Research
United Kingdom | 2024

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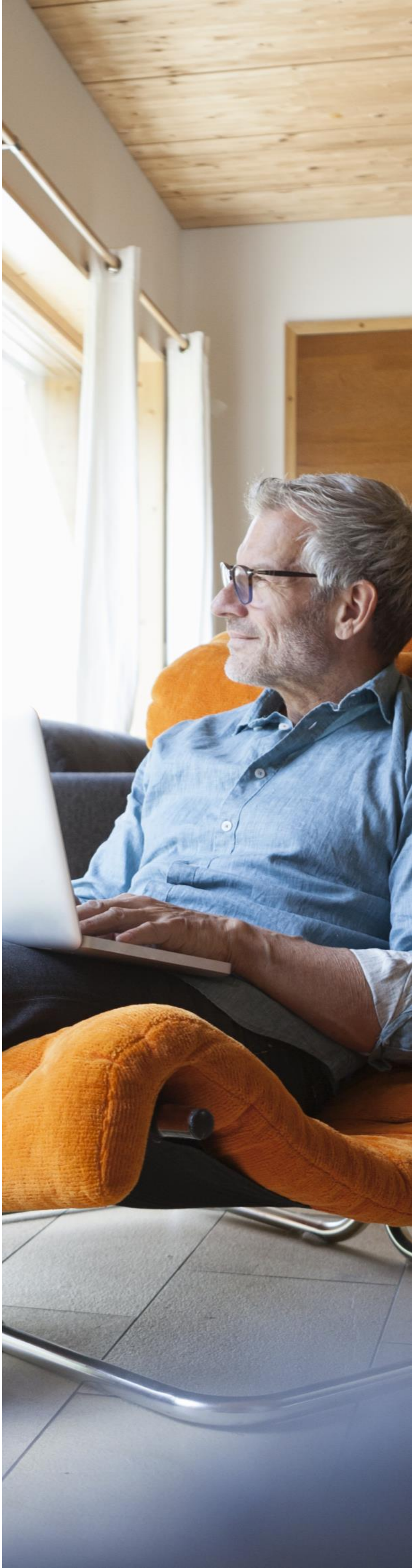
UK Seniors Housing Report

Q3 2024

SEE A BRIGHTER WAY

Contents



Foreword

I am delighted to welcome you to our inaugural UK Seniors Housing Report. Our New Zealand team has successfully produced this report for their market (which is more mature than the UK) for more than a decade and this provides similar insights and comparisons.

The UK population is ageing rapidly and the current and future cohorts of older people have high levels of affluence. This report explores the continued disparity between the proportion of affluent older people versus the sector provision which is heavily skewed towards an affordable tenure.

There is a substantial development pipeline but this is not keeping pace with population growth; hence the demand – supply imbalance will continue to be exacerbated for the foreseeable future.

We believe the sector offers exciting opportunities for operators and investors to develop much needed Seniors Housing which is fit for the future and secures widespread ESG benefits.

The sector must grow to respond to demographic drivers, which will see the number of people aged 75 and over rise by **38%** by **2040.**

IRCs are driving growth in the Seniors Housing market, with the number of units rising by 19% in the last five years alone.

The market is dominated by the affordable sector with private for-rent schemes a small but rapidly growing part of the IRC landscape, mirroring a wider housing market shift towards renting across the UK.

The sector faces a significant undersupply, with the current Seniors Housing pipeline set to deliver just 7,340 units per year – far below the recommended 50,000.

Anthony Oldfield
Healthcare Capital Markets

Jargon buster

Throughout the report, the broader sector encompassing both Retirement Housing and Integrated Retirement Communities will be referred to as Seniors Housing. This report will exclusively focus on Retirement Housing and Integrated Retirement Communities and does not include analysis of care homes. Our analysis in this report is based on the over 75 population. Historically some sector commentators have based analysis on the over 65 population but the average age of move-ins into a Seniors Housing scheme is late 70s, making this a better assessment of demand.

Seniors Housing		
Retirement Housing Also known as sheltered housing, retirement flats or communities	**Integrated Retirement Communities** Also known as extra care, retirement villages, housing with care, assisted living or independent living	**Care Homes** Also known as nursing homes, residential homes, old people's homes
Offer self-contained homes for sale, shared-ownership or rent	Offer self-contained homes for sale, shared-ownership or rent	Communal residential living with residents occupying individual rooms, often with an en-suite bathroom
Part-time warden and emergency call systems. Typically, no meal provided.	24-hour onsite staff. Optional care or domiciliary services available. Restaurant / café available for meals	Communal residential living with residents occupying individual rooms, often with an en-suite bathroom
Typical facilities available • Communal lounge • Laundry facilities • Gardens • Guest room	**Typical facilities available** • Restaurant & café • Leisure club including gym, swimming pool, exercise classes • Communal lounge and/or library • Hairdressers • Gardens • Guest room • Activity rooms • Social event programme	**Typical facilities available** • Dining room • Communal lounges • Activities • Gardens
Typically 40 – 60 units	Typically 60 – 250 units	Typically 60 – 80 units

Source: ARCO, JLL

01 Demographic Drivers

Ageing population

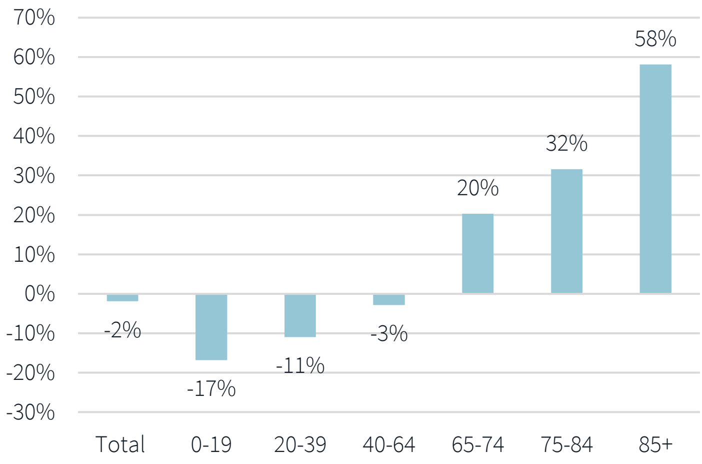
The UK is currently experiencing a significant demographic shift, with a rapidly ageing population being a prominent trend. This is primarily being driven by two factors: increased life expectancy and declining birth rates.

The key target age bracket for Seniors Housing is those aged 75 years and above. According to the Office of National Statistics, the UK had 6.31 million individuals in this age bracket in 2023. By 2028, this number is forecast to grow to 6.97 million, representing an 11% increase over just five years. By 2040, this key demographic will experience a significant surge, reaching 8.76 million individuals, marking a remarkable 38% increase before plateauing at c.10m in 2050.

Whilst people are living longer and the number of older people is rising, the advances in healthy life expectancy are not keeping track. Data from the World Health Organization (WHO) for the UK shows that the difference between life expectancy and healthy life expectancy has risen over the course of 2000 to 2019, from 10.3 years to 11.3 years. This means people are living longer but with greater health concerns. Since most of these individuals would not be sufficiently ill to live in a care home but nevertheless need additional support, this is fueling demand for Seniors Housing where residents can age in place and increase their care and support as required.

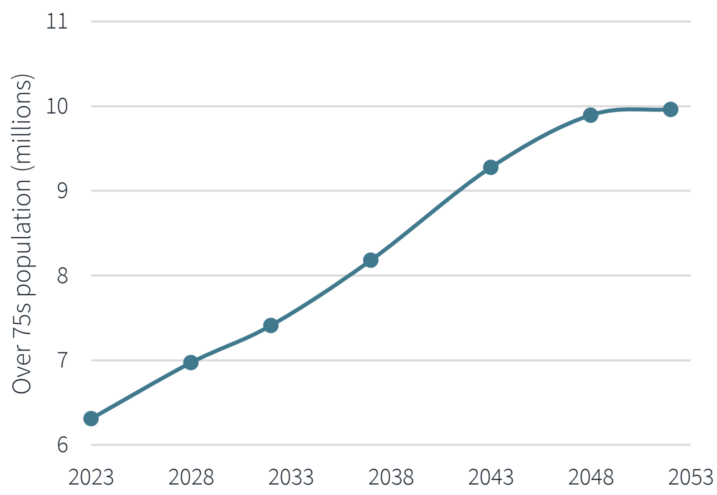
These figures and projections clearly demonstrate the substantial and ongoing likely demand for Seniors Housing in the UK as the population continues to age.

UK Population Growth (%) by Age Group, 2023 - 2040



Source: ONS, January 2024

UK 75+ Years Population (millions), 2023 - 2053



Source: ONS, January 2024

Affluent Baby Boomers

In addition to demand driven by an ageing population, the present generation of 'young elderly,' known as the Baby Boomers, have reaped significant financial benefits from robust defined benefit pension plans and substantial historical increases in house prices. Consequently, as is illustrated in the figure below, the over 55s cohort has emerged as the wealthiest age group in the UK and will create demand for Seniors Housing options for many years to come.

68%
of over 75s in the UK live in medium to high affluence households

Source: CACI

£1.8tn
estimated housing equity among retired households

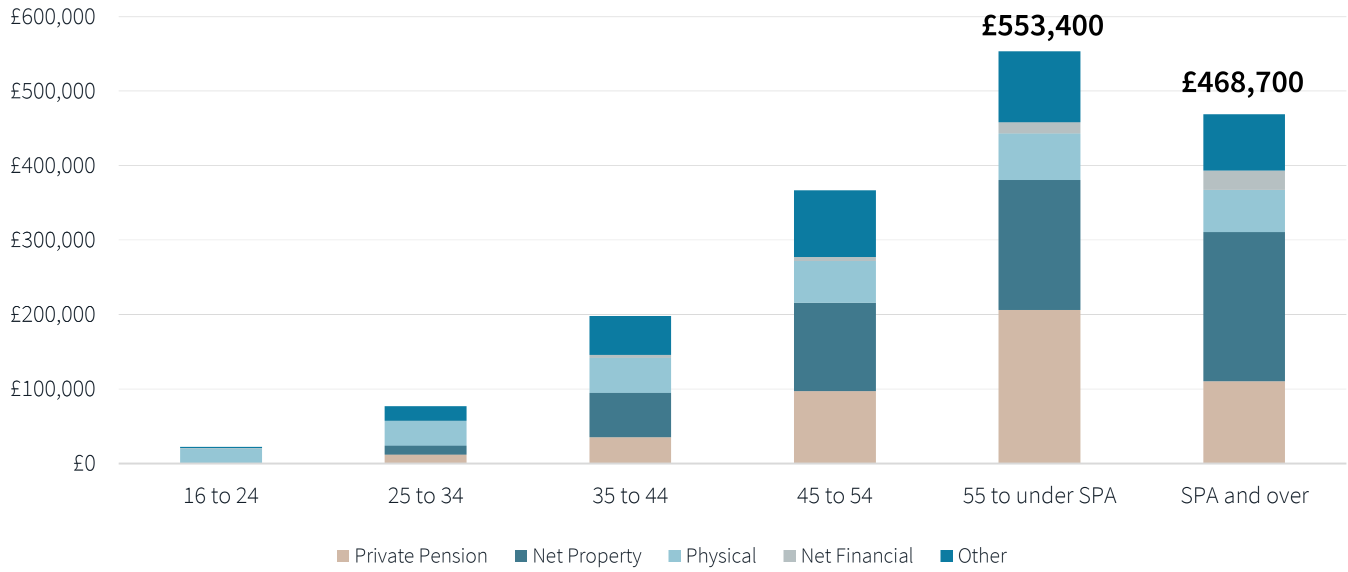
Source: ONS, JLL

4,400%
estimated UK house price growth from 1970 to 2014 alone

Source: ONS

Over 55s and State Pension Age (SPA)+ households, the current and future resident pool for Seniors Housing, hold 37% of their wealth in property assets. This wealth could potentially be used to support a new purchase in a Seniors Housing property, contribute towards private pensions, and cover monthly management fees or rents. For example, someone with £553,400 of wealth – the median for those aged 55-64– could cover the cost of an average private rented scheme (see page 15) for 9.6 years at 30% of their total wealth.

Median total wealth and components by age bracket



Source: ONS, 2022 (data above applies to 2018 – 2020). SPA – State Pension Age

02

Current Supply

Sector size

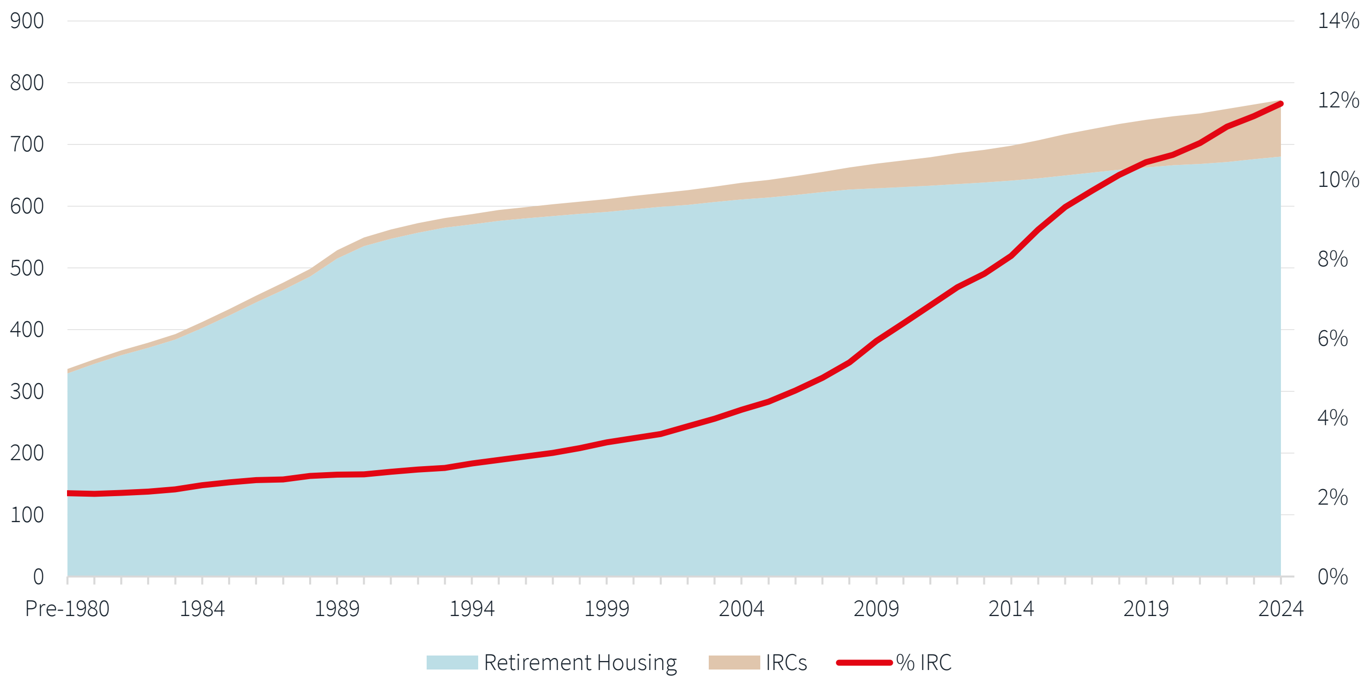
As of Q2 2024, the size of the Seniors Housing sector is as follows:

Seniors Housing: In total, there are **25,737 Seniors Housing schemes, comprising 771,848 units**. Assuming an average of 1.3 residents per unit, this totals an estimated 1m residents – equivalent to 15% of over 75s in the UK. The number of schemes has grown at an annual growth rate of 0.5% over the last five years, slowing down slightly from 0.8% over the previous five-year period.

Retirement Housing: This segment totals **23,853 schemes with 679,871 units** and an estimated 884,000 residents. The number of schemes has grown by 0.4% per year over the last five-year period, down marginally from 0.5% per year between 2014-2019.

Integrated Retirement Communities (IRCs): There are **1,770 IRC schemes, consisting of 91,977 units**. Based on an average of 1.3 residents per unit, this equates to an estimated 120,000 residents. The number of schemes has increased at a faster pace than the wider Seniors Housing market, averaging 2.6% increase per year over the last five years but below the 4.7% achieved in the previous five-year period. As a result of the sector's outsized growth, IRCs have increased as a proportion of Seniors Housing from 3% in 2000 to 12% in 2024.

Total units ('000s) of Retirement Housing and IRCs over time



Source: EAC, JLL

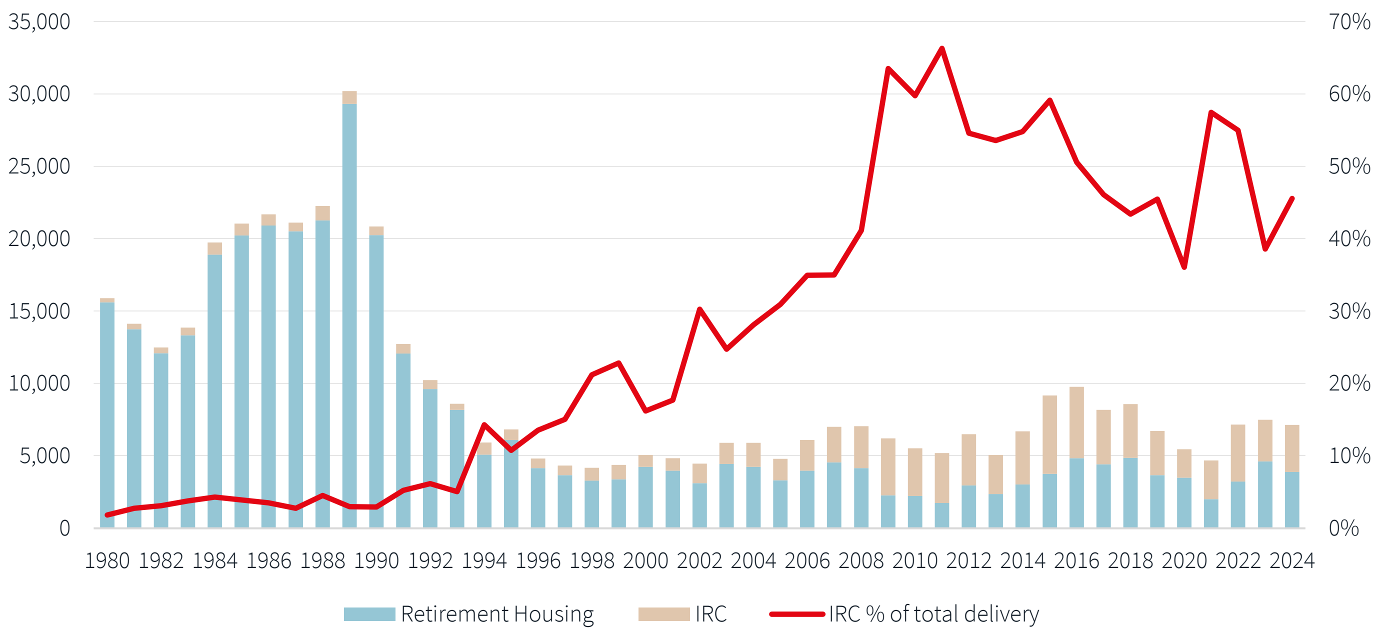
Annual delivery of Seniors Housing over the last 5 years

	Retirement Housing			IRCs			Seniors Housing		
Year	**Schemes**	**Units**	**Residents**	**Schemes**	**Units**	**Residents**	**Schemes**	**Units**	**Residents**
2019	112	3,659	4,757	45	3,053	3,969	160	6,712	8,726
2020	105	3,492	4,540	31	1,970	2,561	139	5,462	7,101
2021	63	1,996	2,595	37	2,694	3,502	100	4,690	6,097
2022	83	3,223	4,190	56	3,938	5,119	140	7,161	9,309
2023	108	4,607	5,990	47	2,891	3,758	155	7,498	9,747
Annual average	94	3,395	4,414	43	2,909	3,782	139	6,304	8,196
Total	**471**	**16,977**	**22,072**	**216**	**14,546**	**18,909**	**694**	**31,523**	**40,980**

Source: EAC, JLL

The Retirement Housing market in the UK has shown consistent growth between 2019 and 2024. The number of units has increased from 662,669 to 679,871, representing a 5-year growth rate of 2.6% or 0.5% per year. However, the segment experiencing the highest relative growth is IRCs, which has grown from 77,233 units in 2019 to 91,977 units in 2024, indicating a significant 5-year growth rate of 19.1% or 3.6% per year. This trend aligns with market sentiment, as IRCs are poised to become the dominant form of Seniors Housing supply. Having comprised just 10.4% of total supply in 2019, IRCs accounted for nearly half of total Seniors Housing stock delivered in the past five years. Throughout JLL's New Zealand Retirement Village Whitepaper series, the compound annual growth rate in total unit numbers has been 5.4% from 2012 to 2023, compared to 1.0% in the UK Seniors Housing units over the same period. This highlights the discrepancy between our market and the more established mature markets, emphasising the significant potential for growth in the UK market as it continues to mature.

Annual delivery of Seniors Housing



Source: EAC, JLL

Summary of supply – 2024 (vs 2019)

	Retirement Housing	IRC	Seniors Housing
Number of schemes	23,853 (+1.8%)	1,770 (+13.9%)	25,737 (+2.6%)
Number of units	679,871 (+2.6%)	91,977 (+19.1%)	771,848 (+4.3%)
Estimated residents (1.3 residents per unit)	884,000	120,000	1m
Schemes completing in 2024	71 (-37%)	45 (+0%)	121 (-24.4%)
Units completing in 2024	3,883 (+6.1%)	3,251 (+6.5%)	7,135 (+6.3%)
Average units per scheme completing in 2024	55 (33)	72 (68)	59 (42)
5-year rolling average: (schemes delivered)	90	44	135
10-year rolling average: (schemes delivered)	102	54	159

Source: EAC, JLL

As the table above demonstrates, growth in IRCS outpaces the wider Seniors Housing sector, occupying a progressively larger share of the total number of units delivered. While the average size of schemes is growing across all Seniors Housing, the IRC market continues to deliver the largest developments. This trend highlights the continued growth and significance of IRCs, with particular focus from operators, investors and lenders in this segment of the market. Delivery of new stock has stagnated across the sector since 2019, with 24% fewer developments delivered in 2024. However, this has been balanced out by a consistent delivery in IRCs over the period. The move towards larger schemes drives operational efficiency and is vital for IRC operators who run their schemes for the long term.

91,977
number of IRC units

19.1%
IRC unit growth over 5yr period compared to 2.6% RH

1,000,000
estimated number of residents across Seniors Housing in the UK

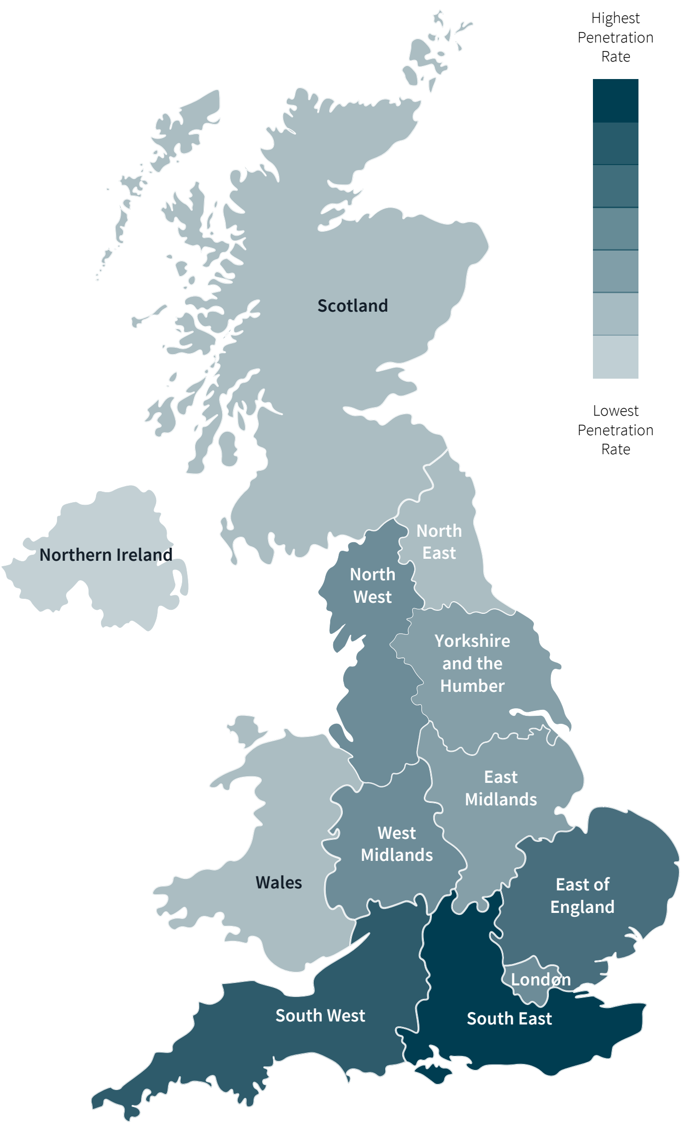
72 units
average size of **IRC scheme** completing in 2024

59 units
average size of **RH scheme** completing in 2024

Supply by region

Although the South East and North West account for close to 28% of all Seniors Housing, on a per capita basis the regional spread is much more even across England. With the lowest population of those aged 75+, the North East has the highest penetration rate at 14.6%, but every region has a rate of at least 12%. By contrast, Scotland and Wales are below 11% and Northern Ireland lags at 6.8%. The regional disparity is exacerbated when the sample is reduced to private tenures (for sale and rent) with more affluent regions much more dominant. This would indicate there is much work to do to increase the number of mid market for sale schemes across the UK's region.

Penetration rate by region, private rent and for sale only (75+ population)



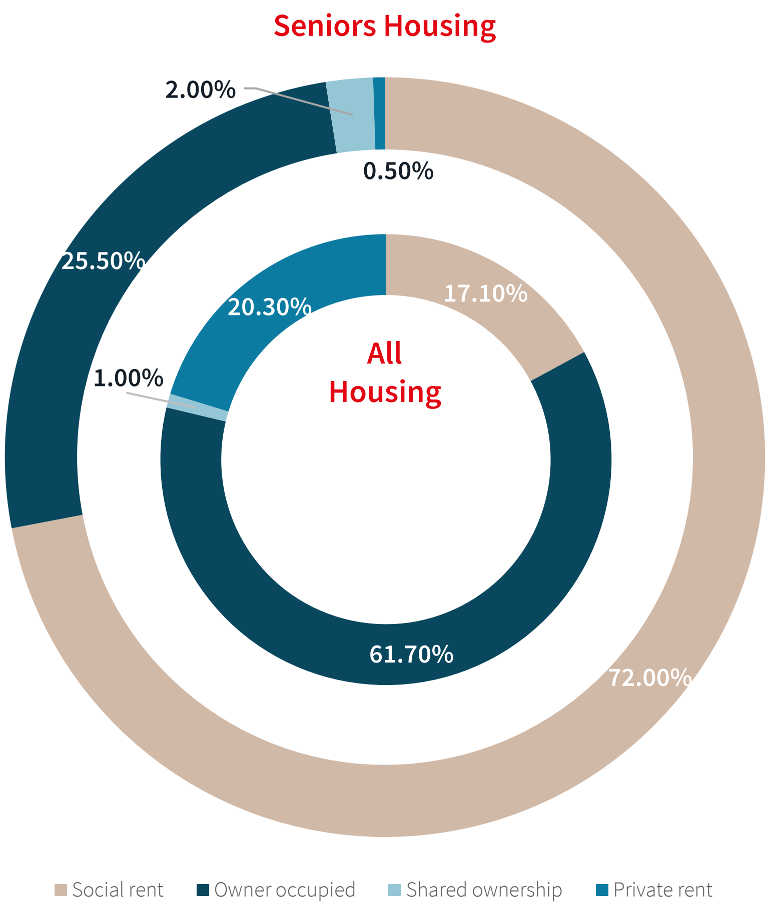
	Private rent and for sale only	All seniors housing
South East	6.1%	13.0%
South West	5.1%	13.3%
East of England	4.1%	12.0%
North West	3.3%	13.8%
West Midlands	3.3%	12.9%
London	3.1%	13.7%
Yorkshire & The Humber	2.9%	13.1%
East Midlands	2.4%	12.3%
Scotland	1.9%	10.6%
North East	1.7%	14.6%
Wales	1.6%	10.4%
Northern Ireland	0.2%	6.8%

Source: EAC, ONS, JLL

Tenure

The tenure mix of the Seniors Housing market has traditionally been heavily skewed towards social rent, with approximately 72% of units occupied by tenants in local authority or housing association run schemes. This is in stark contrast to the mainstream residential market where private ownership and private rent are the most dominant tenure types.

Seniors Housing by main tenure vs All Housing 2024



Source: EAC, JLL

Number of schemes by tenure*

	Social rent	Owner occupied	Shared ownership	Private rent
IRCs	1,293	475	305	169
Retirement Housing	18,178	5,221	696	294
Total	**19,471**	**5,696**	**1,001**	**463**

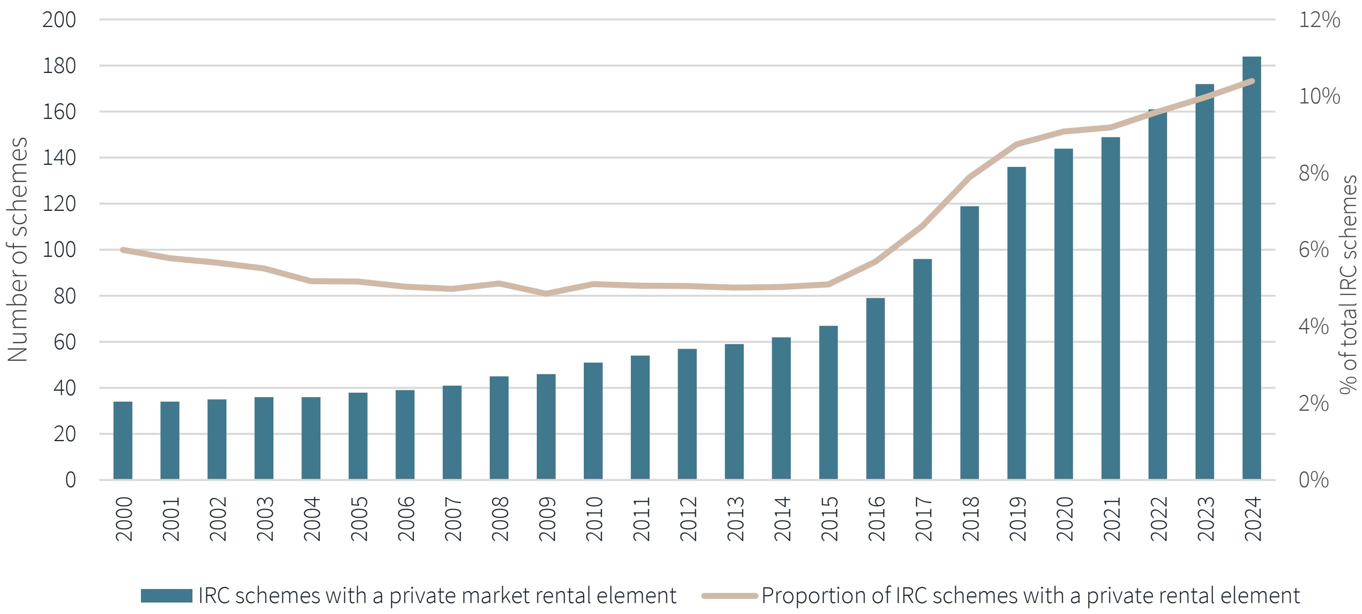
*Schemes can have multiple tenures. The table refers to the number of schemes that include a given tenure as either a main or secondary tenure and therefore overall numbers may exceed the total market figures previously stated

Private rental market

The private rental market presents a significant growth opportunity, as previously highlighted in the JLL UK Retirement Living Rental Report in 2022. The number of units in schemes with market rent as the main tenure has risen 19.6% across all Seniors Housing in five years. Growth has been particularly high among IRCs, where the number has risen 42.4% in the same period. Although only 3% of IRCs (67 schemes) are primarily market rent, a growing number (184 schemes) include a private rental element. This figure has nearly doubled since 2017, as the chart below shows.

This growth has been driven by established operators diversifying their business models, incorporating rental tenure alongside sales options. For instance, operators like Inspired Villages have ventured into the rental market alongside the rapid growth of purely rental operators such as Birchgrove. Additionally, Lifestory has completely diversified away from for-sale product in their new schemes and will now exclusively offer rental tenure in all future developments.

Proportion of IRC schemes with a market rental option



Source: EAC, JLL

The rise in rental options mirrors the growth of the residential market more broadly over the last two decades. Some 19% of households in England rent, up from 11% 20 years ago, driven partly by the rising average house price to earnings ratio and mortgage costs. However, individuals also opt to stay in rental accommodation due to lifestyle benefits, such as a greater sense of community and access to a wide range of amenities. Renting also alleviates the emotional burden of selling the family home to finance the purchase of a Senior Housing unit. It offers residents enhanced financial security through consistent and predictable spending and provides flexibility when residents decide to vacate the unit. Indeed, in recent years, growth in renting has been particularly high among those aged 55-64. While just 4% rented in 2003/04, the figure climbed to 11% in 2022/23, according to the English Housing Survey.

JLL's extensive Seniors Housing Rental Database, which includes over 3,000 privately rented units across various operators, reveals average in-place rents (including service charge and ground rent where units are pepper potted) of £1,439 per month. The table below shows the spread of rents

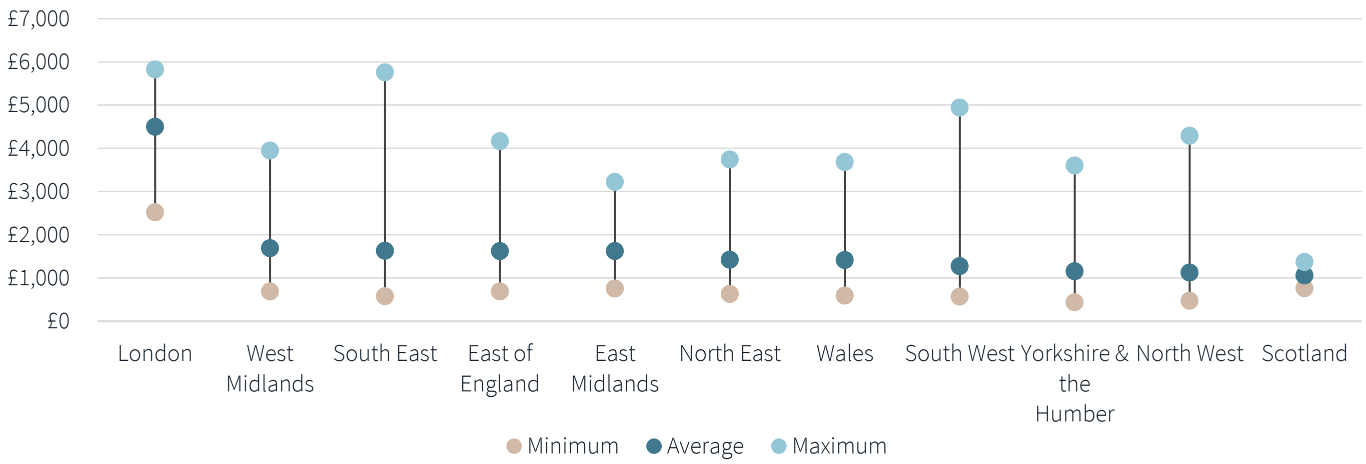
Average rents (inc. service charge and ground rent)

Number of beds	Minimum rent (pcm)	Maximum rent (pcm)	Average rent (pcm)
1	£441	£5,828	£1,226
2	£620	£5,759	£2,412
3	£1,264	£4,295	£3,196
Overall			**£1,439**

Regionally, London boasts the highest average rent by a significant margin at £4,496 per month. Average monthly rents in the rest of the regions range between £1,000 and £1,700. However, the sample for the capital is the smallest among the regions – as shown in the table below – and is skewed heavily towards a very high price point scheme.

To gain a better understanding of rental potential, considering the maximum rent for these areas can be helpful. Based on this metric, London also remains at the top (£5,828 per month), closely followed by the South East (£5,759)and then the South West (£4,945). On the other end of the spectrum, Scotland's Seniors Housing commands the lowest rents, with a maximum (£1,376) below most regions' average rent.

Spread of rents across UK regions (inc. service charge and ground rent)



Regional concentration of JLL Seniors Housing Rental Database

East Midlands	East of England	North East	North West	Scotland	London	South East	South West	Wales	West Midlands	Yorkshire & the Humber
2.8%	3.7%	4.4%	11.4%	0.2%	0.1%	35.9%	29.9%	1.5%	5.6%	4.6%

Largest developers and operators

McCarthy Stone and Churchill maintain their dominant position in the market, accounting for a combined 9.5% share of the total units developed. Pegasus, operating under the Lifestory brand, holds the third largest share of units developed. This includes schemes developed under their original Pegasus Retirement Homes Ltd brand as well as those operated by Renaissance Retirement, which have been integrated into the Lifestory platform.

10 largest private Seniors Housing developers by total units developed

	Name	Owner	Classification	Capabilities	Schemes	Units	Avg. units per scheme	% of total market units
1	**McCarthy Stone**	Lonestar	RH / IRC	Operator / Developer	1,423	64,222	45	8.3%
2	**Churchill Retirement Living**	Privately owned	RH	Developer	210	8,741	42	1.1%
3	**Pegasus (Lifestory)**	Oaktree Capital	RH	Operator / Developer	108	4,186	39	0.5%
4	**Audley Villages**	Moorfield	IRC	Operator / Developer	20	2,314	116	0.3%
5	**Bovis Homes Retirement Living**	Vistry Group	RH / IRC	Developer	47	1,988	42	0.3%
6	**Retirement Villages Group**	AXA	IRC	Operator / Developer	18	1,727	96	0.2%
7	**Beechcroft Developments**	Carlyle Group	RH	Developer	64	1,647	26	0.2%
8	**Inspired Villages Group**	L&G	IRC	Operator / Developer	11	1,438	131	0.2%
9	**Cognatum**	Privately owned	RH	Operator	45	1,030	23	0.1%
10	**Richmond Villages**	Bupa	IRC	Operator / Developer	14	985	70	0.1%

Source: EAC, JLL; the table includes schemes scheduled for completion in 2024 that are yet to open at the time of writing

Audley Villages, a high-end developer and operator owned by Moorfield, has developed 1,159 units across 8 schemes since the beginning of 2019, all of which are IRCs. It should be noted that the figures for Audley also include the Mayfield Watford scheme, part of Audley's mid-market sub-brand.

Bovis Homes and Beechcroft are the two companies listed above that develop but do not operate schemes. The majority of Bovis Homes' stock was built prior to 2000, with its most recent development completed in 2009. The management of their schemes is primarily handled by three managers: Kingsdale Group, Retirement Security Ltd, and FirstPort. Beechcroft schemes are mainly managed by either Cognatum Estates or ELM Group.

The reported number for Retirement Villages Group also includes schemes under their new urban living concept, Thrive Living.

Following the acquisition of English Care Villages and Renaissance Villages by L&G in 2017, the Inspired Villages Group platform consists of 11 operational schemes, with 1,438 units in total. It also has a substantial pipeline with 25 Net Carbon Zero schemes planned and is targeting 50 schemes over the next 10 years, which demonstrates the growth appetite for the sector.

The UK market is still characterised by developer-operators. There is little separation between ownership and management; however, we anticipate that as the sector continues to mature, we will see more management agreement structures take prevalence, as is the case in the US, where there is a significant rental model and management agreements are very common. This will likely accelerate the development of more units.

Regional concentration of JLL Seniors Housing Rental Database

	Name	Schemes	Units	% of total IRC units
1	**Housing 21**	151	8,448	9.2%
2	**McCarthy Stone YourLife Services**	132	7,386	8.0%
3	**Anchor**	107	5,458	5.9%
4	**The ExtraCare Charitable Trust**	20	4,198	4.6%
5	**Audley Villages**	18	1,988	2.2%
6	**MHA**	35	1,689	1.8%
7	**Midland Heart**	23	1,625	1.8%
8	**Sanctuary Supported Living**	29	1,620	1.8%
9	**Retirement Security Ltd**	30	1,523	1.7%
10	**Your Housing Group**	16	1,481	1.6%

Source: EAC, JLL; the table includes schemes scheduled for completion in 2024 that are yet to open at the time of writing

Given that IRCs are the fastest growing subset of Seniors Housing, we have analysed the top managers of IRC units across voluntary and private schemes. Among the 10 largest managers by unit number, 71.9% of units are in voluntary schemes, with the remaining 28.1% private. These 10 managers make up 38.6% of the market, showing the fractured nature of the managers and the sector's consolidation potential.

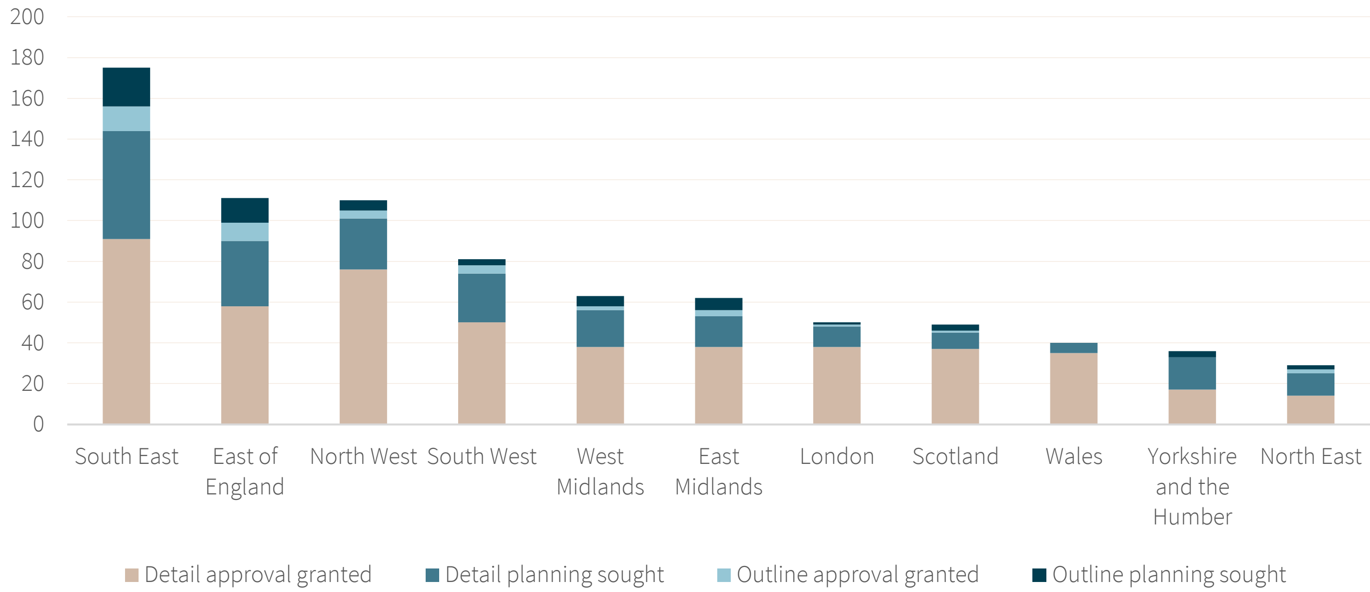
03
Development Pipeline

Estimated development pipeline

Using the Barbour ABI database for sites in the planning process, we have estimated the number of Seniors Housing schemes in the development pipeline. For this, we have excluded applications that have been refused. This includes the development of new schemes, extensions to existing schemes and wider mixed-use schemes that include a portion of Seniors Housing on-site.

Over the next five years, 2025 to 2029 inclusive, there are **806 Seniors Housing schemes with planning or in the planning process, which equates to an average of 161 schemes delivered per year.** The majority (61%) of these applications have had detail planning approved, followed by detail planning sought (27%). We have included applications with an unknown completion date within these figures.

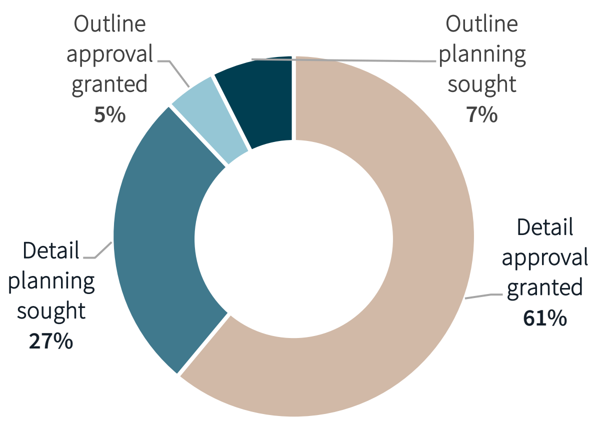
Seniors Housing planning applications (2025-2029) by region



Source: Barbour ABI, JLL

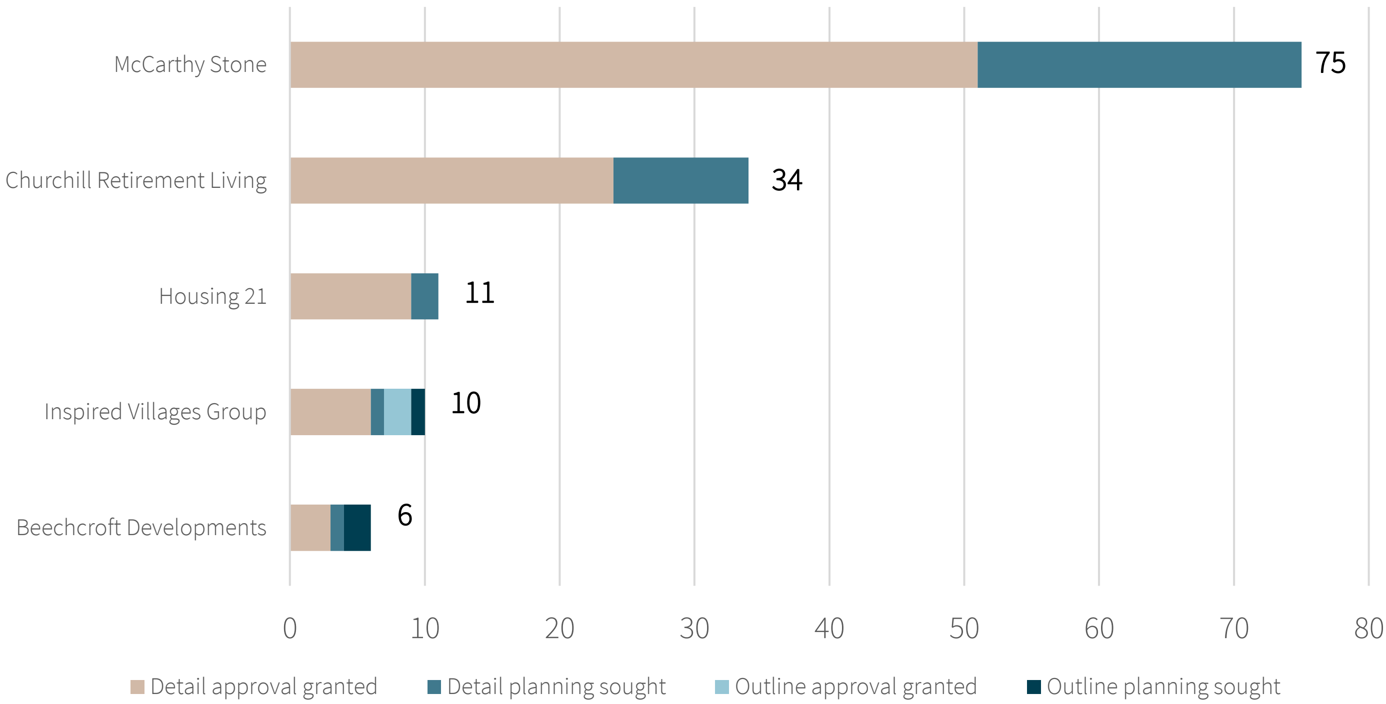
The South East has the largest share of the planning pipeline with around 175 applications (c. 22%). This is followed by the East of England with 111 applications (c.14%) and the North West with 110 schemes (c.14%). Overall, these three regions capture c.49% of the UK's Seniors Housing scheme development pipeline. The regional patterns in development mirror the trends seen in current supply, with the South East accounting for the largest share and the North East accounting for the least.

Planning status of pipeline schemes (2025-2029)



In terms of active planning applications over the next decade, McCarthy Stone is the most active developer/operator with 75 applications, 51 (68%) of which have detail planning approval granted. Churchill follows in second with 34 applications, 24 (71%) of which have detail planning approval granted. These figures highlight the strong presence of these two established developers/operators, indicating their intent to solidify their position as the industry's leading providers for the foreseeable future.

Developers by number of applications in planning



Source: Barbour ABI, JLL

Assessing the shortfall

Due to the integration of Seniors Housing schemes within larger residential developments, which might not split units by asset class within the data, it cannot provide the total number of Seniors Housing units in the pipeline. This trend of integrated development sites is increasing, as Seniors Housing is now coexisting with other asset classes such as single-family housing or co-living in a village-style development.

However, assuming an average of 46 units per scheme – in line with the past five years – there are an **estimated 36,700 units in the pipeline, indicating an annual delivery of approximately 7,340 units to 2029.**

The 2022 'Mayhew Review', a paper examining the future of UK Seniors Housing, recommended an annual delivery of 50,000 new units. Our figures over the next five years clearly show Seniors Housing development continuing to fall far short of this benchmark.

04

Future Supply & Demand

Future supply and demand

In order to assess the scale of the opportunity within the sector and analyse how severe the undersupply currently is and projected to be by 2029, we have completed an analysis of the potential future supply and demand. This analysis has been undertaken using the following assumptions:

01 Forecast UK population (75+) in 2029 of 7.08 million, according to the ONS.

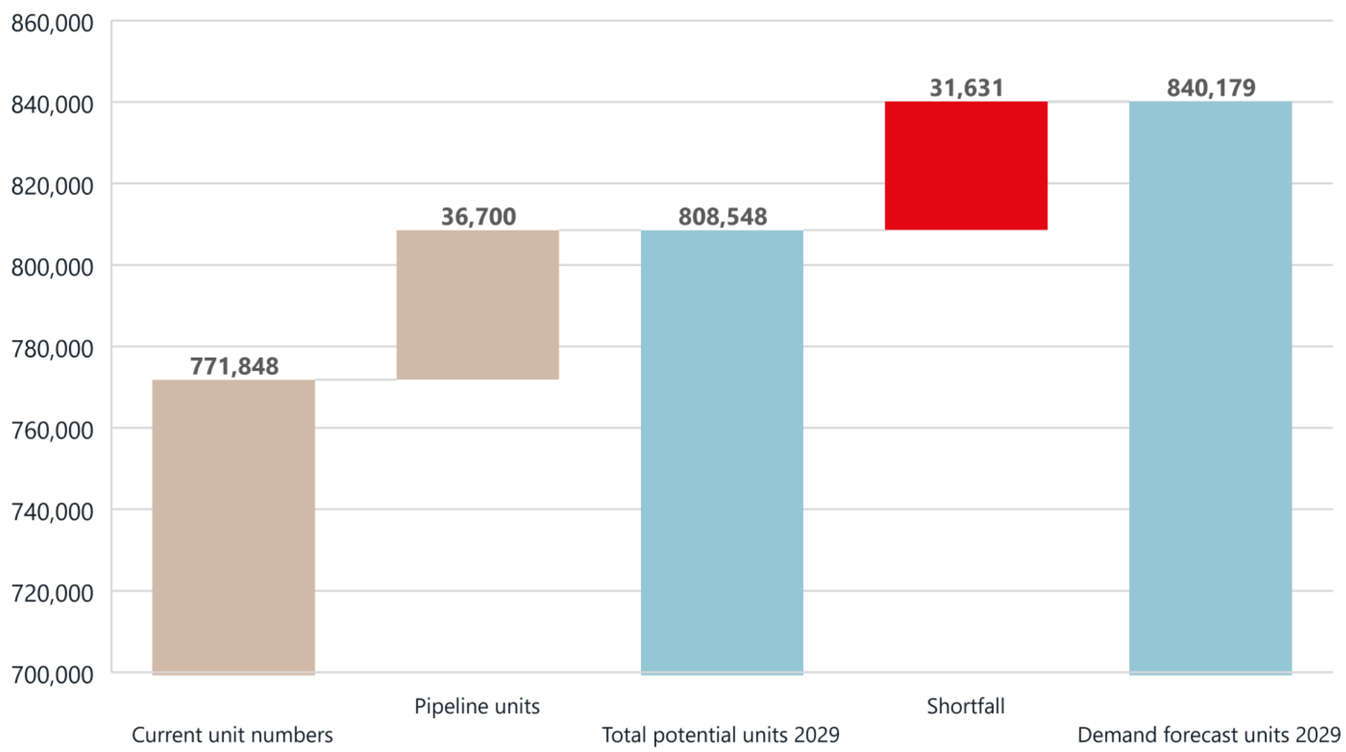
02 Forecast supply of units in 2029 , taken from the current supply (EAC) and JLL's estimated development pipeline (Barbour ABI), as described in the previous section.

03 Percentage of individuals over 75 who currently reside in any form of Seniors Housing (15.4%)

04 Resident to unit ratio of 1.3.

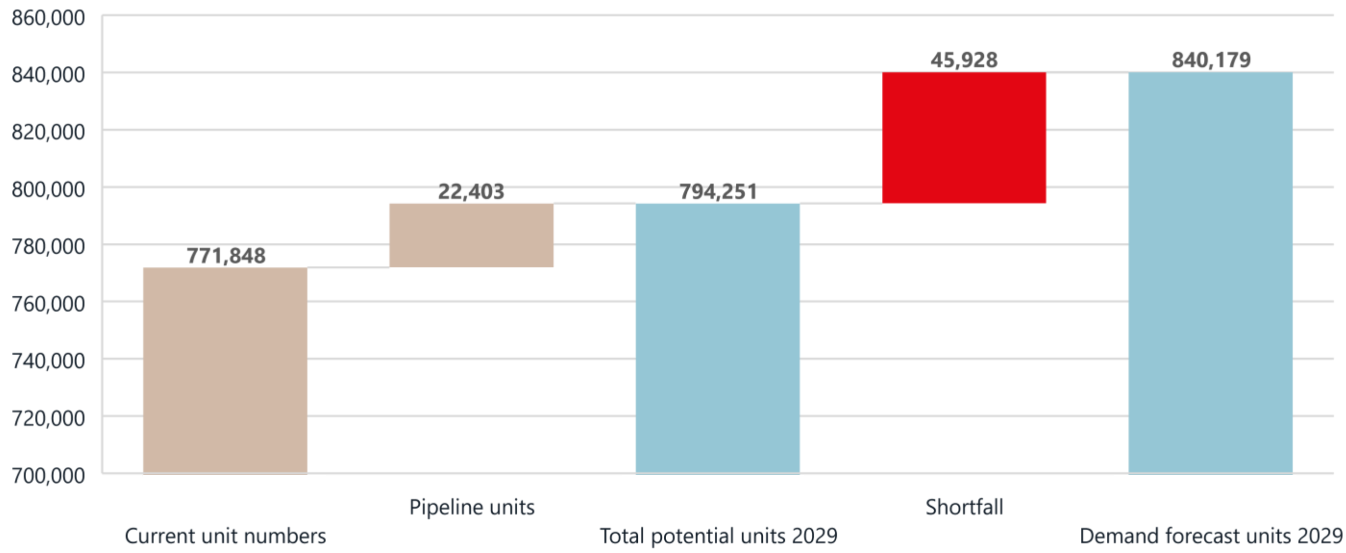
We estimate that if all schemes in the development pipeline are delivered, there will be a **shortfall of 31,631 units in 2029**. This equates to a shortfall of 695 schemes at an average scheme size of 46 units (based on current average scheme size).

Forecast demand vs pipeline delivery



However, due to the current difficult planning environment, we cannot assume every scheme in the pipeline will be delivered. When considering only schemes with detail planning approval granted, the **projected shortfall in units increases to 45,928, equivalent to approximately 1,009 schemes.** In reality, the shortfall will likely fall somewhere between these two figures.

Forecast demand vs pipeline delivery (approved plans only)



At the lower end of the undersupply estimate, the over 75s penetration rate would fall from the current estimated level of 15.4%, to 14.9%. At the higher end, it would fall to 14.6%. But regardless of whether the undersupply is 32,000 or 46,000 units, the sector will find itself being able to meet a smaller proportion of the population's demand at a time when the number of over 75s is rising at an accelerated pace and people require more care and suitable housing provision in their old age.

Influencers of future supply and demand

Our demand analysis is based on population forecasts for 2029 and assumes that current penetration rates and the resident per unit ratio across the regions will continue to define the industry. However, future supply and demand for Seniors Housing is influenced by economic and social factors in addition to the UK's ageing population:

01 ESG

Pressure is mounting for UK Living to deliver more sustainable housing across all types and tenures. Institutional capital is driven by a combination of regulation, such as the anticipated 2025 Future Homes Standard, internal carbon reduction targets/investment criteria and by tenants and homeowners themselves.

JLL's Buyers and Tenants Survey found that 70% of buyers would pay a premium for a more energy efficient home, while 90% of tenants said energy efficiency is important to them. With some of the oldest building stock in Europe, the UK is in a prime position to benefit from new quality housing enabled by capital targeting sustainable assets.

Seniors Housing has the added benefit of being an investment in social value, covering the 'S' requirement in ESG for investors.

02 Residential Market

The liquidity challenges in the UK housing market, stemming from affordability issues in the mortgage market, have had a direct impact on the Seniors Housing market performance. As prospective residents typically rely on selling their current home to finance renting or buying a Seniors Housing property, any slowdown in residential transactions can result in delays to purchasing a Seniors Housing property. JLL forecasts 1m residential homes to change hands in 2024 – down from 1.3m in 2022. An interest rate cut would help transactions recover as more affordable mortgages will increase transactions. By opening up the housing market chain and making it easier for older people to sell their homes, there would be greater absorption rate for Seniors Housing.

The significant demand-supply gap in the wider rental market presents an opportunity for the retirement rental sector. Residents can adopt a rent-to-rent policy and utilise the rental income from their current property to support their Seniors Housing costs.

03 Planning Reform

The number of planning applications that are denied planning or delayed through appeals indicates barriers to the construction of Seniors Housing in many areas. Lack of understanding of the product by Local Authorities, and variations in CIL, Section 106 and affordable housing policy can add confusion and prevent streamlining of a process.

Planning reform that restructures and prioritises the development of Seniors Housing could make the process of development schemes easier, and rapidly introduce much-needed supply to the market.

This could be unlocked by several of the parties' manifesto commitments, including strengthening presumption in favour of development, funding additional planning officers and reintroducing mandatory housing targets.

04 Regulation

Although priorities for the new government over the course of the next parliament are not yet clear at the time of writing, legislation left over from the previous parliament and the party manifestos point to some broad themes to look out for.

The key potential legislative change for Seniors Housing is leasehold reform. Although the Leasehold and Freehold Reform Bill was passed on the last day before parliament dissolved at the end of May 2024, unanswered questions remained. In their manifestos, the three major parties all pledged to cap or phase out ground rents over time.

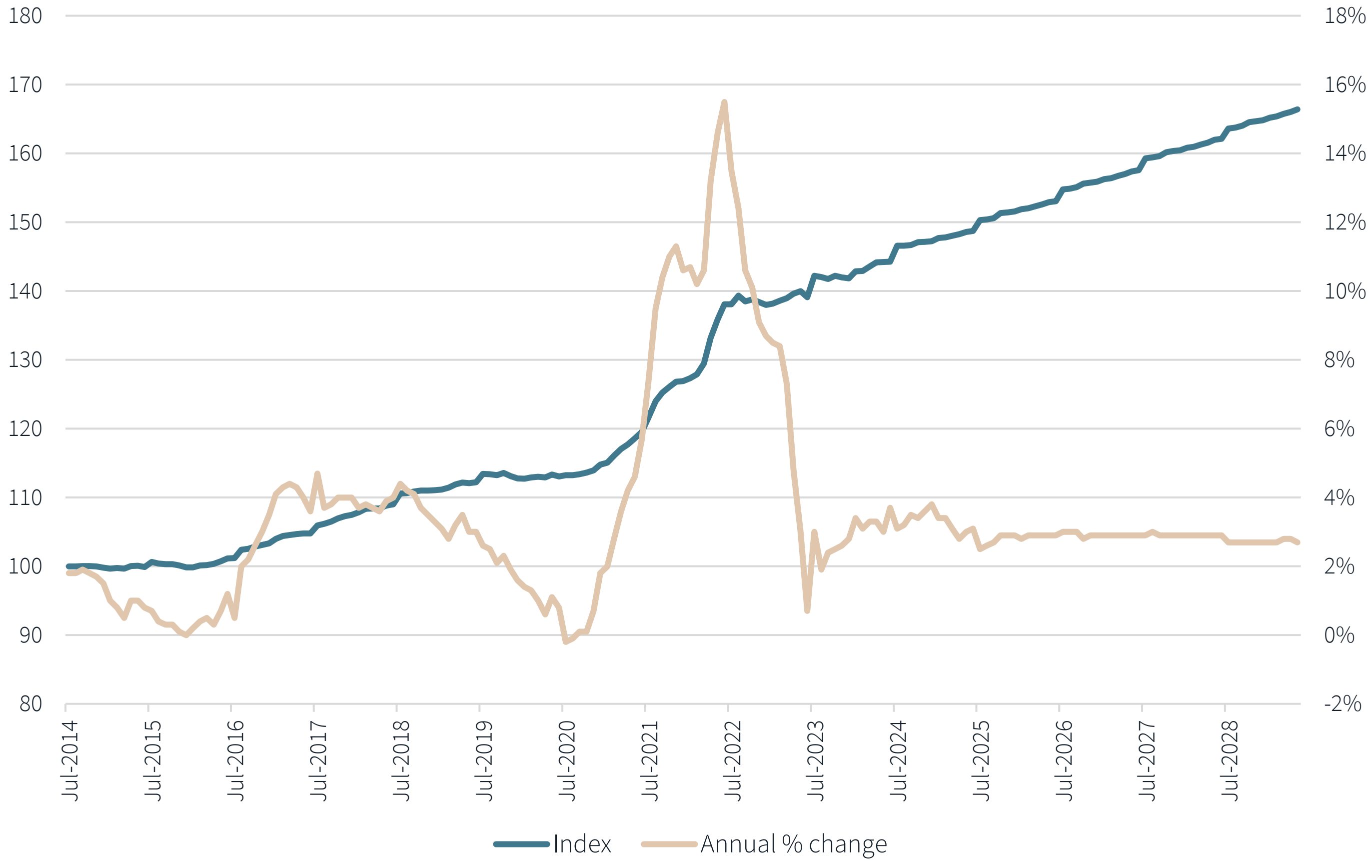
If enacted, this has the potential to slow down activity among operators whose business models rely on ground rents and who would, therefore, need to adapt to new rules.

05 Build Costs

Over the past few years, high build-cost inflation has severely hampered the financial viability of potential developments across all asset classes. Additionally, the variability of pricing has made it challenging for developers and builders to accurately price build contracts, which has resulted in a number of contractors going into administration, further delaying build periods. This has resulted in increased demand from operators for forward funding or forward commitment structures, whereby the construction risk is moved onto a separate developer who often controls a wider scheme.

Following a surge in construction costs across 2022-2023, inflation eased considerably in the second half of 2023, falling faster than CPI. However, despite inflation, stabilised costs are expected to remain elevated over the next five years, as shown below.

BCIS General Building Cost Index (July-2014 = 100)



06 Investment markets

Against a backdrop of challenges affecting every sector in the real estate investment market, healthcare (which includes Seniors Housing) has been resilient in recent years. Total volumes in 2023 (£3.7bn) were in line with the previous two years. However, much of the activity in the sector was split between care homes and large specialist healthcare M&A deals, such as the acquisition of Civitas Social Housing by CK Asset Holdings. Investment in Seniors Housing totalled £654m in 2023, above both 2022 (£253m) and the five-year average (£575m). As in other living sectors, an unfavourable economic backdrop has been outweighed by a fundamental supply and demand imbalance, which continues to attract investment into a range of healthcare assets. Indeed, total returns in healthcare have consistently outperformed both the wider residential market and all property, according to MSCI.

As seen in the graphic below, throughout 2022 and 2023, the Seniors Housing market has seen a significant increase in development financing. However, it is worth noting that there has been a shift to greater debt funding and less equity transactions, as returns in the debt market have been very strong in the last 18 months. This scarcity of equity investment is in part due to a lack of significant and scalable opportunities to invest into new and existing operators. Furthermore, securing funding for new entrants has been challenging due to investors' hesitations surrounding factors such as house price inflation, debt costs, and construction expenditures.

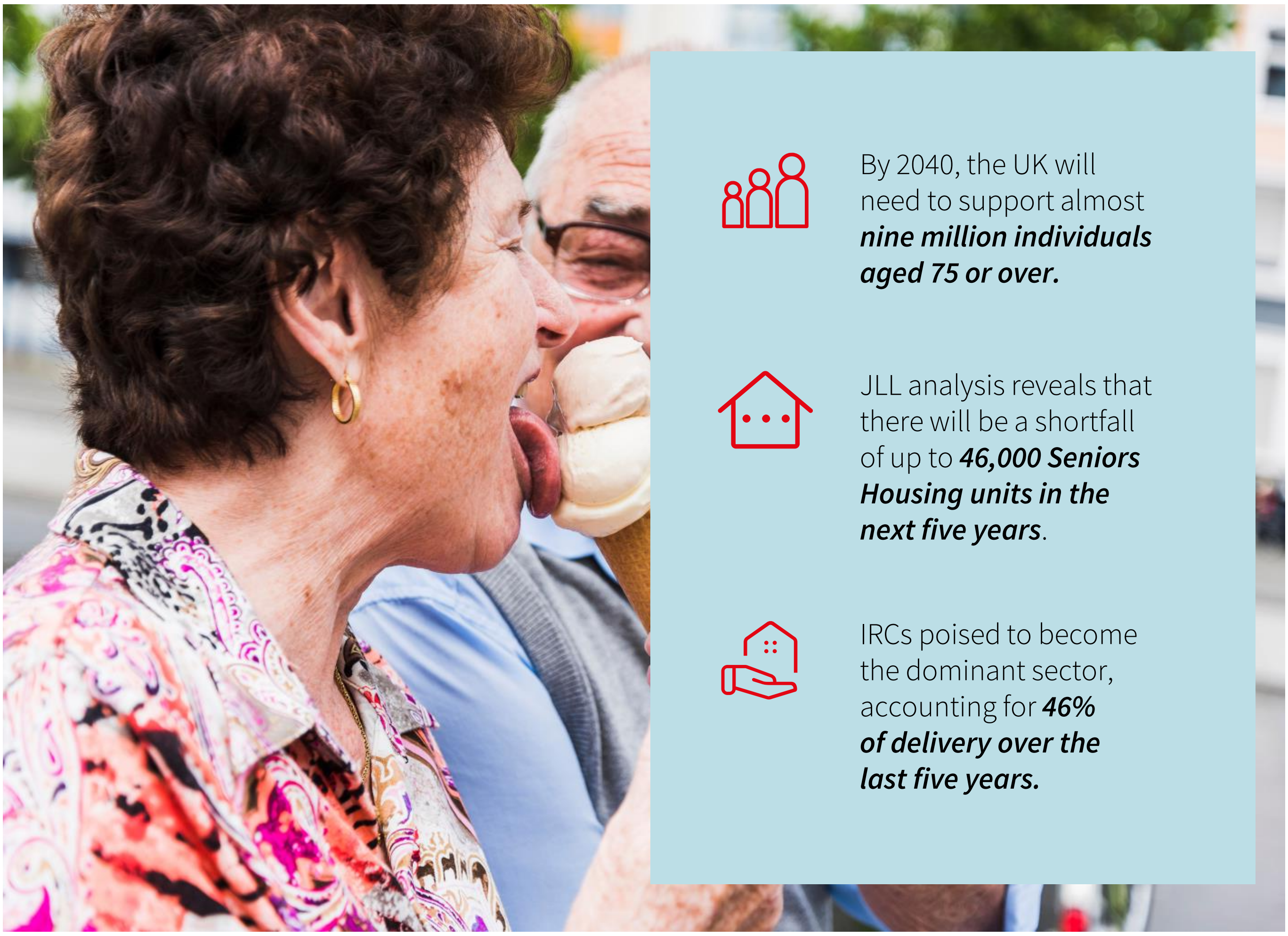
EQUITY DEBT

Conclusion

The UK Seniors Housing sector faces a sustained period of rising demand and offers a significant opportunity for operators and investors. Demand for Seniors Housing of all kinds will only go in one direction as the population ages. By 2040, **the UK will need to support almost nine million individuals aged 75 or over. With the sector totalling just 772,000 units and our pipeline analysis showing a shortfall of up to 46,000 units in the next five years,** there is a huge market opportunity for existing operators and new entrants.

In just the last five years, **we have seen the number of IRCs rise by 19%** - far outpacing the wider sector. We have seen retirement communities grow larger alongside a diversification of tenures as more operators seek to provide consumers greater choice through either incorporating, or even specialising in, a rental offer.

After a period of challenging economic activity, we forecast the number of corporate transactions (through **consolidation** and new entrants) in Seniors Housing to increase in 2025 as investors seek opportunities within the ‘Living’ sector that also offers **demonstrable ESG benefits**.



By 2040, the UK will need to support almost ***nine million individuals aged 75 or over.***

JLL analysis reveals that there will be a shortfall of up to ***46,000 Seniors Housing units in the next five years***.

IRCs poised to become the dominant sector, accounting for ***46% of delivery over the last five years.***

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Research at JLL

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