.

Elsewhere, the Intergenerational Foundation²¹ has put forward an interesting idea with respect to existing properties. It estimates that 4.4 million homeowners have properties that could potentially be split into two or more smaller dwellings, with more than 2 million of these owned by retired people. Sub-division could neatly address the reluctance of many people in their later years to move away from a familiar area or sacrifice their local network of family and friends. The Foundation asserts that relatively minor planning and tax reforms could potentially enable thousands of older people to subdivide their homes, in a way that made their living space more manageable, whilst also freeing up a housing unit for sale or rent.

²⁰ [Independent review of build out: final report](#), HMRC October 2018

²¹ [Unlocking England's Hidden Homes](#), Intergenerational Foundation, February 2016

Stamp duty

A number of think tanks and others have proposed cuts in stamp duty or other concessions to help last-time buyers address high transaction costs and affordability pressures.

As general relief from stamp duty for older households would risk triggering concerns about inter-generational unfairness, most proposals in recent years have been predicated on helping just those home-owners who need to move into specialist housing, or households looking to move into smaller/cheaper properties²².

While such proposals are well-intentioned, piecemeal reform risks adding further complexity to the tax treatment of property and also perhaps unintended consequences, such as seeing the benefit of any change being dissipated in higher capital values.

More importantly, it is simply not clear whether stamp duty relief would be transformative. The recent changes in the tax treatment of first-time buyers are salutary in this respect, with almost no change in first-time buyer numbers last year, despite the fact that the vast majority of first-time buyers have enjoyed relief from stamp duty land tax since late 2017.

²² See for example [Building for the Baby Boomers](#), Policy Exchange, December 2018

Issues for mortgage lenders/intermediaries

Whilst there are many factors that inhibit older home-owners from moving, the principal one is a lack of suitable housing. This is an area where government policy will ultimately determine the longer-term growth trajectory, but one where the lending industry can and should play a constructive part.

There is considerable scope for lenders and intermediaries to help more older home-owners become last-time buyers.

English Housing Survey data suggest that last-time buyer activity has grown by at least 10-15,000 a year on average over the recent past, and it should be possible to exceed that rate of progress.

Not only do the demographics point to continuing growth, but the baby-boomer households are now at or approaching retirement. These households have lived with financial liberalisation the whole of their adult lives and see their homes and housing wealth as integral parts of their overall strategy for supporting a high quality of life into and through their retirement years.

Although many are, or will become outright owners, they are less wedded to the importance of full ownership than first generation home-owners, and less worried about passing on large inheritances to family members.

We see this shift of sentiment in changing attitudes towards lifetime or other equity release products. The past stigma that used to be associated with such products has faded fast and is now giving way to a recognition that they can boost retirement income, support lifestyle choices or help loved ones.

One of the interesting findings discussed earlier is how most of the growth in last-time buyer numbers over the past decade has been amongst older households who own their property outright or who appear to have gone mortgage-free following their last transaction. The latter would be consistent with a growing preference for downsizing, although it may simply reflect the fact that, in a period of low interest rates, it has made sense to use pension or other savings to clear any remaining mortgage sums when moving home.

Either way, one clear inference that can be drawn from Figure 1 is that relatively few last-time buyers have found themselves able and/or willing to move in cases where finance was necessary. The picture may have changed a little since 2016-17 (the

latest period for which we have information), but the narrative is consistent with the general dearth in mortgage-financed moves.

This gives rise to something of a chicken and egg dilemma.

We know from the experience with the Help to Buy Equity Loan scheme that the supply of finance, by making latent demand more effective, can stimulate a meaningful supply response. This is particularly true in the case of new-build property, where developers are looking for certainty that there will be a strong and sustainable demand for new housing units.

Given the importance of older households – they already account for a third of all moves into or within homeownership, and close to half of all moves within the tenure – industry bodies need to work together with Government in fostering last-time buyer schemes, whether these are bespoke equity loan deals, shared ownership schemes or entirely new arrangements.

Elsewhere, we have of course already seen considerable financial innovation around mortgages into retirement, lifetime mortgages and retirement interest-only products.

As this continues, it will support greater levels of last-time buyer activity, both more generally and also with respect to older home-owners who need finance in order to make property moves possible. Whether this is finance to cover the purchase cost, the costs of the move itself, furnishing or improvement of the purchased property.

With older home-owners facing a diverse range of different circumstances, and greater cross-over between standard mortgages, equity release products, pensions and investments, the need for bespoke holistic advice and the role of intermediaries is likely to grow commensurately.

IMLA sees huge opportunities for the housing and mortgage sectors to better serve the interests of older home-owners over the coming years, and in ways that promotes their life-style and well-being, as well as the wider health of the housing market.

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About IMLA

The Intermediary Mortgage Lenders Association (IMLA) is the trade association that represents mortgage lenders who lend to UK consumers and businesses via the broker channel. Its membership unites 43 banks, building societies and specialist lenders, including 16 of the top 20 UK mortgage lenders responsible for almost £180bn of annual lending.

IMLA provides a unique, democratic forum where intermediary lenders can work together with industry, regulators and government on initiatives to support a stable and inclusive mortgage market.

Originally founded in 1988, IMLA has close working relationships with key stakeholders including the Association of Mortgage Intermediaries (AMI), UK Finance and the Financial Conduct Authority (FCA).

Visit www.imla.org.uk to view the full list of IMLA members and associate members and learn more about IMLA's work.

About the author

Bob Pannell is an independent economic consultant who serves as Economic Adviser to IMLA. He spent a large part of his career at the Council of Mortgage Lenders (1990-2017), where for many years he was Chief Economist and part of the senior management team. Bob led the CML's commentary and analysis of the UK housing and mortgage markets, wrote articles for publication, initiated key data initiatives, supported policy development and PR activities, and represented the mortgage industry with government departments and regulators. Prior to working in the mortgage sector, Bob spent a decade in various economist roles across the public and private sectors.