

# The ageing of the property owning democracy

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## **ABSTRACT**

Existing tenure trends amongst middle-aged households mean that the next two decades will inevitably see significant increases in the numbers of older home owners in Britain. This paper applies estimates of trends in home ownership amongst older households in England, broken down by age group and household type, to official household projections to derive detailed estimates of the number of older home owners up to the year 2011. Additional data are used to derive estimates of the type and age of dwellings which older home owners will occupy and the amount of unmortgaged equity which they will have available. The paper goes on to discuss the implications of these estimates for a range of policies and academic debates. In future, fewer older home owners will experience poor housing conditions but significant minorities of single older people, many of them women and households headed by a person aged 75 and over, will continue to do so. The amount and effectiveness of investment undertaken in middle age is a key determinant of the conditions experienced in later old age, and factors such as right-to-buy and involuntary early retirement from the labour market in the 1980s and 1990s recessions, will lead to an increase in the number of very old home owners experiencing poor conditions. There will be more demand for mobility but limited equity and the lack of moving opportunities will restrict the extent to which older home owners' aspirations can be realised. The paper concludes that older home owners will face a varied future in the post-Keynesian welfare state, with many pressures to use the wealth tied up in their dwellings to meet welfare needs.

**KEY WORDS** – Home ownership, housing equity, housing wealth, mobility.

## **Introduction**

Home ownership is now the majority tenure in all regions of Britain. This has been achieved through a combination of new building, transfers from the privately rented sector and, more recently, transfers from the public rental sector. In 1971 less than half the households in Britain owned their own homes. Over two decades this proportion

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increased by 18 percentage points so that, by 1991, 67 per cent of British households were in the owner occupied sector. For England, the proportion of the housing stock which was in the home ownership sector increased from 58 per cent in 1981 to 67 per cent in 1991 (Central Statistical Office 1990; Office for National Statistics 1997). The growth in the level of home ownership has reflected continuing recruitment into the tenure from all occupational classes. By the early 1990s, home ownership had become the most common tenure for all socio-economic groups with the exception of those in the unskilled manual categories. Among the richest households, home ownership was almost universal with levels above or approaching 90 per cent of households (Forrest *et al.* 1995).

As home ownership has grown, different groups have entered the tenure under different economic and policy conditions. Some have entered in periods of high house price inflation and low real interest rates. Others have experienced quite contrary conditions. Some have bought a newly built dwelling. Others have bought second hand, or as sitting tenants from private or public landlords. The dwelling types entering the sector have varied in different periods. Most notably, in recent years, the home ownership sector in England has been boosted by the addition of some 1.7 million formerly council-owned dwellings, now representing around 10 per cent of the owner-occupied stock.

This layered accretion of people and dwellings produces significant cohort effects moving through the housing system over time with differing implications for policy. For example, the peak of older home owners living in substandard pre-1919 terraced housing purchased from private landlords, has almost passed. Increasingly, older home owners occupy inter-war semi-detached and early post-war properties; and in the future, a significant bulge of owners who bought under the right-to-buy in the 1980s will pass into old age.

The particular focus of this paper is on this ageing process in the home ownership sector in England. Over the next two decades an increasing number of home owners will be elderly and very elderly, living in varied social and financial circumstances. Moreover, the housing stock in the sector is now, on average, 60 years old. The dual ageing of the home-owner population and the dwellings they occupy has important implications which have not been subject to detailed analysis (but see Mackintosh *et al.* 1990). Research on future levels of home ownership has tended to focus on the entry of younger households into the sector and the impact of labour market changes upon recruitment rates (see for example Holmans 1995).

Projections of the ageing of the population and future household

structures in old age are available but do not cast light on the important issue of tenure and its impact on income and wealth in old age, and on personal responsibilities for housing and social care needs. We know that there will be more older home owners, that they may have access to substantial equity to meet a range of needs, and that they will be responsible for repairing and adapting their homes. However, we lack detailed analysis about the number of older home owners, their ages and household composition, the amounts of equity available to them, the sort of dwellings they will live in and the condition of these dwellings. These questions cannot be answered with certainty but as most of the people who will be older home owners in the next two or three decades are already owners, it is possible to offer some reasonably robust assessments and estimates.

The paper considers initially some of the broader issues concerning the ageing of the home owning population and highlights key areas of policy and academic interest. It then examines trends in home ownership rates for middle to older age groups over the last twenty years. These trend rates are applied to special tabulations from official household projections to provide rates of ownership by household type up to 2011. The General Household Survey also includes data on dwelling type and age. This enables projections of the dwelling profiles of different cohorts of home owners. This information is indicative of house conditions, property values and the amount of equity which may be available.

### **The maturation of home ownership**

Most research and policy attention has tended to focus on the early stages of the housing and family life cycle. This has reflected a concern with access to independent living for younger and newly formed households and the affordability problems faced by first-time buyers and young families. This research and policy emphasis is understandable as it is the level of recruitment into the tenure from younger households which has been seen as essential to maintaining continued growth. There is now, however, increasing academic and policy interest in the later stages of households' housing careers. This relates to the post-war expansion of home ownership which has coincided with other major social changes. One of the most significant has been the well-charted demographic shift towards an older population (Grundy 1996).

More than 60 per cent of household heads in the sector are aged 45

or over (Department of the Environment 1996). Almost all outright owners are in that age category. The cohorts of households which entered the tenure in the first period of post-war expansion are now in the later stages of their housing careers. The generation of home owners which is nearing retirement and which will reach this stage in the next two decades is the one which will probably have experienced 'the golden age' of home ownership. A substantial majority will have benefited from generous tax reliefs, multiple periods of house price inflation above the general rate of inflation, and in some cases of council house purchase, heavily discounted prices. Most will have had a history of home ownership characterised by real income growth and relative job security. These circumstances and benefits are unlikely to be on offer to the next generation of home owners.

There has been a growth of interest in the position of older households in the home ownership sector for a variety of reasons. Home owners are responsible for the maintenance and repair of their dwellings. A population of ageing home owners living in an ageing housing stock is likely to include increasing numbers of households with limited incomes and with decreasing physical capacity to carry out their own repair and maintenance work. These circumstances become more common as the ageing process produces more single person households in the very old age groups. This raises policy issues both in relation to the general level of investment in the housing stock and the health or welfare of very old home owning households. Although public-sector grant aid is increasingly targeted on older people (Leather and Mackintosh 1996), shrinking programmes make it likely that many older home owners will have to meet their own repair and maintenance costs in the future. The population of ageing home owners includes a significant proportion of households which are income poor but equity rich. For governments seeking to restrict or reorient public spending, and to make efficient and effective use of the resources available, the wealth 'stored' in dwellings is a tempting target, not only for repair and maintenance but also for other purposes including social care provision (Oldman 1990; Gibbs 1991; Joseph Rowntree Foundation 1996).

### **Housing wealth and welfare state restructuring**

Fiscal and ideological pressures on the shape and structure of the post-war Keynesian welfare state have not been confined to Britain. Britain does however have a particular combination of elements, certainly in

a European context. This includes a relatively old and highly urbanised population of home owners, an ageing housing stock, a post-war history of relatively high levels of real house price inflation and a particularly strong shift towards a market ethos in the delivery of goods and services. In international terms, the age structure of home ownership in Britain is notable for both its early recruitment of young households and for having a relatively high proportion of households in the very elderly categories (Munjee 1995). There are countries in Europe with higher levels of home ownership, countries with older demographic structures and with comparable concerns about the public expenditure implications of ageing populations. However, there is not the same coincidence of factors. For example, in material terms the asset value of dwellings may not have risen to the same degree and house price inflation is a much less significant part of the national psyche, in other European countries. As Bootle (1996) has observed, 'Walk along any high street in south-east England and you could be forgiven for thinking that the leading economic activity in the country was buying and selling each other's houses'. In contrast, the idea and reality of the 'family home' remains stronger in continental Europe. Cultural, institutional and financial factors combine to produce a situation where dwellings are seen less as assets to be bought and sold or liquefied in old age than they are in Britain. There are also probably few countries in the world with a high level of individual home ownership and a national health service. When the escalating cost of health care for an ageing population is seen as a key factor in the future growth of welfare expenditure, it is unsurprising when some turn their attention to the potentially realisable assets owned by older households.

These issues also bear on wider debates, which have been particularly prominent in Britain, on the intergenerational impacts of the maturation of home ownership. The inevitable growth in mortality rates among home owners over the coming decades has focused attention on issues of property inheritance and life time transfers of housing-related wealth. Interest in this issue began to emerge in the early 1980s (see Forrest and Murie 1980; Hamnett *et al.* 1991) and heightened towards the end of the decade with the accelerated growth in home ownership and rampant house price inflation. The background evidence for this interest related to the change in the size and composition of personal sector wealth in the post-war period. For example, residential dwellings in 1960 accounted for 17 per cent of personal-sector wealth. By the 1980s they represented over 40 per cent of all wealth holdings. There was widespread discussion of the dramatic impact of residential property transfers on the distribution of wealth

and patterns of consumption. Morgan Grenfell (1987), for example, estimated that property inheritance flows were now 'bigger than the PSBR and broadly comparable with the personal sector's entire financial surplus' (1987: 10). The same report estimated that the value of such flows would rise from £14.6 billion in 1995 to £24.3 billion by 2000.

The recession in the residential housing market during the 1990s created greater uncertainties about the future growth in the value of owner occupied dwellings. Notwithstanding the apparently strong recovery in house prices in 1997, estimates of the significance of wealth transfers have become rather more sober and more detailed (see, for example, Froztega and Holmans 1993). The vulnerability of housing wealth estimates in absolute terms and in relation to other forms of assets was also evident in the significant fall in residential wealth as a proportion of personal sector wealth, from a peak of 43 per cent in 1988 to 28 per cent in 1994. For individual households this represented an erosion of an asset base which most would have anticipated growing in at least nominal terms. Nevertheless, whatever the state of the residential property market, the sums involved will remain significant both for the financial circumstances of individual households and for the macro-economy.

The initial emphasis on the intergenerational aspects of wealth accumulation through home ownership has now shifted to examining the material and social circumstances of the older home owners who own that wealth. More extravagant claims referring to housing wealth 'cascading down the generations' have been qualified by the recognition that ageing home owners have needs which may require the realisation of some or all of their housing assets. Commenting on research in this area, Holmans (1997) has observed that '[the] potential effects of payments for residential and nursing care on the amounts of wealth transmitted by bequest and inheritance seem to have been simply overlooked in the early work on housing and inheritance, which is one of several reasons why the effects were overstated'.

In its transition from a minority to a majority tenure the circumstances around the home ownership have inevitably changed. Most obviously, there is a combination of factors including an increase in the number of older home owners, greater longevity, earlier retirement for some, and a less favourable balance between the economically active and inactive populations, which have produced new policy pressures and policy options. The value of state pensions is declining and the costs of health care are increasing. The post-war

Keynesian welfare state is under severe pressure. Retirement can represent a significant proportion of a lifetime in which the necessary support services are increasingly provided through the market.

For most home owners, the dwelling is probably their principal material asset. In this context, in the depressed housing market of the 1990s it was *eroded* rather than *negative* equity which was the most relevant issue for the vast majority of ageing home owners. In a post-inflationary housing market, house price changes can be seen as 'swings and roundabouts'. At times of falling prices the existing house is sold for less than expected but the purchase price of the next dwelling is also cheaper. But if house prices are falling in real terms against the general rate of inflation, the value of the capital released is worth less in relation to the goods and services which might be purchased with the released equity. There is no evidence that the nominal prices of foodstuffs or other general day-to-day costs are falling or that health care is becoming cheaper in real or nominal terms. Indeed, the labour intensive nature of many of the services required by older people could suggest a greater erosion in the real value of any housing equity released. Such calculations would be further complicated by any changes in the relative value of different dwelling types. If, for example, the prices of larger family dwellings rose to a greater extent than smaller dwellings, then more affluent, older households trading down could benefit disproportionately.

Trading down, however, is likely to remain a much less significant feature of a mature home ownership sector than staying put. Here the issues revolve around the difficulties faced by both households and lending institutions in conditions of greater risk and market uncertainty. In a housing market with rising real values and in conditions of relatively high inflation, lending against the security of dwellings is a low risk activity. Loans forming a high percentage of value are possible in the knowledge that the level of exposure will rapidly diminish with rising house prices. In a depressed or less certain market, both borrowers and lenders must adopt a more circumspect attitude. For any specific schemes geared to equity release in old age, the room for manoeuvre becomes much less. There is less equity to release and the proportions available are more restricted. On the other hand, lenders may have little choice than to turn to older people with small mortgages or owning their homes outright than to younger people requiring large loans in an uncertain labour market. How these factors affect older home owners remains to be seen but they strongly suggest that the future of home ownership in old age may be very different from even the recent past.

### **Methodology**

The study on which this paper is based (see Note at end) used unpublished data from the General Household Survey (GHS) to derive rates of home ownership for households broken down by age of household head in five-year cohorts from age 40 upwards, the final group being those aged 85 and over. Ownership rates were extracted at five points over the 1973–93 period, in each case using two years' data in combination in order to increase the sample size. The dates used were 1973/74, 1977/78, 1982/83, 1987/88 and 1992/93. Ownership rates were further broken down for married couples, single persons, and all other households, in order to provide estimates corresponding with categories used in official household projections. Changes in the proportions of households by age group living in different dwelling age and type categories were also obtained.

Use of GHS data in this way enabled us to examine the changing housing situations of particular cohorts of people born in a particular period, as they progress through the life cycle. The 40–44 age group in 1973/74 approximates to the 45–49 age group in 1977/78, the 50–54 age group in 1982/83, and so on. By looking at changes in ownership rates for successive GHS samples drawn from this cohort of households as it ages, and by applying the same process to other cohorts, it is possible to track changes and develop a better understanding of the processes which have affected home ownership rates over time and thus to produce more accurate forecasts of future trends. In practice, the time-span of the data available at the time of the study did not permit the derivation of rates for five full five-year cohorts, and in addition the rates used were based on two years of data. Nevertheless, within these limitations, the approach provides greater potential for the understanding of past changes, and for the use of these to inform future projections, than for the straightforward projection of sequential cross-sectional data. It thus goes some way towards overcoming the 'cross-sectional fallacy' through the use of what Myers (1997) terms 'cohort-longitudinal estimation'. In the absence of panel data on home ownership levels covering the last twenty years, the GHS used in this way provides a quasi-panel data-set which could potentially be utilised to examine a wide range of other issues.

Projections of ownership rates for each age cohort were derived for five-year intervals from 1996–2011 to enable the rates to be applied to official projections of household numbers by age of household head and household type. Projected ownership rates were derived manually by the application of a series of guidelines and modifications applied to

linear projections of past trends rather than by the use of more sophisticated trend-line techniques. Experimental use of a range of trend-line algorithms produced results which were intuitively unrealistic for some cohorts. This is not surprising, given the impact of policy initiatives such as the right-to-buy, which led to particularly rapid increases in home ownership amongst those aged 40–64 in the 1980s. It was also important to minimise the impact of sampling errors and problems arising from small sample sizes amongst the older age groups. In practice the small sample problem is greatly reduced by the cohort longitudinal approach, as the projected ownership rates for groups in the oldest age groups are based on trends derived from these cohorts when they were younger and when sample sizes were much larger. The oldest cohort in 1973/74 to have any impact on the projections is the group aged 60–64 at that time. The main guidelines used to modify future ownership rates were derived from the observation of past data. In particular rates for those aged 65–74 were held stable, while rates for those aged 75 and over were reduced over each five-year period by rates corresponding to the average across all cohorts for each household type from the historical data.

The rates obtained from this process were then applied to official household projections broken down by age group and household type to derive estimated numbers of older home owners. A similar process was undertaken to examine past trends in the ages and types of dwelling occupied by older home owners and to produce projections of the proportion of owners by age group living in each type of dwelling in the future. These were then applied to the estimated numbers of older home owners to produce estimates of the numbers of owners in various dwelling type/age categories. Finally, the study also drew on unpublished data on the housing equity held by various types of household taken from the 1991 English House Condition Survey, in order to quantify the resources which will be available to home owners through the use of this resource.

### **Recent trends in home ownership rates**

The cohort of younger households which entered home ownership in its initial phase of post-war growth in the 1950s are now ageing home owners. This wave of early recruits into an expanding tenure has progressed through the life cycle producing marked changes in the housing circumstances of older households over the last twenty years. There has also been the more recent impact of the right-to-buy on

home ownership rates among particular age cohorts with sitting tenant purchasers tending to be in their forties or older (Forrest and Murie 1988). The maturation of the tenure, combined with the specific impact of the right-to-buy, is reflected in the particularly steep rises in ownership rates in the 45 to retirement age category over the past two decades, amounting to almost 21 percentage points. More specifically, among households headed by males, home ownership rates rose between 1973 and 1993 by 31 per cent in the 50–54 age group, by 29 per cent in the 55–59 group and by 23 per cent in the 60–64 group. Similar changes occurred in ownership rates among female-headed households. In 1973/4 the majority of these were in the rental sectors. By 1992/3 home owners were in the majority in every female-headed age group with the exception of women in the 80–84 and the 85 and older categories.

Figure 1 shows home ownership rates for different household types over the last 20 years. Rates for couples have remained higher than for single-person household types. By 1992/3 more than 80 per cent of couples in the 40–64 age band were home owners. By contrast, the highest ownership rate for single-person households was in the 40–44 age band at 61 per cent. The sharpest increase for couples was in the 50–54 group—rising by over 30 percentage points from 53 to 86 per cent. By contrast, in the older age groups the increase was marked but much less dramatic, reflecting the historical pattern in the growth of home ownership and the impact of the right-to-buy. Very old people have been in cohorts which missed the rapid expansion of home ownership in the 1950s and the latter period of recruitment through the right-to-buy.

As Figure 1 shows, the pattern of increase in home ownership rates for single-person households was similar over the 1973–93 period. Every age group recorded significant increases, ranging from 10–23 percentage points, with the highest increase in the younger (40–54) age bands. By 1992/3, the majority of single-person households aged 40 and above were home owners. Rates, however, increased more for married couples, particularly in those age bands (45–59) where the right-to-buy had most impact. For reasons relating mainly to lack of resources and the kinds of property available for purchase, single-person households were under-represented among right-to-buy purchasers and the policy has not been as significant a factor in boosting ownership rates in this group (Kerr 1988). Some single older people in the public sector were assisted with purchase by sons, daughters and other relatives and this may have had a marginal impact on ownership rates, especially in the older age bands. However if rates

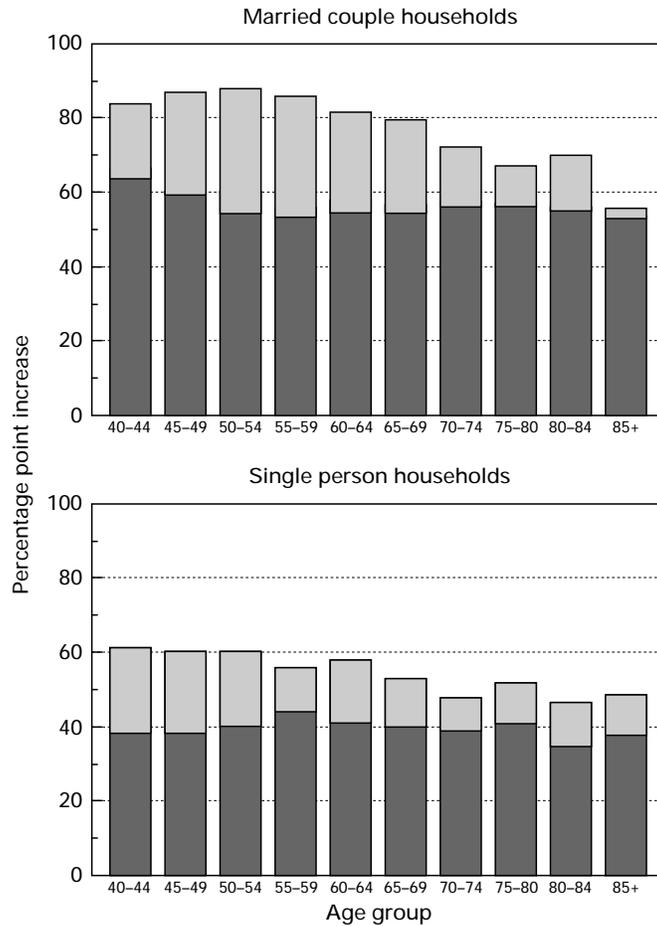


Figure 1. Increase in home ownership rates 1973–93 by age group and household type, England.

between married and single person households are compared in 1973/4 and 1992/3 the gap has generally widened. For example, in the 55–59 age group the difference in home ownership rates in 1973/4 was eight points. By 1992/3 the gap was 28 points.

**Age and type of dwellings**

The dwellings occupied by older people have, on average, become younger with some significant changes over the 1973–93 period. For example, in 1973/74 only 10 per cent of older home owners aged 60–64

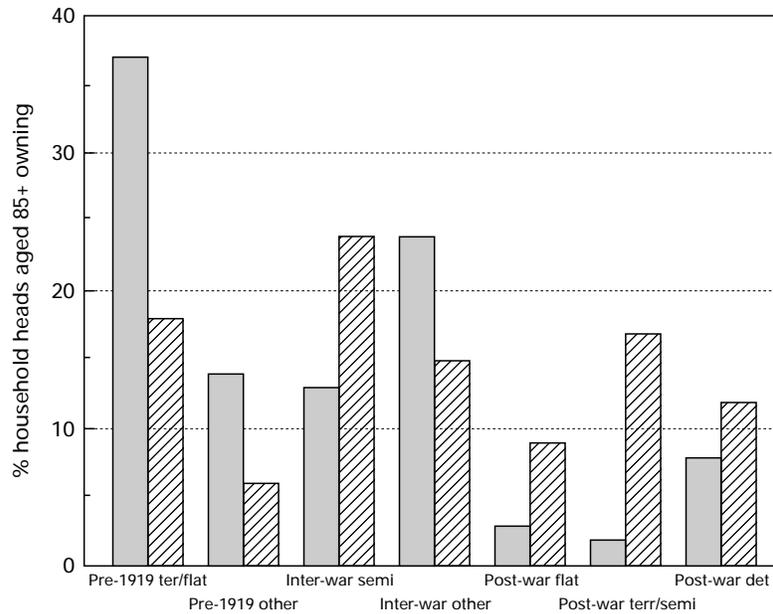


Figure 2. Home owners aged 85 or more by type of dwelling 1973/74 and 1992/93, England.

lived in a post-war terraced or semi-detached house. Twenty years later this proportion had risen to almost a third. An increasing although still small proportion of older home owners now lives in post-war flats. Some of the most striking changes are evident among the most elderly group. In 1973/74, a quarter of owners in the 40–44 group lived in pre-1919 dwellings. By 1992/3 this had only fallen by three percentage points to 22 per cent. However, in the 85 and older group, the proportion of owners in pre-1919 dwellings fell from over half to less than a quarter over the same period. Figure 2 combines data on age and dwelling type to show that in 1973/74 the dominant dwelling type among the most elderly group of home owners (85 and older) was the pre-1919 terrace or converted flat (37 per cent). By 1992/93 only 18 per cent of this age group of owners were living in pre-1919 terraced dwellings and the most common property type was the inter-war semi-detached house. Striking changes have also occurred in the proportion within this group now living in post-war properties, which grew from 12 per cent to 37 per cent. One in eleven home owning heads aged 85 or over now lives in a post-war flat.

Among older home owners in general, the proportion living in post-war detached houses has increased and the proportion in pre-1919

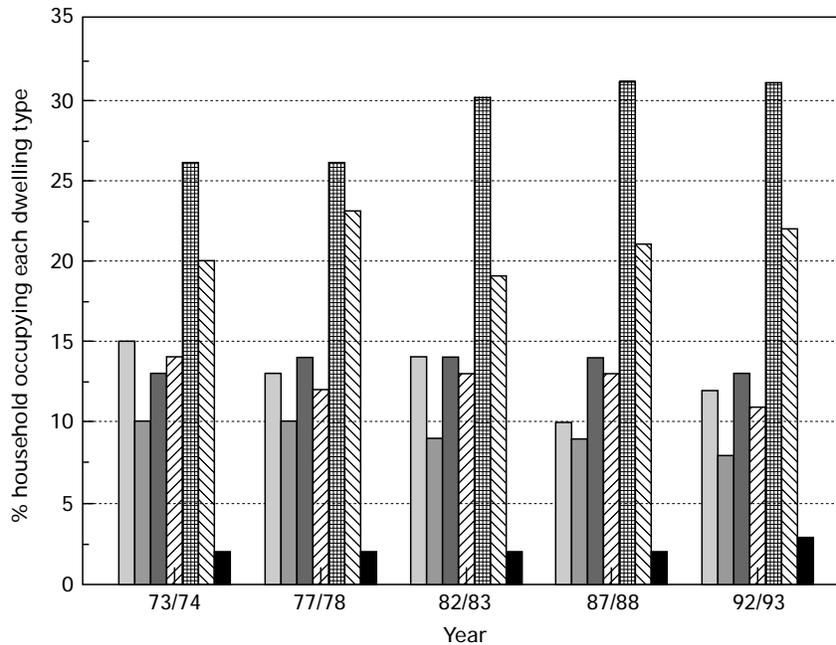


Figure 3. Changing profile of dwellings occupied by the cohort of households aged 60–64 in 1973/74, England.

properties other than terraces or converted flats has decreased but to a lesser degree than in other dwelling types.

Another way of tracing the changes in dwelling types and age is to examine the changing dwelling profile of a particular age cohort over the twenty-year period. Figure 3 follows home owning heads of household aged 60–64 in 1973/74 as they aged over the following two decades. It shows that as the cohort aged, an increasing number moved into post-war flats and moved out of pre-1919 terraced houses. More generally, different cohorts of elderly home owners vacating property through death, or moving into the rental sectors, residential care or to live with relatives, can be seen to release different types of dwellings onto the market. In 1973/74 the dwellings released would have been most typically pre-1919 or inter-war terraced dwellings or flats. In 1992/93 post-1919 semi-detached properties and post-war terraced houses would have been more commonly released.

These developments are primarily cohort effects, arising from the ageing of owners in the dwellings which were available to them at the stage when they entered home ownership, although the picture is made more complex by subsequent moves within the sector and by later entry

to or departure from the sector. To date at least, owners entering old age have thus tended to live in progressively newer dwellings. This has been reinforced by the growing level of private-sector new-build provision for older people, at least in the 1970s and 1980s.

### **Looking ahead**

Figure 4 shows projected rates of home ownership by age of household head at five-year intervals up to 2011. As indicated above, the projections assume that rates of growth in home ownership follow past trends, excluding the impact of the right-to-buy in the 1980s. The main impact of the latter is to produce sharp increases in ownership levels for cohorts aged over 40 which otherwise might have been expected to show little growth. For the purposes of these projections it has been assumed that these high rates of growth will not be repeated, and that the cohorts affected will resume the patterns described previously. Assumed rates of growth in home ownership are projected to be static in the early retirement years, and to show a slight decline for those aged over 75. Results from the Survey of English Housing show that rates of movement out of home ownership into rented accommodation by older people are small (Department of the Environment 1996), amounting to a net loss of about 50,000 households over a five-year period. Households headed by a person in their sixties are more likely to move than older households. Moves from housing into residential care in all tenures are taken into account in the overall household projections.

As might be expected, the ageing of middle-aged and early retirement age cohorts over the next 10 to 20 years will produce substantial increases in ownership rates amongst middle and late retirement age groups. These increases are not likely to be affected by the housing market recession of the 1990s, by static or falling house prices, by problems such as negative equity, or the vicissitudes of the labour market. Most of the households who make up these groups are already home owners, and many have already paid off all or a substantial proportion of their mortgage. There is no evidence of any demand from these households to move into social rented housing on any significant scale. Moves out of home ownership in old age would be dependent on the emergence of new landlords seeking to exploit this market. But market rents would be unlikely to attract households on relatively low incomes who were unused to paying high housing costs.

More generally, it is evident that around three-quarters of households headed by a person aged 60 or more will own their homes in 2011,

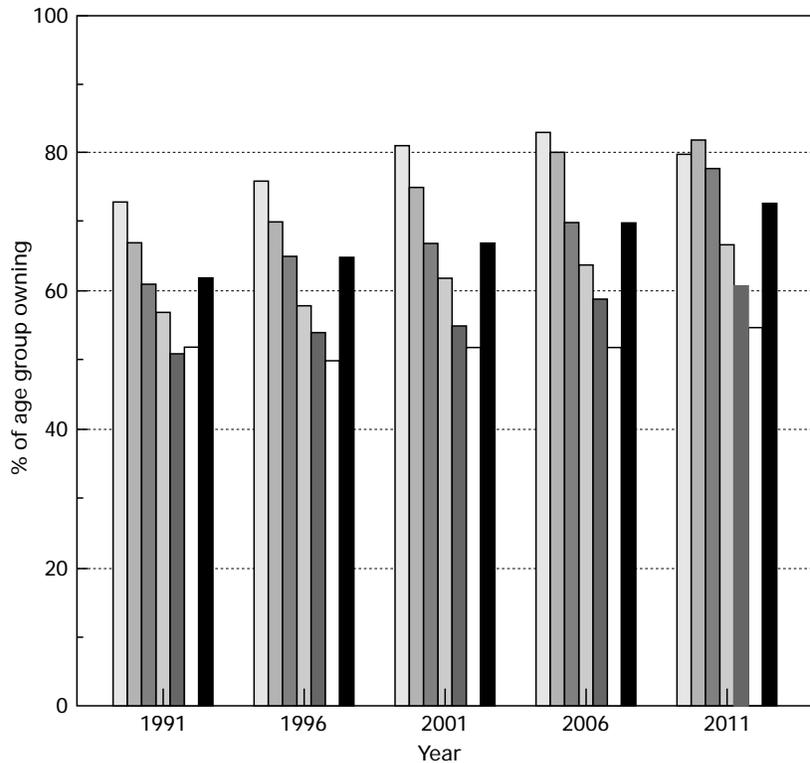


Figure 4. Home ownership rates by age group 1991–2011, England.

compared with about 65 per cent in 1996. However, the overall rate conceals significant variations by age group. Ownership rates for households headed by people in the 60–69 age group will approach 80 per cent by 2011. The rate for those in their early 70s will be close to this level. Even for those households headed by a person in their late 70s, over 70 per cent will be home owners. Only for those aged 80 or more will rates remain below this level, at around 68 per cent.

These trends were applied to special tabulations obtained from official household projections to 2011 produced by the Building Research Establishment (Department of the Environment 1995). The assumptions underlying these 1992-based household projections are inevitably subject to some degree of controversy, particularly in relation to the significant increases predicted in the number of middle-aged and older single-person households in England (Table 1). A projected increase of 4.4 million households (an increase of 23 per cent) over the 1991–2016 period has important implications for the pattern

TABLE 1. *Projected percentage increase in households by type and age group, 1996–2011*

Age of household head	% increase 1996–2011			
	Married/cohabiting	Single person, formerly married	Single person, never married	Other multi-person
15–19	12.1	23.6	46.3	33.7
20–24	–2.1	25.1	33.9	34.4
25–29	–21.9	–7.7	4.3	5.3
30–34	–33.0	–18.1	11.0	2.4
35–39	–22.2	–1.3	84.2	27.7
40–44	3.8	33.1	207.3	59.5
45–49	2.6	33.7	188.2	46.6
50–54	8.2	43.6	155.4	62.4
55–59	10.3	46.1	113.2	75.4
60–64	28.4	65.9	76.6	97.4
65–69	11.0	31.4	6.9	51.6
70–74	–1.0	5.1	–20.8	12.4
75–80	11.2	7.2	–10.4	–4.7
80–84	26.2	12.4	–7.7	–30.5
85+	65.5	52.6	8.7	–31.2

and scale of demand for new housing, and the extent to which this can be met by ‘brownfield’ sites in urban areas rather than by the release of land in the countryside. Moreover, will the additional households wish or be able to afford the kinds of dwelling built by the volume house-builders on green field sites, or will there be demands for smaller dwellings, perhaps more flats, in more urban settings? The projections have also formed an important component of debates about the future level of need for social rented housing and the related issue of the longer-term demand for home ownership, but there has been relatively little detailed exploration of the demographic and tenure implications of the new projections amongst older age groups. Projected increases in middle-aged households, and for older households in the 60–69 age band, stand out for all household types. There will also be increases in very old married and formerly married groups.

In the next fifteen years the number of older home owners will rise from 4.4 million to 6.1 million, an increase of 1.7 million or 37 per cent (Table 2). The highest rate of increase, 54 per cent, will occur for owners in their eighties, but there will also be an increase of 42 per cent in the number of owners in their sixties. In absolute terms the number of owners in this group will rise from 2.1 to 2.9 million. By 2011, 3.1 million older home owners will be couples but 2.5 million will be single people of whom 86 per cent will be widowed or divorced people. While the number of married-couple owners will rise by 29 per cent, the

TABLE 2. *Projected numbers of older home owners by year and age group*

Age of household head	000s of households				
	1991	1996	2001	2006	2011
60-64	1042	1063	1152	1363	1588
65-69	1001	1002	1032	1127	1342
70-74	779	912	936	955	1070
75-80	643	657	786	827	854
80-84	405	474	491	597	645
85+	250	322	424	468	582
All 60 and over	4120	4430	4819	5338	6081

*Source:* Special tabulation provided by Building Research Establishment.

number of single owners will grow by 49 per cent. The number of single-person home owners aged 80 or more will rise from just over half a million in 1996 to 840,000 in 2011. Around three-quarters of these will be single people, predominantly women.

The net increase in the number of older home owners is made up both of increases arising from the entry of younger and larger cohorts into the 60 and over age group and the loss of households into other tenures, into residential care, or through dissolution as a result of the death of the last surviving household members. The last of these is by far the most important. Until 2001, about 152,000 dwellings per annum will be released each year as a result of the dissolution of older home owner households. After 2001, however, this will rise to about 170,000 per annum. The implications of this for other sectors of the housing market, particularly if the types of property released are taken into account, are important but go beyond the scope of this paper.

### **The dwellings occupied by older home owners**

The type and age of dwellings which people occupy can to some extent be used to make inferences about their housing conditions, and in the case of older home owners to assess the amount of home equity which they may have available to meet the costs of repairs, or of care or for other purposes. Figure 5 shows changes in the projected proportion of older home owners by age group living in six dwelling type/age categories up to 2011.

Owners in their 80s were more likely to live in pre-1919 or inter-war housing and those in their 60s were more likely to live in newer housing. As a result of the ageing and dissolution of these households, the proportion of older home owners living in pre-1919 properties will have

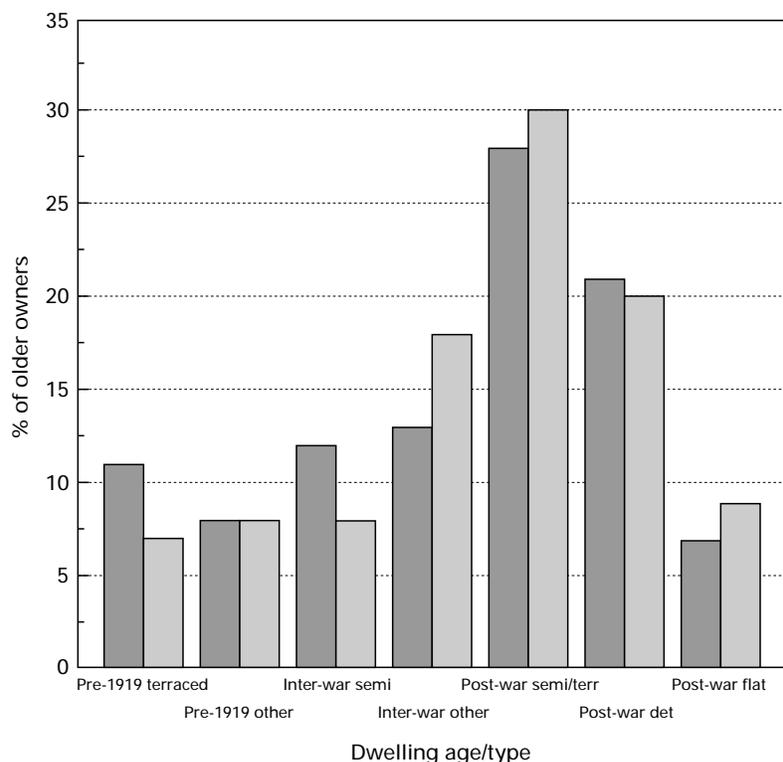


Figure 5. Projected dwellings occupied by older home owners, 1996 and 2011, England.

fallen to 15 per cent by 2011. Those in their 80s will be more likely to live in the post-war stock than younger groups. This process stems from the ageing of two groups of people currently in their 60s and 70s. The first group consists of those who purchased dwellings built in the inter-war or immediate post-war periods when they were newly formed households. The second group are those who purchased older pre-1919 dwellings in the post-war period, often as sitting tenants of private landlords. The latter are amongst the dwelling types most likely to be in poor condition.

Looking more specifically at pre-1919 terraced dwellings which generally present a particularly problematic dwelling type for older people in terms of condition and accessibility, the number of older home owners living in houses of this type will fall from half a million to 400,000 over the 1996–2011 period. Within this total, substantial reductions in the numbers of those aged 70–84 living in pre-1919 terraced housing is offset by a smaller increase amongst those in their

sixties and those aged over 85. The number of older home owners living in inter-war semi-detached dwellings will also decline from 536,000 to 492,000 over the 1996–2011 period.

These declining numbers are offset by the growth in the numbers of older people living in post-1945 dwellings. Around a half of all older home owners in 2011 will be housed in either post-1945 terraced and semi-detached properties (1.8 million, or 30 per cent of all older home owners) or detached properties (1.2 million, or 20 per cent). On the basis of past trends, the proportion of older home owners living in newer, purpose-built flats will rise from just under 300,000 in 1996 to 550,000 in 2011. However this exceeds the current supply of such dwellings and implies the need for an annual increase in supply of about 17,000 per annum over the projection period. These dwellings would include the private sheltered housing market but need not be dwellings built specifically for older people.

These changes suggest that, in proportionate terms, older home owners in 2011 will occupy dwellings which have fewer basic structural house condition problems than those occupied by older people in 1996. However the absolute number living in dwellings which will, by 2011, be over 75 years old will remain at more than 920,000.

### **Household type changes and the demand for home ownership**

Household projections are always uncertain as new household formation is influenced not only by demographic trends and social aspirations, but by the extent and nature of housing provision and the affordability of housing or the mechanisms used to allocate it. To cope with these uncertainties, official household projections tend to apply past trends, modified by anticipated demographic and social changes.

Applying a tenure breakdown to household projections poses challenges as the economic context becomes significant. This is further complicated by the nature of household formation. For example, the projected increase in single-person households at national level might be expected to face greater difficulties in purchasing a dwelling than couples or other multi-person households. However, the difficulties are arguably less in relation to older people. Many of the households which will be headed by an older person in 2011 already exist and their tenure arrangements are well-established. Older single-person households in the owner-occupied sector formed through bereavement tend not to move to another tenure, and there is no reason to assume this will change. Other older-person households, yet to form, may face more

difficulties in entering home ownership (or remaining in it in the case of relationship breakdown) but those who are already owners are more likely to strive to retain this status, not least because of the lack of alternatives. It seems more likely that the market will respond by the provision of smaller, cheaper dwellings for sale to meet this need than that a major rental sector will develop to cater for older people.

### **Older people and housing wealth**

As was shown earlier, the ageing of the home-owning population is linked to broader debates concerning the changed pattern of personal sector wealth. Using data from the 1991 English House Condition Survey it is possible to estimate the amount and distribution of housing equity amongst older home owners. Data on loans secured against properties were obtained from the interview element of the survey and compared with professional valuations of dwellings to develop estimates of equity. Looking at these data in combination with the projections of the types of dwelling occupied by older home owners can form the basis for estimates of future levels of housing equity for this group.

Figure 6 show that in 1991 the average unmortgaged equity (net housing wealth) for home owners in England was £55,500. The equity peak was around £76,000 for those in the 60–69 age group, falling to £65–£70,000 thereafter. The mean level of equity for households headed by a person aged 60 or over was £72,400. But there was a wide variation with 45 per cent of home owning households headed by a person aged 60 or more having equity of less than £60,000. This rises to 66 per cent if older tenants, who in 1991 represented almost 40 per cent of older households, are included. Predictably, there was a strong regional effect, with older people in London, the South East and the South West having significantly more equity than those in the rest of the country. There were also some variations in equity by age and type of property occupied. Older people living in detached properties of all ages, inter-war semi-detached houses, and post-1964 properties had more equity than those in pre-1919 terraced dwellings.

Looking at the amount and distribution of equity available to older people in the future is a highly speculative exercise. The absolute levels of equity which older people have will depend on movements in house prices. For the present, we shall assume that prices will remain at or around their 1991 level in relation to general inflation for some time ahead, even if there is some short term catching up in the next year or two (Briscoe 1997). This is because demand will be depressed by

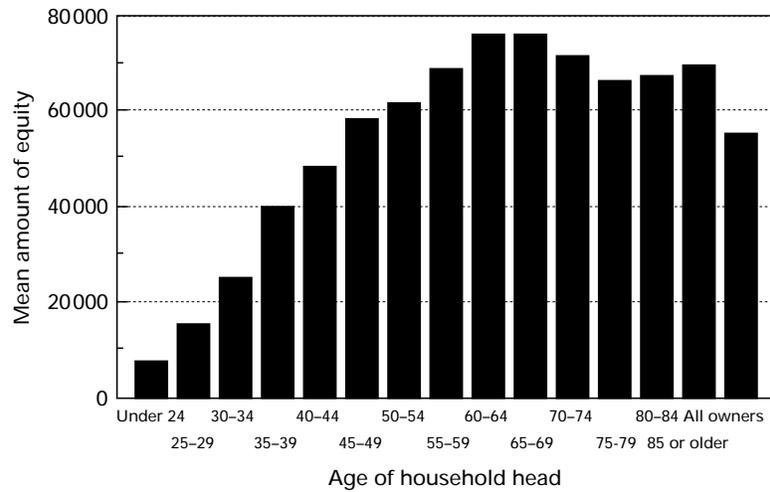


Figure 6. Equity by age group, all owner occupiers 1991, England.

demographic factors (fewer first-time buyers households to underpin the market) and economic factors (labour market uncertainties including more unemployment and increasing use of short-term contracts). However the higher overall rate of home ownership amongst the over 60s will give more of this group access to home equity, with only about a quarter of older households renting their home in 2011.

Within households headed by a person aged over 60 as a whole, the proportion living in the South East, the South West, and East Anglia will increase relative to other regions. These areas not only have higher rates of home ownership at present but also tend to have higher price levels. Although the ownership projections described above did not look at regional variations in ownership levels, the increasing proportion of older households living in the southern regions is likely to lead to an increase in the average level of equity available to older home owners.

Finally, shifts in the ages and types of dwellings occupied by older people will tend to increase the amount of equity which they have, provided that current relationships between the values of different types of dwelling remain constant. Moreover, it is likely that in a future housing market, price differences between newer and older dwellings will increase as a result of the growing costs of repair and maintenance in the older stock. This would tend to increase the equity available to older people relative to other households. However it should also be

noted that a significant proportion of older home owners in 2011 will be those who purchased former council dwellings under the right-to-buy. Many, but not all, of these dwellings will be of lower value than properties of similar age and type.

In cash terms, the price of houses, and thus the amounts of equity available to older home owners, will almost certainly increase substantially. Even a two per cent annual house price increase up to 2011 would raise the average amount of equity by a half. However the significance of this depends on relative increases in the prices of goods or services which these resources could be used to purchase. Furthermore, many other factors could intervene. For example if more home owners in the future trade down in later middle age, this will enable them to release some of their accumulated equity at an earlier stage, thereby reducing future equity levels.

### **Policy implications**

The ageing of the home-owning population raises a number of important policy issues. One initial observation is that the housing conditions experienced by older people in England have improved significantly in the last ten years (Department of the Environment 1983, 1988, 1993). One of the major findings of the 1981 English House Condition Survey was that older people were the worst-housed group in the population but by 1991 older couples were no more likely than most other groups of households to experience poor housing conditions. However, single older people and those in households headed by a person aged 75 or over were still more likely than most other types of household to experience poor conditions.

Older people are generally less likely than younger households to invest in dealing with poor housing conditions with the propensity to carry out work decreasing with age. Major renovation works are rarely undertaken by retired owners so the amount and effectiveness of investment undertaken in middle age (or the effectiveness of a move at this stage in securing good condition housing) is a key determinant of the conditions experienced in later old age, often by a widowed older woman. An increase in the proportion of low-income home owners in late middle age, such as that brought about by the right-to-buy, or perhaps equally significantly by involuntary early retirement from the labour market in the 1980s and 1990s recessions, will probably lead to an increase in the number of very old home owners experiencing poor

conditions in the next two decades and beyond as they, and their dwellings, age. These factors, combined with greater longevity, will lead to an increased incidence of house condition problems. Repair works carried out by an owner will in future have to last much longer, increasing the probability that further work will be needed at the stage when the homeowner is least likely to be able to afford it or cope with it.

The higher proportion of older home owners living in newer housing may mitigate these problems. More older people will live in dwellings which were constructed to modern standards. The durability of dwellings built in the 1950s and 1960s will be an important determinant of the conditions experienced by many older home owners in the early part of the next century, and at present comparatively little is known about the conditions of this sector of the stock, or about current levels of investment in its maintenance, repair, and improvement. There is no evidence that dwellings built during the 1950s and 1960s are significantly easier for older people to live in, so there will be a continuing growth in the demand for adaptations to facilitate mobility.

At a time when governments are disengaging from general subsidies to the home ownership sector the links between housing tenure, demographic ageing and the physical condition of the housing stock raise important strategic questions for the future. At present, older people are beneficiaries of a range of grants from local authorities to assist with repair and maintenance. About 60,000 older people a year receive grant aid of some kind. It is likely that such grant aid will be further limited and targeted on the most needy. Even if some older people experience a relative improvement in income levels, the costs of repair work will place a major strain on these resources. Savings and investments offer a better prospect but are frequently safeguarded to contribute to income. Home equity offers a better potential source of funding, but its use would require major changes in attitude and new mechanisms to exploit it. The growth in the number of older home owners will therefore have major implications for the future of the housing stock and for the housing conditions on offer to the next generation.

In this context there are often long time lags between policy implementation and policy consequences. The right-to-buy has been the dominant housing policy in Britain for almost 20 years, yet many of its impacts will only emerge as we move into the next century. Those who bought during the 1980s in the 45–64 age group are roughly estimated at 560,000 households in Britain. Significantly these will form perhaps one in six owners aged 75 or more in 2011. Typically

these households will have lower incomes and in most areas less equity to draw on. They may also have undertaken relatively little investment in the repair and maintenance of their dwellings over an extended period.

As regards mobility, surveys of older home owners consistently find that most wish to stay put in their existing homes in the future (McCafferty 1994). However, a significant minority favour a move, mainly to smaller accommodation. What happens in practice conforms with these aspirations. On the basis of data from the 1993/94 and 1994/95 Surveys of English Housing (Green and Hansbro 1995; Green *et al.* 1996) it can be estimated that around 80,000 older home owners moved during the 1993/94 period, representing only about 1.8 per cent of the total number of older home owners. Many of the moves taking place are, however, involuntary, arising from changes of circumstances which make it no longer possible for an older household or more typically a single older person, to cope in their existing dwelling. There is a higher level of movement amongst owners in the 45–59 age band (3 per cent of the total in the same year), suggesting that these are voluntary adjustments in late middle age. Both actual mobility and aspirations to move in old age suggest that there is substantial unmet demand to move amongst older home owners. The projected increase in the number of older home owners in the next two decades would suggest a higher level of demand to move than at present, and new forms of demand. On the basis of past trends, the demand for purpose-built flats or bungalows providing manageable and accessible accommodation will continue to grow. Our projections suggest an additional 17,000 new purpose-built flats per annum will be needed to meet demand on the basis of past trends. This might be in the form of private sheltered housing (with about 75,000 residents, or less than 2 per cent of all older owners in 1995) but this is rather a specialised market. More are likely to seek dwellings without the housing and care services which private sheltered housing schemes provide, but perhaps with high standards of accessibility, security, and services to deal with repair and maintenance. But it is important not to over-estimate the demand at the upper end of the market. Many, perhaps the majority of those seeking to move, will not be able to afford high purchase prices or service charges, so the main demand will be for cheaper units, provided that they offer some improvement on people's existing homes.

Gross household flows *into and out of* home ownership in old age are currently at comparatively low levels with a very small net outward flow into social renting, mainly in the 65–74 age group. Unless initiatives such as shared ownership for older people grow rapidly, this

is unlikely to change. However it should be mentioned that this picture contrasts with some evidence on demand. Leather and Mackintosh (1997) report on the experience of the 'Moving On' project in Birmingham, which found many older home owners, especially those over 75, looking to move into the housing association sector from owner occupation, provided that the accommodation available was sufficiently attractive.

The demographic projections outlined earlier indicate that a significant proportion of the increase in household numbers will consist of single middle-aged and older people. Such households do not at present form a high proportion of those moving into the peripheral new-build estates which in the past have borne the brunt of new construction to meet additional household formation (see Forrest *et al.* 1997). Past provision of specialised building for sale aimed at older people included some greenfield development, especially around smaller and more attractive towns, but also a significant proportion of redevelopment on 'brownfield' sites located conveniently adjacent to facilities such as shops and public transport. However, older home owners do not favour unattractive inner city sites. It is clear that the future needs of older people will not be met on a large scale by speculative building on peripheral sites, and that this market will require different solutions. Likewise older people moving or seeking to move will not in general be attracted by conversions of existing dwellings unless these can offer secure and accessible accommodation. In the future we may well see the emergence of innovative designs to convert the typical suburban semi into two flats with both providing a high standard of privacy and accessibility.

### **Concluding comments**

The number of older home owners will increase sharply over the next two decades. By 2011, there will be 6.1 million older home owners in England, an increase of 1.7 million over the 1996 level. Compared with 1996, there will be an additional 431,000 owners aged 80 or over. Britain is not unique in this respect nor in the impact of such an ageing process on the level of home ownership (for example, see Hughes 1991). Despite uncertainties over the continuing level of recruitment into the tenure from younger age cohorts in a number of countries, the post-war growth of home ownership will continue to ripple through demographic structures to produce higher overall levels of residential property

ownership for the foreseeable future. As outlined earlier, however, levels of urbanisation, the age structure of both the dwelling stock and home owners, policy orientations towards greater market provision, house price volatility and the significance of housing wealth in the overall composition of personal sector wealth combine to produce a particular set of British circumstances for policy and academic debate.

Older home owners face a highly varied future. Some will have higher incomes as a result of occupational and private pensions but many others, especially those who purchased from a local authority as sitting tenants, will be mainly dependent on the state pension. There will be some improvement in the housing conditions which older people face as more age in post-war dwellings rather than pre-1919 or inter-war property, but even in these dwellings, problems will emerge as a result of the ageing of services, a lack of maintenance, and design features which require adaptations to facilitate accessibility. There will be some older people with a substantial amount of resources available to them in the form of home equity. But questions remain over whether they will wish to tap into this and the extent to which this store of wealth will need to be capitalised in a reshaped welfare state. For others, such voluntary or coerced use of equity will not be such an issue. Many home owners will have very limited equity, compounded by the responsibility for the repair, maintenance, adaptation and heating of a home in substantial disrepair. A further dimension will be introduced by those who bought their council houses as sitting tenants in areas where the prices of such dwellings have failed to match those of equivalent dwellings in the purpose-built private stock. Moreover, in all discussions of the use of housing-related equity, it is essential to bear in mind that a quarter of older households will remain as tenants with no store of wealth, however limited, to protect or potentially draw upon.

There are other broader issues which this paper has only touched upon. Three in particular deserve final emphasis. First, there are the spatial implications of the growth of home ownership in old age (Warnes 1994). The policy and economic context and the marketing of specialised financial products for ageing home owners will affect mobility and migration in ways which are currently difficult to predict. One expectation would be a greater degree of neighbourhood stability and sedimentation as mobility rates fall. But there could also be a new phase of dwelling conversion to accommodate the changing needs of an ageing group of home owners. This could involve more short distance moves within neighbourhoods, the conversion of family homes in the suburbs and inner suburbs, and might be part of a new phase of inner urban regeneration as older households with spending power seek retail

and social infrastructures which are not dependent on access by private car.

Secondly, the ethnic composition of the older population must be taken into account. The main increase in the number of older people from minority ethnic communities will come after 2011, but might have some impact in the later part of the period covered by this study. The existing tenure differences between ethnic groups can be expected to persist into old age. At present, the Black Caribbean community has the highest proportion of middle-aged people of any ethnic group, a high proportion of whom rent their homes from a local authority or housing association. This might serve to reduce the overall level of home ownership amongst older people slightly, but it also has implications for the provision of smaller or specialised units in the social rented sector. As the Indian and Pakistani community ages, the present strong preference for home ownership is likely to continue, but there may be a requirement for smaller dwellings in the same localities as at present. These trends need to be monitored in more detail as they emerge.

Thirdly, the gendered nature of these processes is important. Inevitably, as the various cohorts of property owners age, an increasing proportion will be women. Many will be living alone or perhaps in new, more communal, household configurations. Some will be relatively well off. Others will be living in low quality accommodation with limited pensions and other financial resources. Just as some of the worst housing conditions are experienced by female-headed households in the early stages of the lifecycle, it is also likely to be women who will in the future form a disproportionate number of disadvantaged home owners in old age.

### **Acknowledgement**

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### **Note**

A version of this paper which contains more detailed empirical material is available from Anchor Trust: Forrest, R., Leather, P. and Pantazis, C. 1997. *Home Ownership in Old Age*. Anchor Trust, Oxford.

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