We have been fortunate enough to work with a number of leading operators in the Housing with Care sector across both private and affordable markets. This analysis gives us a unique and detailed insight into operations, performance and resident profile.

**The Survey in Numbers**

15,000 units analysed across 165 Housing with Care schemes

Private Housing with Care

- 65 schemes
- 6,500 units
- 50% of market

Affordable Housing with Care

- 100 schemes
- 8,500 units
- 32% of market

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The wider backdrop to this year’s Seniors Housing Annual Review has been a challenging one. Undoubtedly, the ongoing health crisis has tested and will continue to test seniors housing investors, operators and residents.

As the world begins to open back up, it is encouraging to see just how resilient the sector has been.

The data in this year’s Review suggests that, while the pandemic had an impact on the sector, recovery has been swift.

Indeed, it feels like the time has come in 2021 for the UK seniors housing sector, with an alignment of forces driving it forward – increasing investment into operational real estate, expansion of rental, operators gaining experience, marketing suites re-opening after lockdowns, greater understanding of the proposition from investors and residents alike and increased government focus (and spending!) on the social care agenda due, in part, to the pandemic pushing it up the agenda.

Investors are moving and diversifying across the residential investment space (PBSA, to PRS and into Seniors Housing). Investors view seniors housing as an extension of the residential investment market with differences around design, tenants, hospitality and services.

Thanks to (advancements in) modern medicine, many people in the UK are living longer, with the number of people requiring higher levels of support in later life increasing. It is essential to focus on and understand the target customer and build stable operating businesses.

We are seeing operators exploring what customers want with different financing options and tenures, with an emphasis on choice and flexibility.

The potential benefits of a larger seniors housing sector are substantial. Increasing quality of life; addressing feelings of loneliness and isolation; reducing social care costs; as well as freeing up family housing – all issues which have come into sharper focus through the pandemic.

Accordingly, the government’s commitment to “Build Back Better”, simply has to factor in a need to deliver age-appropriate housing to support our aging population.

In this report we share the findings of our third annual Seniors Housing Operator Survey, our biggest yet, based on data shared with us by leading operators.

The results highlight the diverse sources of income – across different departments and timescales – with deferred management fees, rent, management and service charges, ground rents, care and wellness, and food and beverage all contributing. Operating costs, meanwhile, are dominated by staffing as operators, like in other sectors, are focusing on staff training and retention as a way of managing costs.

In addition, we have analysed more than 20,000 seniors housing unit sales across the private sector to give a view on pricing and price changes over time.

As ever, we’d like to extend our thanks to those operators who contributed to this report. It has never been more important to have access to high quality data to move the sector forward – the willingness of many of you to contribute to our review is testament to this.
M A R K E T  U P D A T E

Institutional investment continued to flow into the UK seniors housing market in 2021, with more than £800 million spent in the first nine months of the year. This represented an increase of 73% on comparable 2020 levels. With a significant pipeline of deals expected to complete before year-end, we expect annual investment volumes will reach a record high for the second successive year.

Rising investment reflects the ongoing strong demand from investors to gain a foothold in a sector which, at its core, is underpinned by solid long-term demographic change. Volumes are also being supported by a wider pivot from investors away from traditional real estate assets.

Residential operational real estate has been a key beneficiary of this shift, with investors recognising the resilience of ‘beds’ sectors in a time of exceptional upheaval, as well as the potential for long-term secure income. Reflecting this, residential assets accounted for 17% of total UK CRE investment so far in 2021, up from 12% five years ago and 5% a decade previously.

The upshot for the seniors housing market has been a more diverse range of investors involved with the sector. Global capital is also taking note. Cross-border investment has accounted for almost a third of all senior housing spend so far in 2021, rising to 56% over the last 12 months. We anticipate international investment will continue to grow as the market matures into a liquid, mainstream asset class, in a similar manner to PRS and PBSA.

Naturally, as investment has risen, so too has delivery. While a significant number of the 749,000 existing specialist seniors housing units in the UK are social housing for rent, future development will be driven by the private sector.

We expect the number of specialist seniors housing units in the UK will grow by 9% over the next five years to just short of 820,000 units. There is a substantial pipeline for private Housing with Care schemes, offering increased levels of amenities, services and tenures.

Yet, even with this forecast expansion, the rate of delivery will still be dwarfed by the UK’s aging population, deepening the existing imbalance between supply and demand as shown in Figure 3.

The benefits of a larger seniors housing sector to society are substantial. Yet, just 20% of local authorities in England have supportive planning policies or sites allocated to seniors housing.

Progress is being made, albeit slowly. A number of recent planning refusals have been overturned at appeal based on a recognition of ‘need’. This gives confidence in the appeals process for other applications and supports the case for planning authorities to consider robust needs assessments going forward.

There are currently 31,000 seniors housing units in the pipeline. More than 90 seniors housing schemes have gained planning approval already this year, equating to 4,200 units. In order for the sector to reach its full potential, a uniform and supportive approach to planning at both a national and a local level is required.

In this report we share the findings of our third Seniors Housing Operator Survey, based on information shared with us by leading operators. It has, arguably, never been more important to have high quality data to assist with investment decisions and move the sector forward.

We expect the number of specialist seniors housing units in the UK will grow by 9% over the next five years to just short of 820,000 units.

**Table 1 | UK Seniors Housing Development Forecasts 2021-2025**

<table>
<thead>
<tr>
<th>Year</th>
<th>Retirement Housing</th>
<th>Housing with Care</th>
<th>Total Seniors Housing Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>668,308</td>
<td>80,696</td>
<td>749,002</td>
</tr>
<tr>
<td>2025</td>
<td>700,956</td>
<td>118,946</td>
<td>819,102</td>
</tr>
</tbody>
</table>

Forecast new units

2021: 32,650
2022: 37,450
2023: 46%
2024: 9%

Source: Knight Frank, EAC, planning portals
SECTOR PERFORMANCE

Sales performance
As more schemes launch, we are getting more clarity on how different parts of the sector perform, and what drives value and our performance.

The data shows two distinct groups; Retirement Housing and Housing with Care. Retirement Housing is age-restricted housing designed with the downsizer in mind, with Housing with Care schemes providing larger amenities and higher levels of services and care as an integral part of their proposition.

The sales evidence confirms seniors housing is capable of securing premiums over local residential pricing. When analysing the level of this premium, careful thought is required, with a number of considerations, such as micro locations and specification potentially having a significant impact. The Housing with Care premium is supported by the operator proposition, which includes the on-site services and support, as well as access to the communal facilities, which can be quite extensive.

Analysis of sales data for units which have sold over the last year shows that achieved prices have risen in 2021 compared with 2020.

Strong house price growth over the last few years relative to the wider property market has been one factor driving investment and sales within the seniors housing market.

Our Seniors Housing Index shows that, over the last five years, average prices in Housing with Care schemes have risen by more than 20%.

While this is in line with average house price growth for England over that time, it should be noted that this is largely due to the exceptionally strong performance of the residential property market over the last 12 months.

In the next five years we expect to see a race to scale and Housing with Care generally achieves higher sales values on average compared to Retirement Housing.

SENIORS HOUSING ANNUAL REVIEW 2021

METHODOLOGY
Our pricing analysis is based on a sample of almost 500 schemes across the country developed since 2000, split between Retirement Housing and Housing with Care.

The schemes comprise more than 10,000 individual units, which we tracked from original sales through to today including re-sales. This provided us with data for more than 20,000 seniors housing property transactions since 2001. This analysis includes schemes from all major private seniors housing operators, which, combined, have delivered almost 70% of private units in seniors housing.

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While this is in line with average house price growth for England over that time, it should be noted that this is largely due to the exceptionally strong performance of the residential property market over the last 12 months.
An increasing number of seniors BTR schemes have opened in the last 12 months, in addition to an increased provision of mixed tenure offerings (rental units alongside for-sale units in the same scheme) to meet tenant demand. We have collected rental data for a number of key private Housing with Care operators as part of this year’s survey. In total, 67% of private Housing with Care schemes offer private rental as a tenure option, either in a standalone build to rent scheme, or pepper-popped within for-sale schemes. Some 25% of total investment into the seniors housing market in the first half of 2021 was specifically targeting rental product.

We forecast the number of private rental units to increase by 166% in the next 5 years, from more than 5,000 currently to almost 13,000 by 2025. We project investment into rental will accelerate as investors from across residential bring their learnings from PBSA and PRS.

As the number of seniors BTR schemes grow, so too does the availability of data on aspects such as tenant profiles, how tenants are funding their stay, acceptable rental levels, design and operator Open.

The rental data confirms that retirement units can support rents that are higher than local residential lettings, which is particularly notable for Housing with Care. The higher rent being supported by the operator proposition including on-site services and care, as well as access to the communal facilities.

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The rental data confirms that retirement units can support rents that are higher than local residential lettings, which is particularly notable for Housing with Care. The higher rent being supported by the operator proposition including on-site services and care, as well as access to the communal facilities.
A number of operators have reported a significant uptick in new enquiries and reservations in recent months. While our analysis of quarterly sales data points to a 141% uptick in volumes in Q3 2021 compared with the second quarter.

The pandemic has forced the reassessment of housing and care provision in later life and accelerated the decision making process. With the further delivery of new institutional quality Housing with Care, there is an increased awareness of seniors housing and the benefits of its proposition. The ability for seniors to visit the sales room and show apartments once again, and for operators to engage face to face, has helped to increase sales activity. This momentum will continue, as there is a wider understanding of the product, and rental continues to expand.

Housing with Care has stood up well to Covid-19 and the data indicates sales are already recovering from this period.

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**OCCUPANCY RATES – PRIVATE HOUSING WITH CARE LEASEHOLD UNITS**

- **90%** Average occupancy – Mature schemes*
- **81%** Average occupancy – all schemes**

*Source: Knight Frank Operator Survey  
**Schemes built before 2018  
***All schemes within Operator Survey

---

**PRIVATE HOUSING WITH CARE – SALES AND MARKETING**

**SALES AND MARKETING PROCESS SNAPSHOT**

- Average number of months before PC that a price list was released: **2.5**
- Average number of on-site sales staff (FTE) at PC**: **15**
- Average number of months before PC that the sales office opened: **15**
- % of schemes which had a show apartment present before PC*: **76%**

*Source: Knight Frank Operator Survey  
**Mature villages  
***PC – Practical Completion

---

**STOCK SALES RATE – % UNITS SOLD AFTER PC**

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>England average</th>
<th>East Midlands</th>
<th>East of England</th>
<th>London</th>
<th>North West</th>
<th>South East</th>
<th>South West</th>
<th>Wales</th>
<th>West Midlands</th>
<th>Yorkshire and The Humber</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 MONTHS</td>
<td>25%</td>
<td>44%</td>
<td>63%</td>
<td>78%</td>
<td>85%</td>
<td>79%</td>
<td>82%</td>
<td>85%</td>
<td>77%</td>
<td>85%</td>
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<tr>
<td>12 MONTHS</td>
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</tbody>
</table>

Source: Knight Frank Operator Survey  
** Local residential house price is the average price of a house owned by seniors within the postcode district of each Seniors Housing scheme.

---

**SALES RATES – NEW BUILD VILLAGES**

Average % of units exchanged off-plan* in schemes built since 2018

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>England average</th>
<th>East Midlands</th>
<th>East of England</th>
<th>London</th>
<th>North West</th>
<th>South East</th>
<th>South West</th>
<th>Wales</th>
<th>West Midlands</th>
<th>Yorkshire and The Humber</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRE PC</td>
<td>25%</td>
<td>44%</td>
<td>63%</td>
<td>78%</td>
<td>85%</td>
<td>79%</td>
<td>82%</td>
<td>85%</td>
<td>77%</td>
<td>85%</td>
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<tr>
<td>6 MONTHS</td>
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<tr>
<td>18 MONTHS</td>
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</table>

*Source: Knight Frank Operator Survey  
**Off-plan indicates exchanges which took place before practical completion  
***PC – Practical Completion

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*Note: These are averages based on proportion of units exchanged before PC, and the rates do vary across schemes.

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*Downsizing Premium*

Average Seniors Housing unit price vs. average local residential house price**

- **England average**: 85%
- **East Midlands**: 77%
- **East of England**: 77%
- **London**: 79%
- **North West**: 85%
- **South East**: 78%
- **South West**: 89%
- **Wales**: 82%
- **West Midlands**: 77%
- **Yorkshire and The Humber**: 85%

Source: Knight Frank, Land Registry  
**Local residential house price is the average price of a house owned by seniors within the postcode district of each Seniors Housing scheme.
RESIDENTS AND OCCUPANCY

AVERAGE RESIDENT AGE DISTRIBUTION (SCHEME AVERAGE)

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Private HwC</th>
<th>Affordable HwC</th>
<th>HwC Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 65</td>
<td>0%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>65-69</td>
<td>0%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>70-74</td>
<td>0%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>75-79</td>
<td>18%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>80+</td>
<td>27%</td>
<td>42%</td>
<td>42%</td>
</tr>
</tbody>
</table>

AVERAGE RESIDENT AGE

- Under 65: 80 years
- 65-69: 84 years
- 70-74: 78 years
- 75-79: 80 years
- 80+:

% OF RESIDENTS MOVED WITHIN 10 MILES

- 85% of residents moved within 10 miles
- 51% of residents moved within 10 miles
- 63% of residents moved within 10 miles

DISTANCE TRAVELLED TO PRIVATE HOUSING WITH CARE SCHEMES BY ENTRY AGE

- 10 MILES: 19% of residents
- 5 MILES: 45% of residents

DISTANCE TRAVELLED TO PRIVATE HOUSING WITH CARE SCHEMES % of residents

- 10 MILES: 36% of residents
- 5 MILES: 25% of residents

AVERAGE LENGTH OF STAY (MATURE VILLAGES*)

- 7.2 years Private HwC
- 5.1 years Affordable HwC

% OF PRIVATE HwC RESIDENTS WHO WERE OWNER OCCUPIERS

- 97% of residents

% OF RESIDENTS WHO REQUIRED PERSONAL CARE ON ENTRY

- 16% Private HwC
- 77% Affordable HwC
- 53% HwC Average

*Analysis includes villages that have been operating for 3+ years
The data provided in the Income and Costs section refers to private Housing with Care schemes included with the Knight Frank Operator Survey. This data is for the 2020/21 financial period.

**Income**

Income from Housing with Care schemes comes from a diverse number of sources, and income streams vary across different operators, propositions and age of schemes.

In line with last year, service or management charges account for 60% of the total, on average, though such charges can vary significantly at each scheme depending on the level of amenity and service offered.

Deferred Management Fees (DMF) make up the second largest income stream with an average of 21% of total gross revenue. Note that this analysis combines both mature and newer built schemes, so this metric will vary substantially.

The remaining 20% made up from food and beverage (F&B) facilities – including restaurants and cafes – care and wellness, ground rents and estate agency.

Compared to last year’s survey, income from ground rents makes up a smaller proportion of the total, reflecting the fact that most operators have, or are in the process of, phasing them out.

**Costs**

Costs in Housing with Care schemes vary and are influenced by amenities, service and care levels, location and scale. Staffing is by far the largest outlay for operators, though costs associated with care and wellness are also significant, especially for schemes with operator-delivered care.

Estate management and maintenance costs are also notable.

**Staffing**

As a proportion of income, staff costs represent 35% of revenue across the schemes surveyed, rising to 48% in schemes with care provided by the operator.

There is approximately one full-time staff member to every five units within a private Housing with Care scheme, though there are more staff per unit in schemes with operator delivered care.

Within private schemes, the majority of staff are employed in areas such as F&B, estate management and maintenance. Conversely, in affordable schemes, the focus for staffing is within care and wellness.
DEFERRED MANAGEMENT FEES
In private housing with care schemes
93% of the schemes from the operators surveyed collect a DMF/event fee. Of these operators which do collect DMF/event fee, more than two thirds (69%) offer just one option, while the remaining third (31%) offer two options.

DMF/EVENT FEES
Deferred Management Fees (DMF), or event fees, are typically paid when the long leasehold is re-sold and are used to help offset upfront costs and align the interests of the operator and the resident.
DMF structures vary between operators, but our survey suggests that maximum caps are getting larger. Some 51% of operators who responded to our survey had a maximum DMF fee of between 10% and 15%, up from 38% last year. 28% of schemes surveyed had a maximum cap of 20%+.

28% of schemes surveyed had a maximum DMF cap of 20%+

21% of residents in private schemes and 50% of residents in affordable schemes require domiciliary care

8% of private schemes offer nursing care within the scheme

90% of private schemes and 99% of affordable schemes surveyed provide emergency support within the scheme

22% of private schemes provide care in the local community, increasing to 54% for schemes with operator delivered care

39% of private schemes surveyed give public access to gym/wellness facilities

70% of private schemes have at least 1 FTE wellness staff member

11 average of 11 different activities offered within private schemes, with 12 classes run per week

14,800 hours of domiciliary care provided on average annually within private schemes sampled

31,000 hours of domiciliary care provided on average annually within affordable schemes sampled

15 hours of domiciliary care provided on average per week per resident

Source: Knight Frank Operator Survey, UKHCA

*In the 31 schemes which provided at least one hour of care over the 12 month period

450,000 HOURS
Total hours of domiciliary care provided to residents across private Housing with Care schemes sampled by Knight Frank over the last 12 months.
Knight Frank Senior Housing

The Knight Frank Senior Housing Team provides a full range of services to the sector from research and consultancy, valuations and capital markets aimed at senior living developers, funders and operators and specialising in senior housing, housing with care, retirement living, and assisted living schemes.

Special thanks to the operators who contributed to this report.

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