

# Rightsizing:

## The opportunities in the downsizer market for housebuilders



### Executive summary

- Ongoing buyer demand for larger homes and rising house prices have put would-be downsizers in a strong position to make a move to a smaller home and release equity to realise a new lifestyle or help children move onto the housing ladder.
- Downsizing doesn't necessarily mean moving to a one-bed flat. Our analysis of reservations data over the last 18 months shows almost half of buyers aged over 55 elected to reserve a 3+ bed new-build house, while 27% of buyers looked to move to a 2-bed new-build apartment.
- On average, those looking to downsize from a 4+ bed home to a three-bed property in the same area, who own their home outright, can expect to release a windfall of £200,000 before costs.
- The largest potential equity release from downsizing is for homeowners in London and the surrounding commuter belt, where downtrading from a 4+ bed to a three-bed home can release double the UK average at £424,000.
- There is a clear opportunity for housebuilders who engage with this equity-rich audience. The population of those aged over 55 is set to increase by 1.7 million over the next five years.

**“Strong house price growth, and the pandemic-led search for space, has put would-be downsizers in a robust position to enter the property market in 2022.”**

**Rob Owens**  
Senior Property Analyst

## Introduction

As the UK's population continues to grow, there has been a shift in the age structure towards those in later life. Official forecasts from the Office for National Statistics show the population of over 55s will rise by 1.7 million in the five years to 2026, many of whom will be considering trading in their family home and downsizing in the coming years.

While there is a need for homes specifically designed to support those in later life, there is also a sizeable cohort of more mature buyers who don't need additional support and are motivated to move to pursue a new lifestyle, free up equity for their retirement or to help family members move onto the housing ladder.

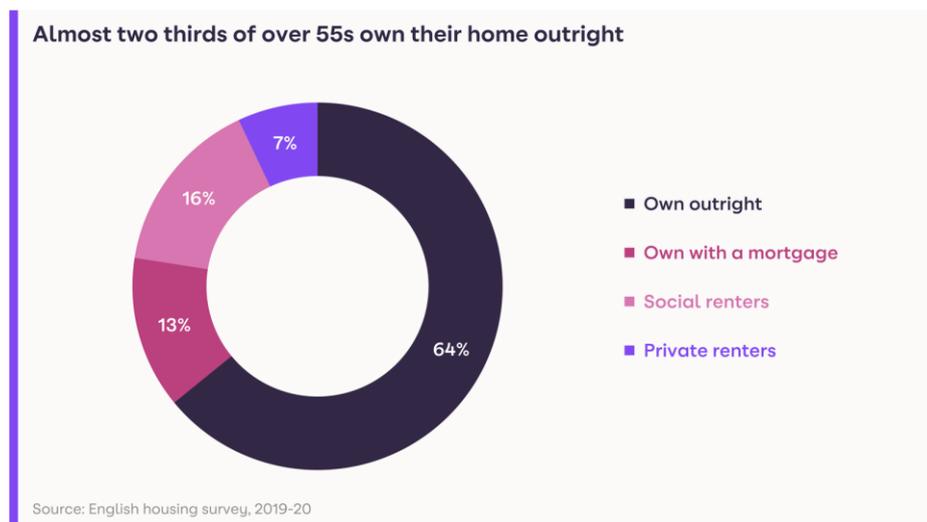
Current market conditions for those considering downsizing are favourable as strong house price growth and the pandemic-led search for space has put sellers, particularly of larger family homes, in a strong position in today's housing market.

This report looks to contextualise the importance of this audience and show the local markets where moving to a smaller property from a larger 4+ bed home can release the most equity.

By understanding the price relatives between different property sizes, and the markets where potential downsizers can release the most equity from selling up, there is a clear opportunity to unlock a growing audience that has perhaps been undervalued in recent years as government policy has largely focused on helping first-time buyers into homeownership.

## What do we know about downsizers?

Some 64% of over 55s own their home outright, with a further 13% owning with a mortgage. By moving from a larger home to a smaller property, downsizers can release equity to top up their pension pot or gift a deposit to their children. Our recent survey revealed that parents on average gifted £32,440 to help their children into ownership.

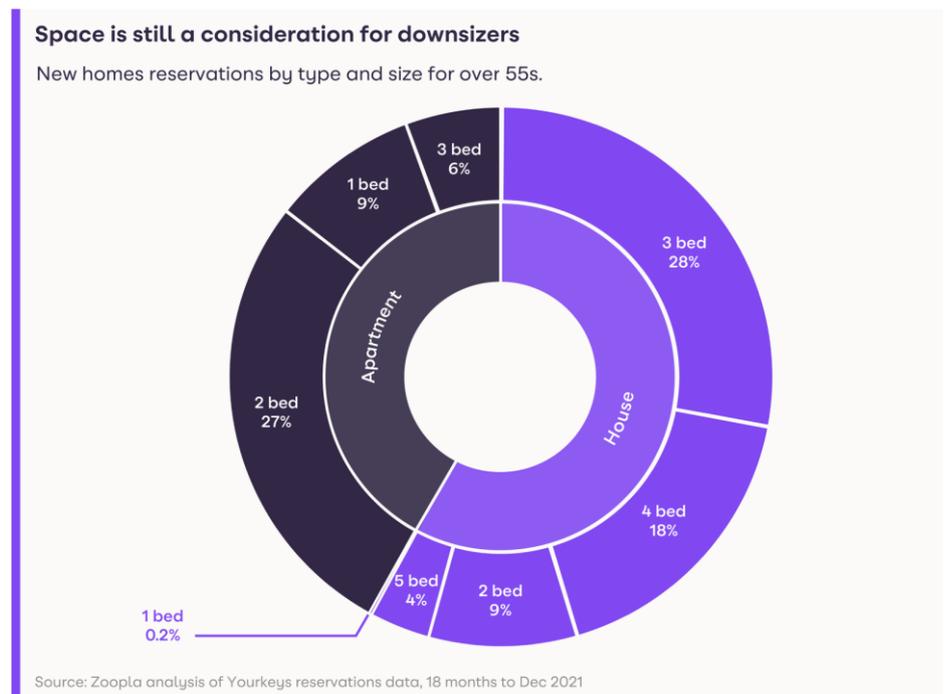


49%

Of reservations for over 55s are for 3+ bed houses, 18 months to December 2021

At the same time, The Office for National Statistics' Family Resources Survey tells us that 48% of those aged over 65 have savings and investments of £20,000 or more. For the remaining 52%, their home is likely to be their most significant asset.

### What can Yourkeys data tell us about downsizers?



Looking at new homes reservations for the over 55s over the last 18 months, we can see that space is still a consideration for this audience, according to data from Yourkeys, the Zoopla tool for buyer registrations and sales progression. Fewer than one in ten buyers over the last 18 months reserved a one-bed apartment. In comparison, half (49%) of buyers reserved a house with three or more beds.

Our analysis of Yourkeys data also shows that potential downsizers moving to a new build home travel an average of 10.4 miles, compared to 6.6 miles for the under 55s (see chart on next page).

This gap widens for buyers in the 65-74 age bracket at 13.8 miles, suggesting a wider demand pool for this audience as downsizers move closer to family or quieter surroundings on the coast and in rural locations.

# 10.4 miles

The median distance over 55s travel when buying a new build property, 18 months to December 2021

Median distance moving home to a new build property



Source: Zoopla analysis of Yourkeys reservation data for the 18 months to Dec 2021

## Why downsize now?

Since the start of the pandemic in March 2020 the data signals that a large cohort of older, equity-rich buyers have moved home. Many of these buyers may have lived in their homes for more than 20 years and will have benefited from rising house prices.

The chart below shows the gains from house price inflation for all property for those who bought 25 years ago. Across the UK, house prices have increased fourfold (+6.1% annually) from £54,000 in 1996 to £240,000 today.

London homes have registered the largest rise in value, at £424,000 (+7.6% annually), followed by the South, where house prices have increased fivefold with an average gain of over £200,000. Scotland and the North East have seen more modest rises over this time at £88,000 and £96,000, respectively.

Over the last 12 months, house prices have outperformed the long-run average in many markets. As such, this may prove the trigger for some downsizers to consider a move over the next year to realise the capital gains achievable from selling their home.

# +£185,500

Average UK price increase over the 25 years to October 2021

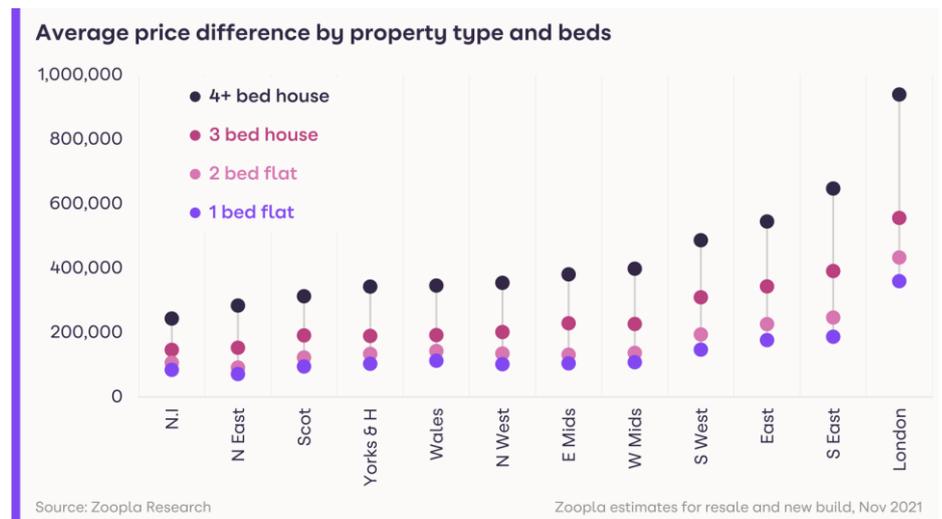
House price change over 25 years



Source: Zoopla Research

Difference in price (Oct 1996 vs Oct 2021)

## How much can sellers release from downsizing?



In the UK, the average equity released from moving down from a 4+ bed to a three-bed (both resale and new homes) is just under £200,000, ranging from £453,000 in London to £123,000 in Scotland.

London registered the greatest opportunity for downsizers, with the potential equity released from moving from a 4+ bed to a three-bed home ranging from £1.9m in Westminster to £74,000 in Newham.

When looking at more the localised data on the first map on the following page, we can see that some areas rival the gains achievable in London's more central boroughs. These include housing markets primarily in the wider commuter belt, namely Sevenoaks (£440,000), Chiltern (£436,000), Waverley, and Windsor (both £409,00).

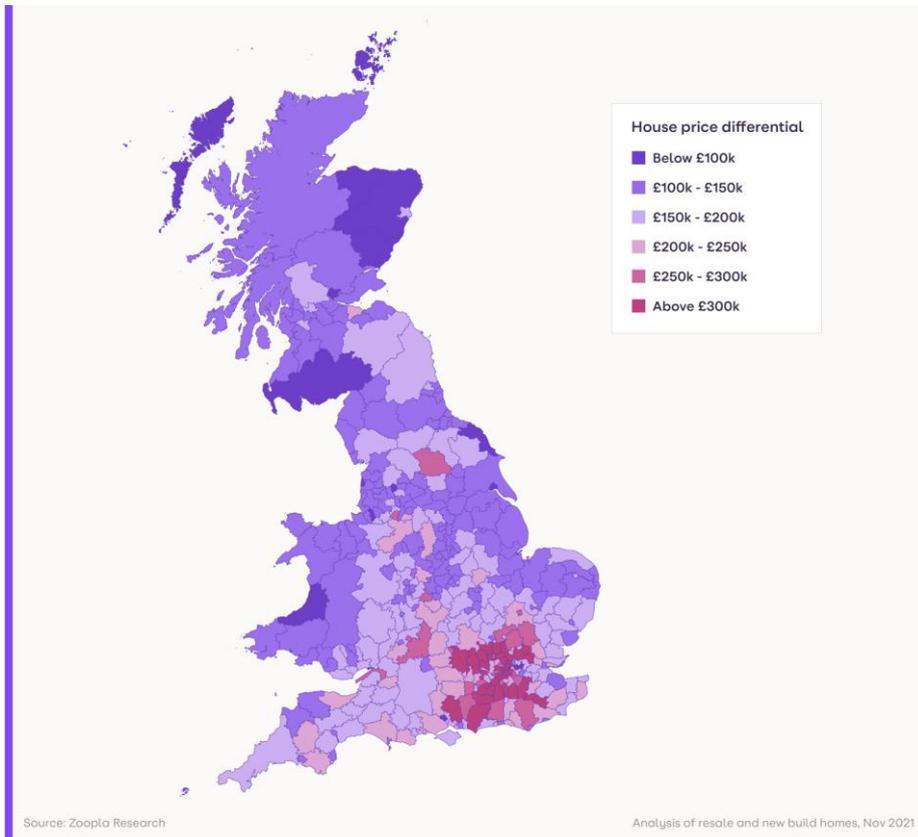
For lower-value markets in the Midlands and the North, the differential in price is smaller, which may prove a barrier to would-be buyers looking to move to a larger home as well as release a cash sum.

In this instance, buyers may look to relocate to more affordable markets further afield or, alternatively, consider downsizing to a two-bed home instead.

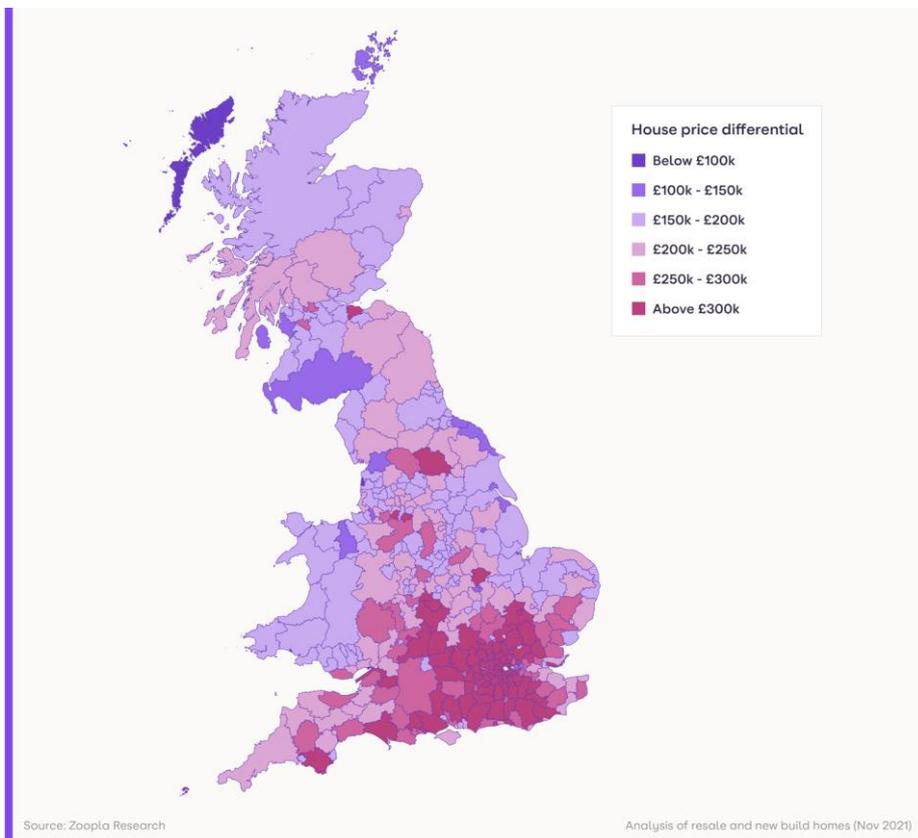
The second map on the next page shows the potential gains from moving from a 4+ bed home to a two-bed home. By moving to a smaller two-bed property, sellers can release over 40% more equity than a three-bed in the North East and Midlands, with the average equity released nationally standing at £278,000, a 35% increase on the equity released downtrading to a three-bed.

### Where the greatest potential gains nationally?

Moving from a 4+ bed to a 3-bed home



Moving from a 4+ bed to a 2-bed home



## Summary

While recent Government focus has centred around social care reform and getting builders to build more supported homes, there is also a large cohort of older buyers who can expect a healthy later life without the need for supported housing.

There is a real opportunity for those with larger homes to crystallise their gains in the years to come, especially as the stock of family homes for sale remains constrained.

Housebuilders have the opportunity to engage with this buyer group who are no longer bound to the office or their children's school commitments. While this audience may be more mobile when making their next move, space remains a priority with three-bed homes accounting for 28% of sales.

In some lower value markets, the move down from a 4+ bed home to a three-bed is unlikely to release the quantum of equity to motivate sellers to move. However, a move to a two-bed property could make the economics for a move add up for would-be downsizers.

Lastly, by encouraging potential downsizers to make a move, new chains are created by the equity that is unlocked, creating more opportunities for new buyers to enter the market.

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