Institute for Fiscal Studies

The use of housing wealth at older ages

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Executive summary

The extent to which people draw on their housing wealth in later life is an important issue, with implications for the living standards of current older individuals and their use of other financial resources, the likely bequests that will be received by younger generations, and policymakers' assessment of the financial preparedness for later life of current younger individuals. Housing mobility at older age also has implications for the turnover and appropriateness of the housing stock.

There is no simple answer to whether individuals 'should' spend their housing wealth. It could be used to increase spending, but leaning against that are bequest and precautionary savings motives, transaction costs and the consumption value of housing. Whether any given individual wants to draw on their housing wealth will depend on their preferences. That means that it is necessary to examine empirical evidence to understand how individuals are behaving.

In this briefing note, we contribute an important piece of the jigsaw by documenting the extent to which older individuals draw on their housing wealth, using data from the English Longitudinal Study of Ageing from 2002–03 to 2014–15.

Key findings

Around 4% of owner-occupiers aged 50+ moved over a two-year period.	Moving is slightly more likely among owners in their 50s and early 60s than among owners in their 70s. From age 80 onwards, the probability of moving increases rapidly with age, driven by moves into institutions.
Current trends suggest over 40% of those who are owner-occupiers at age 50 will move before death.	Cumulating probabilities of moving across older ages suggests that over a third of owner-occupiers at age 50 would move by age 70 if they lived to that age, and over half would move by age 90.
Fewer than 10% of moves were reported to be financially motivated.	The most common reasons for moving were to move to a more suitable home, to move closer to family and friends, health-related (particularly among those aged 80 and over) and to move to a better area (particularly among those aged between 50 and 69).
It is common for housing wealth to be released even when not explicitly moving for financial reasons.	There are two ways movers can release wealth: moving out of owner-occupation and moving to a cheaper property ('downvaluing').

Current trends suggest 14% of those who are owner-occupiers at age 50 will move out of owner-occupation before death.	The majority of moves at older ages are not out of owner-occupation: 77% of moves (83% of non-institutional moves) are to another owner-occupied property. The probability of moving out of owner-occupation increases markedly from age 80, driven by moves into institutions, and in the late 80s even once institutional moves are excluded.
On average, those who move to another owner-occupied property do 'downvalue'.	The median wealth released by those who moved but stayed owner-occupiers between 2002–03 and 2014–15 is estimated to be around £14,000 (or 9% of the property value), not accounting for any costs associated with moving. 'Downvaluing' is greater among older movers: among movers aged 50–59, the median wealth released was £4,000 (3%), compared with £49,000 (25%) among those aged 80+.
Changes in household composition are strongly related to releasing housing wealth.	Unsurprisingly, those who become separated, divorced or widowed are much more likely to move, move out of owner-occupation, and release wealth than those who remain married or single.
The financial situation of the household is strongly related to the use of housing wealth.	Individuals are more likely to move if they report not having enough money to do things. Among those who move, the average amount and average proportion of wealth released are decreasing with financial wealth, increasing with housing wealth, and increasing in the housing wealth to income ratio.

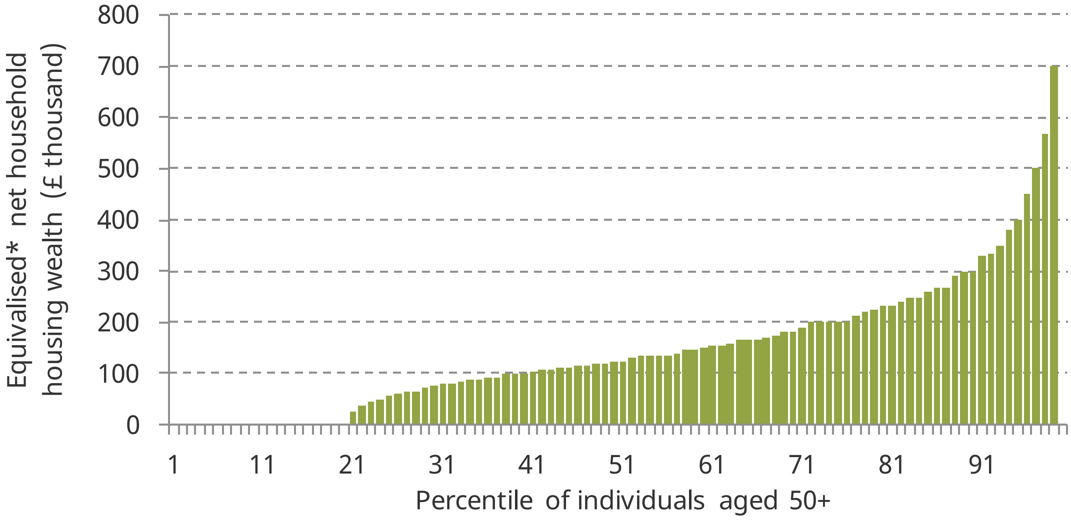
Accessing housing wealth at older ages is therefore currently not an activity of the majority, but it is far from uncommon. There are also reasons to believe moving at older ages, and moving for financial reasons explicitly, may increase in future. A greater proportion of those on the eve of retirement think that they will downsize to provide money in retirement than the proportion of currently older individuals that we find reporting having moved for financial reasons. The implications of this are that, when thinking about the financial preparedness of future generations for retirement, housing wealth is an important part of individuals' portfolio that needs to be taken into account.

1. Introduction

There has been a popular focus in recent years on the ‘British dream’ of homeownership. The collapse in homeownership rates among younger generations[1] has led to numerous government policies designed to increase housebuilding and give young people a leg-up onto the housing ladder. However, so far, considerably less attention has been paid to the use of housing wealth at the other end of the life cycle.

Older households hold considerable amounts of housing wealth. Figure 1 illustrates the distribution of equivalised primary housing wealth among those aged 50 and over in England: 80% of the population are owner-occupiers, and the median level of equivalised housing wealth among owners is £150,000 (the mean is £190,000). Drawing on this wealth could bring significant increases in income for some,[2] potentially improving living standards in retirement.

Figure 1. Distribution of primary housing wealth among the 50+ English population



*Housing wealth is ‘equivalised’ by dividing by 1.5 in the case of couples.

Source: English Longitudinal Study of Ageing 2014–15.

An important question is therefore: **to what extent do individuals draw on their housing wealth in retirement? And what motivates them to do so or not do so?**

The answers to these questions are important for a number of reasons. First, there are many good reasons why individuals may or may not access their housing wealth (discussed in more detail in Section 2), but if there are constraints that mean that individuals are not able to access their housing wealth when they would like to, then there may be a role for government intervention in order to ease these constraints and improve the well-being of retired homeowners.

Second, whether or not older households draw on their housing wealth has implications for future generations through the size of bequests left. Inheritances are expected to play

[1] Cribb, Hood and Joyce, 2016.

[2] Hancock, 1998.

an increasingly important role in determining the economic resources of younger generations.[3] The current wealth of their parents is often referred to, but how much of this wealth younger generations can expect to inherit will depend crucially on how much their parents spend before death.

Third, the use of housing wealth by older generations could also affect our *assessment* of how prepared for retirement younger generations are. This is an important question of active policy concern given that, for younger generations, saving for retirement is predominantly up to them, in a way that was not the case for current retired generations (for whom employers and the state played a larger role).[4] There is much debate over whether owner-occupied housing wealth should be considered a potential source of retirement income when assessing the adequacy of individuals' saving. Understanding how current retirees treat their housing wealth could help answer that question.

It is also true that housing *mobility* at older ages is of wider interest, irrespective of whether or not wealth is drawn on. For example, it has implications for the housing stock and the type of new properties that need to be built in response to demographic change, and there is also growing interest in the relationship between 'appropriate' (or 'inappropriate') housing and health and well-being at older ages.[5]

In this paper, we examine the extent to which older individuals in England drew on their housing wealth over the period 2002–03 to 2014–15. We do so using data from the English Longitudinal Study of Ageing (ELSA) – a large survey of initially over 11,000 people, who have been interviewed every two years since 2002–03.[6] Our findings are therefore based on the actual behaviour of a large, representative sample of the older population over more than a decade. This is similar in approach to older studies that have considered housing mobility among the older population in the 1990s,[7] and is complementary to recent studies on attitudes towards downsizing based on small bespoke surveys.[8]

We do not attempt explicitly to unpick whether the observed use of housing wealth represents optimal behaviour, or whether there are constraints that prevent or discourage greater degrees of housing wealth drawdown. This is a very important question that requires further research. However, we do examine the individual characteristics associated with different behaviours, which ought to be indicative of some of the main motivations at play.

The rest of this briefing note proceeds as follows. In Section 2, we provide an overview of the economic arguments for and against individuals spending their housing wealth at older ages. In Section 3, we describe our results: (i) how common moving is at older ages; (ii) why individuals move; (iii) whether individuals release housing wealth; and (iv) characteristics associated with moving and releasing wealth. In Section 4, we discuss these results and draw out the implications. The ELSA data used in this research are described in more detail in the appendix.

[3] Hood and Joyce, 2017.

[4] Finch and Gardiner, 2017.

[5] See, for example, Davidson et al. (2010), Webb, Blane and de Vries (2013) and Torrington (2014).

[6] Marmot et al., 2017.

[7] Ermisch and Jenkins, 1999; Banks et al., 2010; Banks et al., 2012.

[8] Such as Beach (2016).

2. ‘Should’ housing wealth be drawn on in retirement?

Before presenting evidence on whether older individuals draw on their housing wealth, it is useful to think about the rationale for doing so or not doing so. How might we expect individuals to behave?

A tractable place to start thinking about this question is the simple fact that when you die, as the title of the 1936 play suggests, ‘you can’t take it with you’. This would argue in favour of spending housing wealth (along with all other wealth) during life. However, there are two big reasons for people not to actually do this. The first is bequest motives – people want to be able to pass on wealth to relatives, friends or charities when they die. The second is precautionary saving – people face risks such as living longer than expected (typically a good thing, but it might have financial consequences if people are living off their assets rather than an income), or seeing their health deteriorate and incurring long-term care costs. They therefore may want to hold on to assets until later in life in case these costs should materialise.

Given that people may want to hold on to some wealth, holding on to their housing is perhaps a natural choice for three reasons. First, it is perceived to be a relatively safe, relatively high-return asset. Second, housing is illiquid. Releasing housing wealth involves transaction costs – both financial and non-financial (time costs, and emotional costs if releasing wealth involves physically moving).

Third, and probably most important, housing is different from other assets in that it also provides ‘consumption value’. In other words, people derive direct benefit from living in their homes, in a way that they would not from holding a savings account worth the same as their house. One could think of this as the amount of spending saved by not having to rent somewhere to live. The consumption value of someone’s house could be greater than the rent on an equivalent property – owner-occupation conveys other benefits, such as security of tenure, protection from future rent rises and freedom to decorate or modify to the owner’s tastes or requirements. Or the consumption value may actually be smaller, if they would be just as happy renting a cheaper property. Either way, the consumption value of housing is significant. In fact, it may be so large that that in itself may be a reason against people drawing on their housing wealth until later in life.

It is worth bearing in mind that there are different methods by which individuals could access their housing wealth, with different implications. For example:

- *Moving out of owner-occupation*
  This would release the most wealth, but involves transaction costs associated with selling a property (e.g. estate agent fees) and moving, and the individual would lose the consumption value of their property.

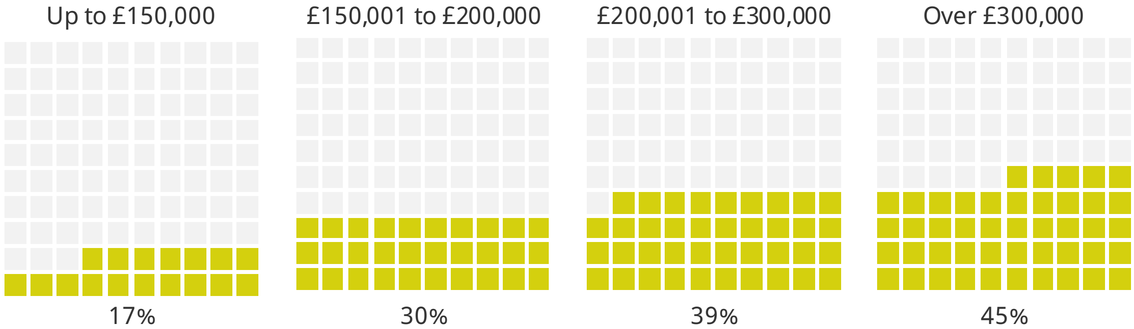
- *‘Downvaluing’ (i.e. moving to cheaper owner-occupied property)*
  This would allow the individual to continue to enjoy a consumption value of owner-occupied property, but would release less wealth and involve transaction costs associated with selling a property (e.g. estate agent fees), buying a property (e.g. stamp duty) and moving.

- *Purchasing an equity-release product*
  This would allow the individual to continue to enjoy the consumption value of their current property, but there would be (high) transaction costs involved, and the amount of wealth released may be lower than if the individual had moved.

So what does this all mean for whether housing wealth 'should' be drawn on? There is no simple answer based on theory alone. Housing wealth could be used to increase spending, but leaning against that are bequest and precautionary savings motives, transaction costs and the consumption value of housing. Whether any particular individual would want to draw on their housing wealth, and how they would want to do so, depends largely on their own personal preferences.

Given this, it is informative to look at individuals' reported expectations of using housing wealth in retirement. The Wealth and Assets Survey[9] asks individuals who are not yet retired what sources they expect to provide money for retirement. In 2012–14, 32% of homeowners aged 50–59 reported expecting to downsize to provide money in retirement. Figure 2 shows that this proportion is greater among those in higher-value properties. Smaller proportions expected to withdraw equity (2%) and/or to rent out a room in their property (3%). This compares with 74% of homeowners aged 50–59 who anticipated having private pension income and 44% who anticipated using savings and investments.

Figure 2. Share of homeowners expecting to downsize to provide money for retirement, by value of main residence



Source: Wealth and Assets Survey, 2012–14.

Whether or not these expectations are accurate, however, is an open question. It is therefore necessary to look at empirical evidence to see how people actually behave when the time comes. That is the purpose of this briefing note.

An important issue though is that the (unobservable) differences in individuals' preferences mean that it is very difficult to unpick whether observed behaviour is how people want to behave in an ideal world, or whether they are constrained in some way, and consequently how their behaviour might differ if circumstances were different (if, for example, there were greater availability of specific retirement properties, or if the stamp duty tax on property transactions were lower). We do not address that question here – it remains an important question for subsequent research.

9 https://discover.ukdataservice.ac.uk/series/?sn=2000056; Office for National Statistics, 2017.

3. Evidence on housing wealth drawdown

We examine the extent to which older households are drawing on their housing wealth using data from the English Longitudinal Study of Ageing (ELSA). This is a household survey that interviews the same people every two years, and for whom we can therefore identify housing moves, the nature of those moves, and the socio-economic characteristics of the individual or their household that might be related to those actions. Further detail on the data is provided in the appendix.

All of the analysis presented is conducted at the individual level and examines the behaviour of owner-occupiers who are aged 50 and over. We pool together data observed between 2002–03 and 2014–15. Over that period, there are over 38,000 instances of owner-occupying individuals observed in two consecutive interviews, who could potentially make a housing transition over the intervening two-year period. This is the sample on which most of our analysis is based.

How common is moving at older ages?

We find that around 4% of English older owner-occupiers move house over a two-year period. This is consistent with the findings of Banks et al. (2010), who estimated two-year transitions over the preceding decade using data from the British Household Panel Survey.[10] Figure 3 illustrates the age profile of moves, constructed by estimating a probit regression of the probability of moving on two-year age bins and survey wave dummies. This shows that moving is slightly more likely for individuals in their 50s and early 60s than for individuals in their late 60s and 70s. However, from age 80 onwards, the probability of moving house starts to increase rapidly with age, driven by moves into institutions.[11]

This low prevalence of moves is what has led many to conclude that residential mobility in later life is relatively rare. However, one only need move once to release significant wealth that could increase expenditure throughout retirement. The more important question, therefore, is how common moving is over the whole of later life. To examine this, we re-estimate the age profile presented in Figure 1 with the outcome of interest being that the individual moves *for the first time since age 50*.[12] Under the assumption that moving is unrelated to subsequent mortality, we may add together the estimated probabilities of moving across ages to get the cumulative probability of having moved since age 50. This is illustrated in Figure 4. We find that over a third of those who were owner-occupiers at age 50 would move by age 70 if they lived to that age, and over half would move by age 90. In other words, when looking over the whole of later life, there is a considerable degree of mobility among owner-occupiers. Weighting these estimates by 2016-based life expectancies suggests that over 40% of those who owned their homes at age 50 will move house before they die.

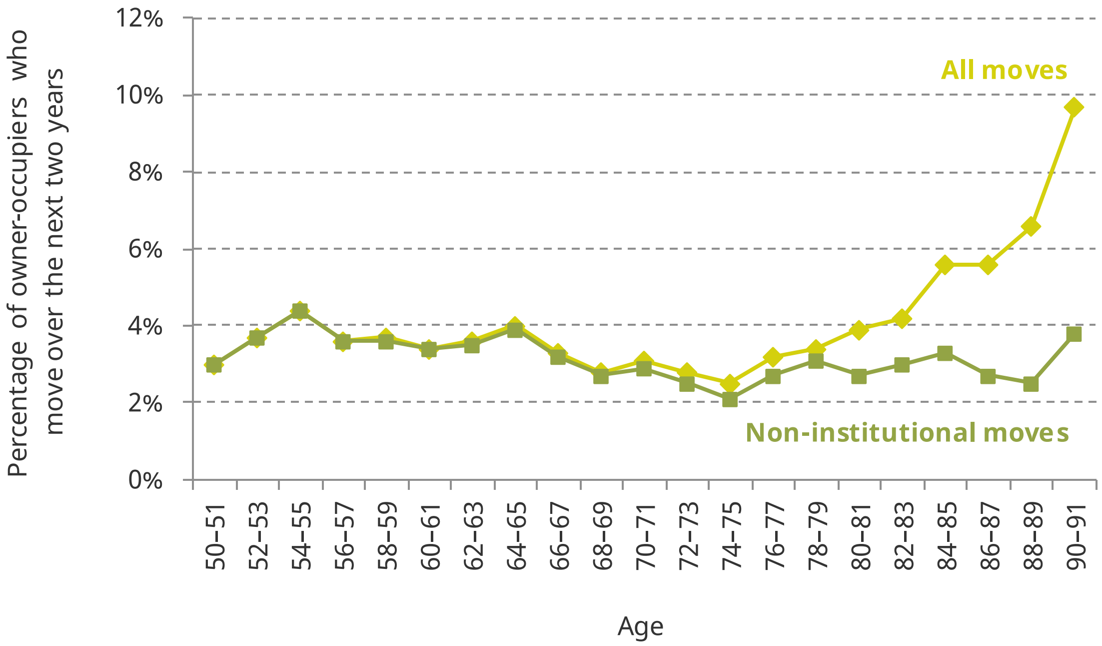
[10] Banks et al., 2010.

[11] 'Institutions' are non-private households, such as residential care homes.

[12] This can be identified because ELSA asks individuals when they moved into their current property. Therefore we can ignore moves observed to happen between waves W and W+1 if the individual reported in wave W that they had moved into their current property since they reached age 50.

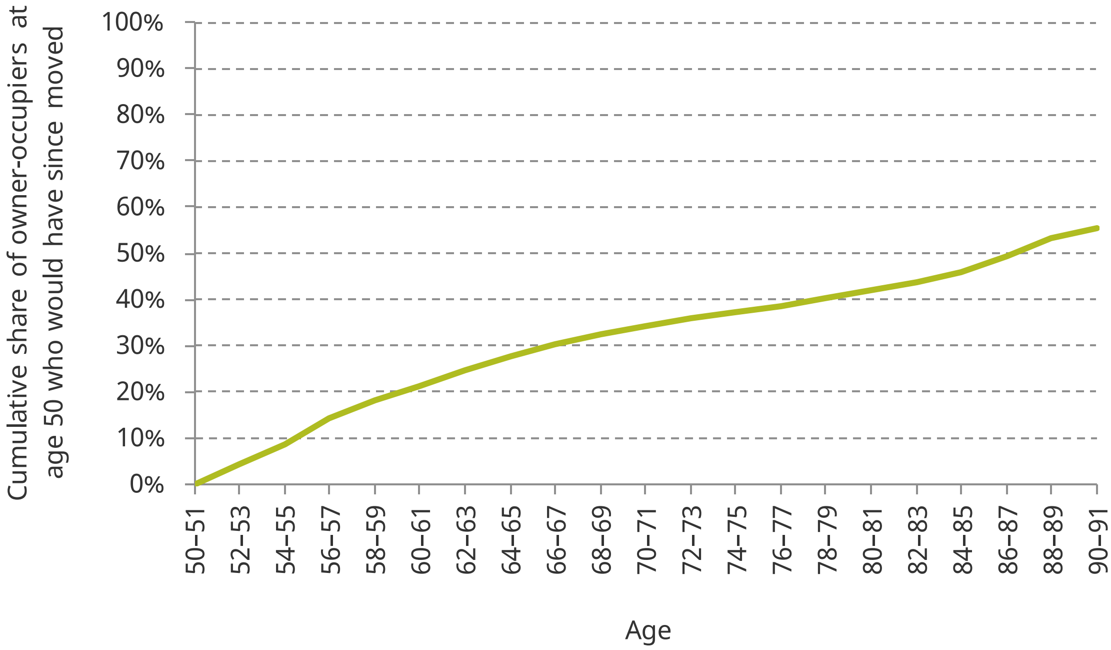
The assumption that residential mobility is unrelated to mortality is not obviously true. One could imagine, for example, that those who do not expect to live for long do not want to bother moving house as they would have less time to enjoy any future benefits, or

Figure 3. Estimated age profile of housing transitions



Note: Estimated from a probit regression of whether individual moves conditional on two-year age bins (to provide some smoothing) and survey wave dummies. Pooled sample of 38,091 possible transitions, weighted to compensate for attrition.

Figure 4. Cumulative percentage of owner-occupiers who would have moved since age 50

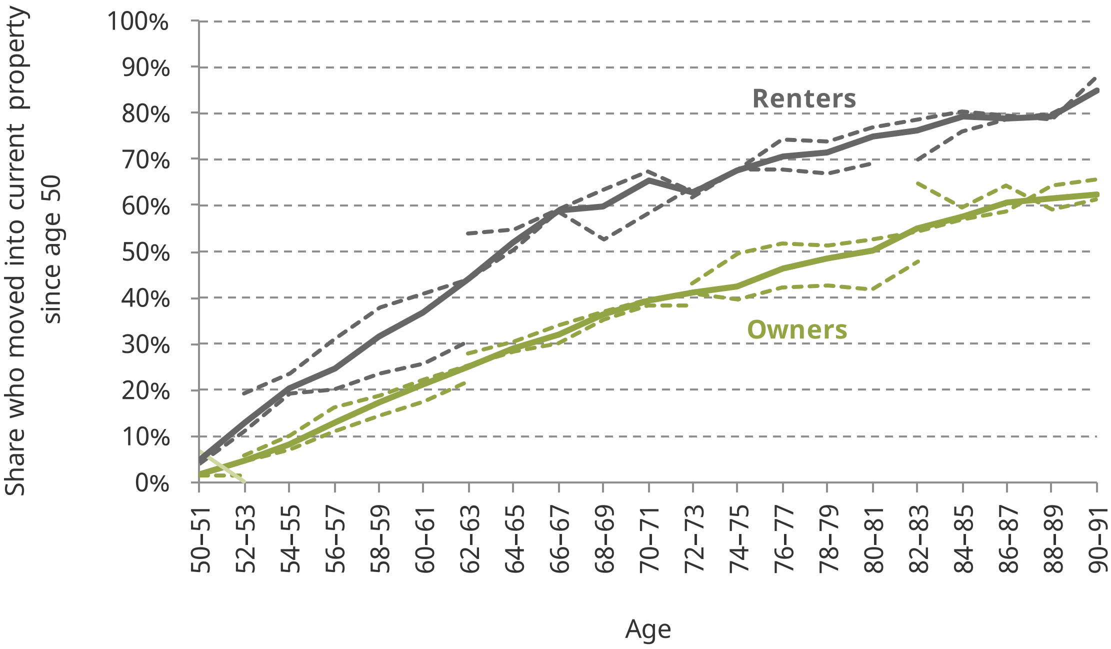


Note: Estimated by cumulating the results of a probit regression of whether individual moves for the first time since age 50 on two-year age bins and survey wave dummies. Sample as for Figure 3.

conversely that they are more likely to move house because they are forced into it for health reasons. Moving house could even have a causal impact on mortality, either through a new home bringing health benefits or through the process of moving being detrimental to health. However, in practice, the assumption seems to hold. First, restricting the sample to those who survive the whole 12-year period and repeating the same estimation yields almost identical results to those in Figure 4. Similarly, among those aged 50–59 in 2002–03 who were observed for 12 years, around 22% had moved by the end of the period – roughly the same as the 24% estimated to move between age 50–51 and 62–63 in Figure 4. Second, the ELSA survey asks individuals about their own expectations of surviving to certain ages in future. The mobility of owner-occupiers seems unrelated to these expectations, despite these expectations being informative about actual mortality.[13]

Another way of examining the extent of moving at older ages is simply to document the proportion of individuals at any given age that moved into that property after age 50. This is less useful than the approach used in Figure 4 for examining the behaviour of owner-occupiers specifically, since we do not know individuals' tenure status in their previous property. However, unless there are significant movements between owning and renting, and vice versa, such analysis ought to yield similar results to Figure 4. In Figure 5, we plot the proportion of current owners and renters at each age who moved into their property since age 50. We again find that mobility over the course of older ages is high – particularly so among renters, but also among owners. Around 40% of owner-occupiers in their early 70s had moved since age 50, while around 60% of owners in their mid 80s had done so.

Figure 5. Percentage who had moved into current property since age 50



Note: Dashed lines are for specific 10-year date-of-birth cohorts; solid lines are calculated across full pooled cross-section. Pooled sample of 46,324 owners and 9,916 non-owners (weighted) from ELSA 2002–03 to 2014–15.

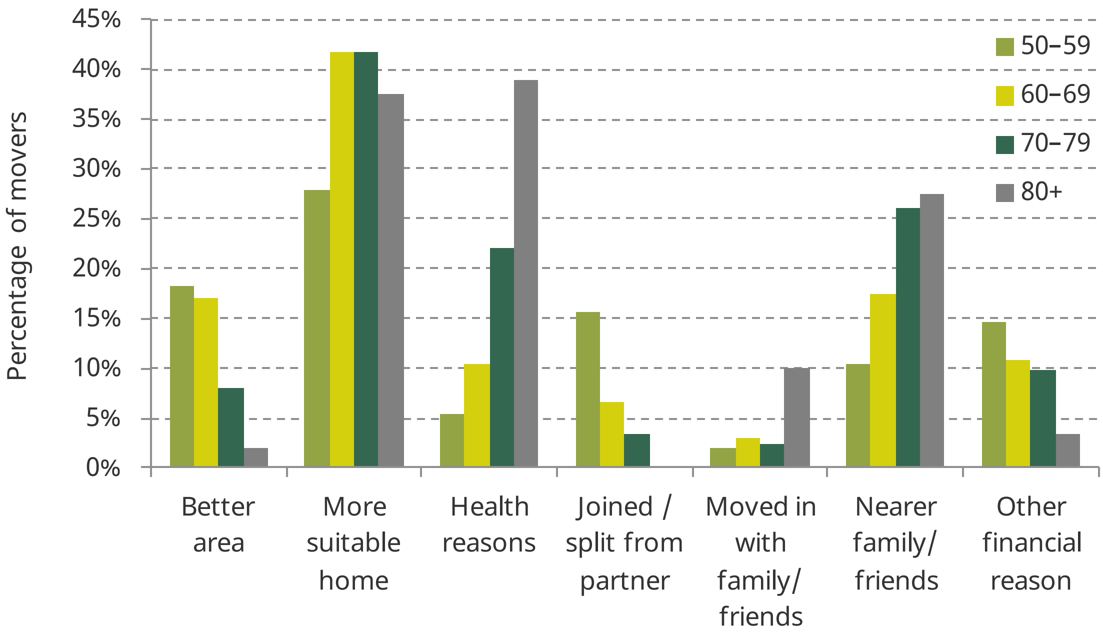
[13] O'Dea and Sturrock, 2018.

It is interesting to note that the high prevalence of moves (when considered over the course of older life) is not out of line with individuals' own reported expectations. In 2004–05, ELSA respondents were asked 'What are the chances that you will move out of your current home at some point in the future?'. Among those aged 52–59, the mean reported chance was 49%, with 35% of individuals reporting a more than 70% chance.

Why do older households move?

To what extent are these housing moves motivated by a desire to release wealth? On the face of it, very little. ELSA respondents who move are asked why they did so. Figure 6 shows that less than 10% of owner-occupiers who moved reported being motivated by financial reasons. The most common reasons for moving were to move to a more suitable home, to move closer to family or friends, health-related (particularly among older individuals) and to move to a better area (particularly among younger individuals).

Figure 6. Self-reported reasons for moving (note: not mutually exclusive)



Note: Pooled sample of 1,544 owner-occupiers who moved between 2002–03 and 2014–15.

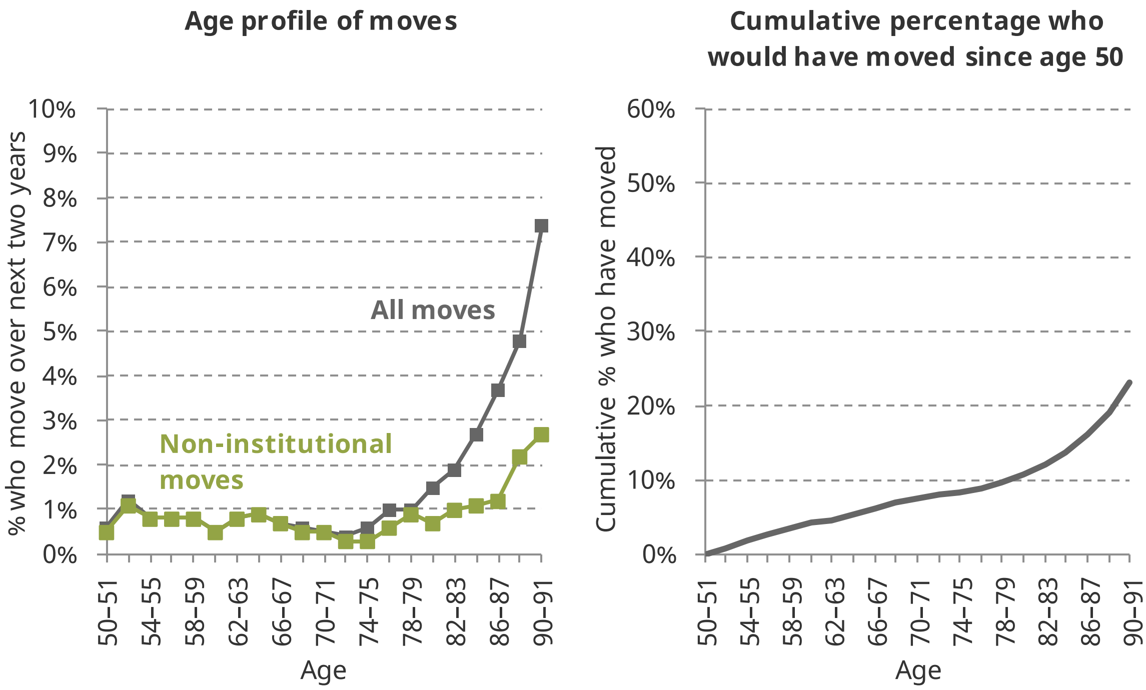
Are people releasing housing wealth?

While less than 10% of owner-occupiers report moving for financial reasons, that does not necessarily preclude people from releasing housing wealth while moving for other reasons. There are two ways movers can release wealth: by moving out of owner-occupation or by moving into a cheaper property ('downvaluing'). It is also possible for individuals to release housing wealth without moving, by (re)mortgaging or purchasing a formal equity-release product. The use of these three mechanisms is described in turn.

How common is moving out of owner-occupation?

The majority of movers do not move out of owner-occupation, but a significant proportion do: 77% of moves (83% of non-institutional moves) are found to be to another owner-occupied property.

Figure 7. Moves out of owner-occupation



Note: Estimated from a probit regression of whether individual moves out of owner-occupation conditional on two-year age bins (to provide some smoothing) and survey wave dummies. Pooled sample of 38,091 possible transitions, weighted to compensate for attrition.

The estimated age profile of moves out of owner-occupation is shown in the left-hand panel of Figure 7. Even when moves into institutions are ignored, moving out of owner-occupation is more likely at the very oldest ages than at younger ages. The implied cumulative proportion of those who were owners at age 50 who would have moved out of owner-occupation if they reached each age is shown in the right-hand panel of Figure 7. Weighting these results by 2016-based life expectancies suggests that around 14% of owner-occupiers at age 50 would be expected to move out of owner-occupation before they die.

Not all the moves out of owner-occupation are necessarily associated with releasing housing wealth – some individuals may move to a rental property while still owning their previous residence, and some individuals may move into institutions without selling their previous home (particularly if they have a partner who still lives there). It seems likely, however, that most moves out of owner-occupation are eventually associated with selling the previous residence. Of the non-institutional moves out of owner-occupation we observe since 2006–07, around two-thirds of individuals report having sold the previous property around the time of the move.

Do moves within owner-occupation release wealth?

On average, older individuals who move to another owner-occupied residence release wealth by moving to a cheaper property.

We examine the extent of this 'downvaluing' using two methods. First, we compare the self-reported values of the new and previous properties, adjusting for average house price changes over the two-year period (since the property values are reported approximately

Table 1. Average wealth released by owner-occupier to owner-occupier moves

	Using self-reported property values from pre- and post-move (2002–03 to 2014–15)		Using reported sale and purchase prices reported post-move (2006–07 to 2014–15)	
	Median wealth released (£)	Median wealth released (%)	Median wealth released (£)	Median wealth released (%)
Aged 50–59	3,600	3.0	32,000	16.7
Aged 60–69	17,900	12.0	25,000	12.0
Aged 70–79	28,500	13.6	39,500	17.3
Aged 80+	49,100	24.8	69,000	19.2
All	13,800	8.5	32,000	14.9

Note: The first two columns present average wealth released for all owner-to-owner moves (N=1,277). Placebo analysis on owners who did not move yielded a median wealth release of less than £1,000 (1%). The last two columns present average wealth released for owner-to-owner moves after 2006–07 where the individual reported selling their previous property (N=524). All figures are in nominal terms.

two years apart).[14] This suggests that the median change in house value is to 'downvalue' by around £14,000 or 9%.[15] The first two columns of Table 1 show that the average amount and proportion of wealth released increases with the age of the individual.

There are three main downsides to this approach. First, individuals may not have had a good idea of their property's value prior to selling it. If their self-reported value was optimistic, then we would be overstating the extent to which they downvalued.[16] Second, individuals may not have sold their previous property (e.g. if they are moving in with, or separating from, a partner). Their move will therefore not directly release any housing wealth, but we will calculate that they have downvalued/upvalued if they moved to a less/more expensive property. The third issue is that any particular individual may have enjoyed more or less property price growth than the average in their local authority. Across individuals, these differences ought to cancel out, leaving the estimated average wealth released unaffected, but this measurement error does make it difficult to use this method to estimate the *proportion* of people who released housing wealth.

The second approach we use is to concentrate on moves that happen after 2006–07, since, in more recent years of ELSA, owners who moved are asked whether they sold their previous property, how much for, and what price they paid for their new property. The difference between these reported sale and purchase prices gives us a much more direct measure of the amount of property wealth released by moving. In theory, this approach

14 Since we do not know exactly when between waves W and W+1 any move happened, we take the average of two estimates of the amount of wealth released: (i) we estimate the old property value at W+1 using the reported value at W and the change in the relevant local authority average house price, and subtract from that the self-reported new property value at W+1; and (ii) we estimate the new property value at W, using the reported value at W+1 and the change in the relevant local authority average house price, and subtract that from the self-reported value of the old property at W.

15 Repeating the same exercise for owners who did not move gives an estimated wealth release of £1,000 or 1%.

16 Previous analysis in England suggests people have a relatively good idea of the value of their main home (Banks, Emmerson and Tetlow, 2007), though there is international evidence of self-reported values being optimistic (e.g. for the US, see Goodman and Ittner (1992)).

should be better; house purchase/sale prices are very memorable and not subject to the same uncertainty or bias as self-estimated house values. However, in the ELSA data, there are a surprising number of people who report not having sold their previous property, suggesting there is still an issue of measurement error.

The change in primary housing wealth (calculated using this second approach) *among those who report having sold their previous property* is shown in the final two columns of Table 1. The median was a release of £32,000 or 15% of housing wealth. Taking into account those who report not selling their previous property (and therefore who do not release any wealth) would reduce this figure.[17]

In terms of the proportion of individuals who release wealth, while measurement error makes it difficult to be precise about this, the data suggest that around six in ten owner-occupiers who move to another owner-occupied property do release housing wealth.

Around half of owner-occupier to owner-occupier moves done by older individuals are downsizing (i.e. moving to a smaller property) when size is measured by the total number of rooms. This is more common among older individuals (61% of those aged 80 and over, compared with 47% of those aged 50–59), but by no means all moves are to a smaller property. The average wealth released from downsizing moves is greater than that among moves where the property size stayed the same or increased (median wealth released was £50,000 compared with £6,000, when comparing reported sale and purchase prices). However, not all downsizing moves released wealth, and many non-downsizing moves did release wealth. This confirms that property size is an imperfect proxy at best when we want to examine equity held in housing.

Are older households withdrawing equity without moving?

Older homeowners do not necessarily need to move house to access their housing wealth. Formal equity-release products allow homeowners to sell part of their property or borrow against its value, exchanging some of the equity in their home for either a lump-sum payment or an income stream.[18] In practice, few individuals currently draw on their housing wealth in this way. Between 2002–03 and 2008–09, ELSA asked about use of equity release: in 2008–09, only 1% of individual homeowners aged 60–69 reported ever having used it, increasing to 2% among those aged 70–79 and 80+. While use of equity withdrawal is growing,[19] it is from a very low starting point, and so it is still uncommon.

Who moves and who releases wealth?

Are moves anticipated?

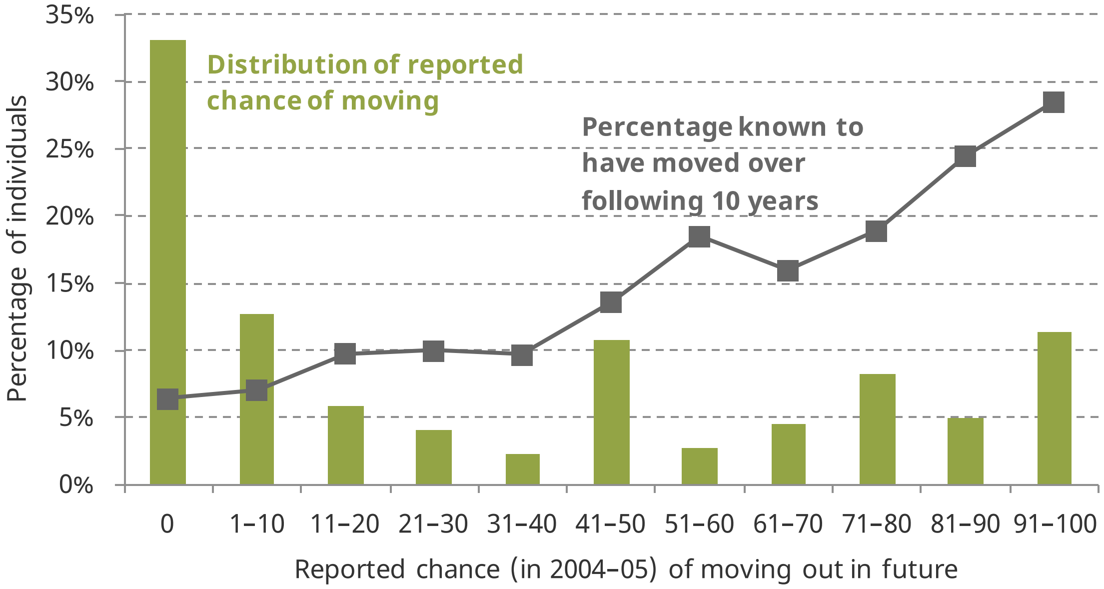
In 2004–05, ELSA respondents were asked ‘What are the chances that you will move out of your current home at some point in the future?’. The distribution of reported chances of moving in future (banded into 10% bands) for owner-occupiers is shown by the bars in Figure 8. Around a third of individuals thought there was zero chance they would move out in future, 11% thought there was a 50:50 chance and 11% were certain they would move in future. The proportion of individuals within each band who we know

[17] Including all those who report not selling their previous property as releasing zero wealth yields a median wealth change of around £0, suggesting the true median likely lies somewhere between £0 and £32,000.

[18] For more information, see https://www.moneyadviceservice.org.uk/en/articles/equity-release.

[19] Equity Release Council, 2017.

Figure 8. Distribution of reported chance of moving in future, and percentage who moved over the following 10 years



Note: Sample is 7,056 owner-occupiers in wave 2 who reported a valid expectation of moving in future. Virtually all of the 41–50 group reported a chance of 50% and virtually all of the 91–100 group reported a chance of 100%.

subsequently moved over the next 10 years is shown by the grey line.[20] Actual moves are correlated with expectations: the proportion who moved is greater among those who reported a higher chance of moving. We cannot assess whether, on average, individuals overestimated the likelihood of moving (since we only observe moves over the following 10 years and not the whole of remaining life). We can, however, note that many moves were unanticipated: 6% of those who reported a zero chance of moving subsequently did so; equivalently, 16% of movers had previously reported zero chance of moving out in future.

Those moving unexpectedly were more likely than average to report moving for health reasons: among movers who had previously reported zero chance of moving in future, 31% reported doing so for health reasons, compared with 12% among those who previously reported a greater than 50% chance of moving in future. However, since 69% did not report health reasons as a motivation for moving, this indicates that by no means all unanticipated moves were driven by health shocks. In particular, 8% reported moving to be in a better area and 8% reported moving for financial reasons.

Characteristics of those moving

One of the advantages of the ELSA data is that there is a vast array of information on individuals' circumstances that we can examine to help understand their decisions to move and/or release housing wealth.

[20] The actual proportion who will have moved will be greater as some of those who stopped responding to the ELSA survey will also have moved.

Here we examine the association between individuals’ characteristics and

- their probability of moving;
- their probability of moving out of owner-occupation (among those who move);
- the average wealth released (among those who move house but do not move out of owner-occupation).

The characteristics we consider include demographics, household composition, labour market transition, health and household finances, as well as region of residence. We examine the association of all these characteristics jointly, using multivariate regression techniques, in order to examine the association of each characteristic with the accessing of housing wealth, while holding all other characteristics constant. A subset (for ease of exposition) of the results is presented in Table 2. Note that here we focus on non-institutional moves.

In terms of demographics, the age effects (not reported in the interests of space) accord with those presented in Figures 3 and 7 – that older individuals are slightly less likely than those in their 50s and early 60s to move (when institutional moves are not included), but that there is little association between age and moving out of owner-occupation (conditional on moving). Among those moving but remaining owner-occupiers, those aged 85 and over release substantially greater housing wealth on average. Individuals’ sex and education are largely unrelated to whether someone moves or whether they release housing wealth. What are important are changes in household composition. Those who become separated/divorced or widowed are (by around 33 percentage points and 3 percentage points respectively) much more likely to move than those who remain either married or single. Among movers, those who become separated/divorced are more likely to move out of owner-occupation (e.g. 12 percentage points more likely than those who are still married), and on average they release more wealth (e.g. the median wealth released is around £61,000 higher than among those who remain married). Conversely, those who get married are also more likely to move than those who stay married or single, but conditional on moving and staying in owner-occupation they are more likely to buy a more expensive property than their current residence. The existence of children has a small effect – those with children are around 1 percentage point more likely to move than those without – possibly because those with children might be more inclined to move closer to them at older ages or because they are more likely to find themselves with ‘excess space’. Work transitions are also important – those who are still in paid work (and remain so) are less likely to move house than those who leave work or those who are already out of work.

We control for many indicators of individuals’ health, including: self-reported health, doctor diagnoses of major and minor conditions, doctor diagnoses of dementia conditions, number of reported problems with activities of daily living, number of reported mobility issues, whether difficulty climbing stairs reported, whether assistance required with housework or gardening, depression scores, cognition test scores, and the change in these over the same two-year period as the accessing of housing wealth is being assessed over. Perhaps surprisingly, there is little association between these health measures and whether someone moves or whether they move out of owner-occupation. Among those who move out of owner-occupation, there is some evidence that those with dementia release more wealth than those without, but this finding is based on only a small sample.

Table 2. Characteristics associated with moving, moving out of owner-occupation (among movers) and downvaluing (among movers who remain owner occupiers)

	Probability of moving	Probability of moving out of OO (among movers)	Median wealth released (among OO→OO moves)
Female	−0.003	−0.001	−0.023
Married → Separated/divorced	0.326***	0.115***	60.827***
Married → Widowed	0.029**	0.012*	54.670**
Single → Single	0.002	0.006***	−13.709*
Single → Married	0.291***	0.055**	−78.798***
Has children	0.008*	0.003	8.264
Leave work	0.026***	0.004	−26.311*
Enter work	0.034	0.000	−7.247
Remain out of work	0.016***	0.001	−22.532***
Lowest income	0.004	0.000	7.245
Q2	−0.002	0.001	8.780
Q4	0.001	0.000	15.834*
Highest income	0.004	0.003	8.812
Lowest housing wealth	0.021*	0.026***	19.207
Q2	0.001	0.005**	−13.179
Q4	−0.004	−0.002	24.263***
Highest housing wealth	0.000	−0.002	65.120***
Lowest financial wealth	0.010*	0.009***	9.230
Q2	−0.003	−0.001	4.840
Q4	0.001	−0.003*	−15.340**
Highest financial wealth	0.002	−0.002	−36.328***
Lowest housing wealth:income ratio	−0.004	−0.005	−35.626
Q2	0.000	0.000	−8.343
Q3	0.001	0.003*	28.664***
Highest housing wealth: income ratio	0.005	0.002	35.097***
Has other property	0.025***	−0.001	−11.248
Has private pension	0.002	0.000	−1.966
Any material deprivation	0.006*	0.001	11.605*

Note: Figures in the first two columns indicate the percentage point increase in the probability associated with a particular characteristic; figures in the last column indicate the £ thousand increase in average (median) wealth released associated with a particular characteristic. ***, ** and * indicate statistical significance at the 10%, 5% and 1% levels. Regressions also control for time, age, education, whether children join or leave the household, subjective and objective measures of health, and region of residence – results are not presented for brevity. Wealth and income quintiles are calculated within 10-year age bands and survey wave.

The financial situation of the household is, however, strongly associated with the accessing of housing wealth. An individual is 3 percentage points more likely to move if they also have other property wealth and 1 percentage point more likely to move if they report any material deprivation.[21] Among those who move, the likelihood of moving out of owner-occupation is decreasing with housing wealth and decreasing with financial wealth. Among those who move but stay in owner-occupation, the average amount of wealth released (both in £ and as a proportion of housing wealth) is increasing with housing wealth, decreasing with financial wealth and increasing with the housing wealth to income ratio. This indicates that, as one might expect, it is those with the least financial wealth and greatest housing wealth relative to their other income and wealth who choose (at least on average) to access more of their housing wealth at older ages. Those reporting material deprivation release significantly more wealth on average (both in £ and in proportionate terms) than those who do not.

Finally, there are some differences in the probability of moving by region – those in the East of England and the South West are more likely to move than those in other parts of the country (e.g. around 2 percentage points more likely than those in the North East, West Midlands or London). Conditional on moving, there are no regional differences in the probability of moving out of owner-occupation, however. Nor are there any regional differences in average wealth released among those who move but remain in owner-occupation (all else equal – in particular, after controlling for housing wealth).

[21] Defined as reporting not having enough money to do one or more of the following: have first choice of food, have friends around for a drink or meal, have an outfit to wear for special occasions, keep their home in a reasonable state of decoration, repair or replace broken electrical goods, pay fares, buy presents once a year, treat themselves from time to time, and take the sorts of holidays they want to.

4. Discussion and conclusions

The evidence presented here shows that over 40% of those reaching age 50 as owner-occupiers might be expected to move house over the remainder of their lives. While this does mean that the majority of such individuals do not move during later life, it is a considerably higher degree of housing mobility than has anecdotally been assumed.

It is the case that few moves at older ages are currently motivated by a desire to access housing wealth. Less than 10% of the moves we observe between 2002–03 and 2014–15 are reported to be motivated by financial reasons. However, many moves do release housing wealth, whether or not that was an explicit motivation. Around one-quarter of observed moves are out of owner-occupation, the majority of which will release significant housing wealth by the sale of the previous property. Of those moves that are to another owner-occupied property, on average wealth is released – of the order of £14,000–£32,000 (or 9–15%), gross of any moving costs, depending on the way this is estimated. Taken together, perhaps something like six in ten moves within owner-occupation, and two-thirds of all moves, released some housing wealth.

Accessing housing wealth at older ages is therefore currently not an activity of the majority, but it is far from uncommon. It is also the case that accessing housing wealth is correlated with financial 'demand' – in the sense that those with the lowest financial wealth, and greatest housing wealth to income ratio, on average release more wealth when they move; and with financial 'supply' – in the sense that those with the greatest housing wealth, on average, release more wealth when they move.

The implications of this are that, when thinking about the financial preparedness of future generations for retirement, housing wealth is an important part of individuals' portfolio that needs to be taken into account. Housing provides not just a consumption flow (creating a considerable difference between the retirement income required by a homeowner and a non-homeowner), but also a source of wealth that can be drawn on to fund other expenditure. The evidence presented here suggests individuals are likely to be prepared to do that. It is far easier to envisage the accessing of housing wealth becoming an activity of the many in a world where 40% of owners move during later life than in a world where homeowners stay in their family home until death. Furthermore, there are reasons to believe moving at older ages, and moving for financial reasons explicitly, may increase in future. A greater proportion of those on the eve of retirement think that they will downsize to provide money in retirement than the proportion of currently older individuals that we find reporting having moved for financial reasons.

It is not possible to know from the data presented in this briefing note whether there is even greater demand for 'downvaluing' that does not happen because of constraints or disincentives faced by older people, such as a lack of appropriate housing to move into, or the stamp duty land tax. Investigating whether this is the case is an important direction for future research, since if such constraints or disincentives exist, policy to address them could improve the standard of living of older homeowners, and result in wider benefits by increasing turnover in the housing market.

Appendix: The English Longitudinal Study of Ageing data

The data we use to examine the use of housing wealth at older ages are drawn from the English Longitudinal Study of Ageing (ELSA). This is a biennial household panel survey, representative of the private household population of England aged 50 and over, that has been conducted every two years since 2002–03. The first wave consisted of over 11,000 individuals (from nearly 8,000 households), and individuals have been added to the survey over time to compensate for attrition and the ageing of the sample.

ELSA collects detailed information on individuals' demographic and socio-economic characteristics, their income and wealth at a highly disaggregated level, and objective and subjective measures of health. Particularly pertinent to the analysis in this briefing note, ELSA collects a substantial amount of information on individuals' housing circumstances, including whether they own their primary residence, the self-reported value, whether there are any mortgage debts associated with the property, how many rooms their property has, and when they moved into their current property. There are also qualitative questions asked of ELSA respondents that are of use in this analysis. For example, individuals who move home are asked why they did so.

The panel nature of the ELSA data is a necessary requirement in order to compare households' property wealth at two periods in time and understand the transitions and transactions that may have led to any change in wealth. However, as with all panel surveys, ELSA suffers from attrition between waves, and any non-randomness of this attrition causes problems for inference based on the observed panel sample. Such an issue is potentially concerning for our analysis, since one might expect households who move primary residence to be likely to attrit from the survey as a result of interviewers being unable to locate them.

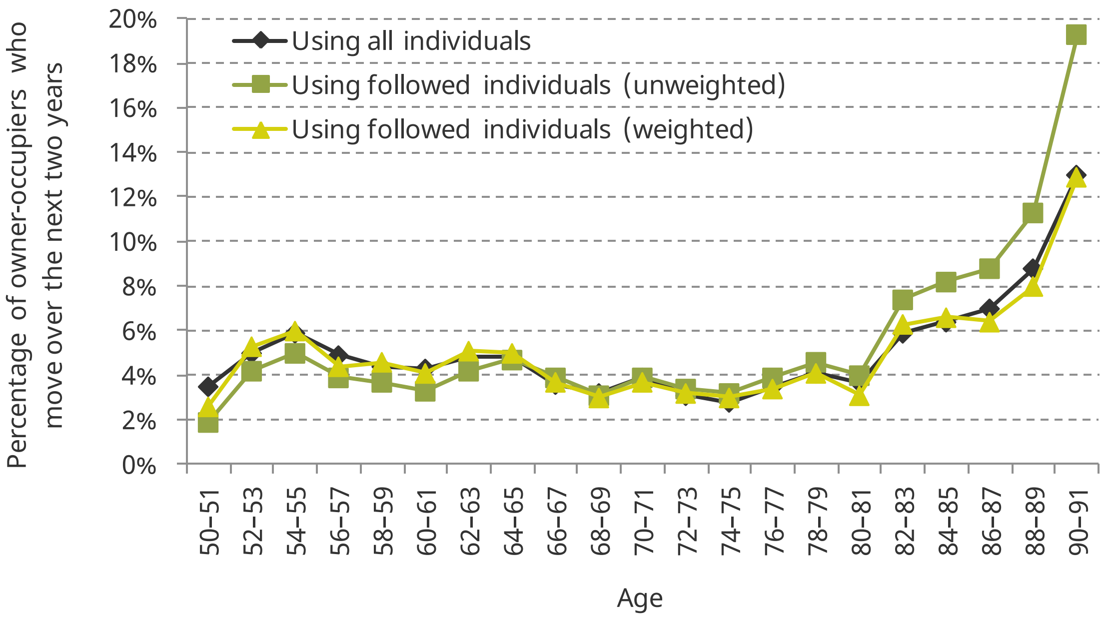
A particularly useful feature of the ELSA data is that for waves 1–5, indicators are available for why a household dropped out of the survey – e.g. whether they requested to be no longer contacted, whether they died, whether they moved abroad (and are therefore not followed up) or whether they are known to have moved but their new address is unknown. Using this information, we can identify movers who attrit from ELSA, and examine how representative the moves we follow are (at least, on baseline observable characteristics).

We find that of the sample of over 46,000 observations of individuals in waves 1–6 of ELSA, around 4% have moved and are followed in the subsequent wave of data, and around 1% have moved and are not captured in the following wave of data. In other words, around one-fifth of movers attrit from the survey – which is actually similar to the proportion of non-movers who attrit. We compare the characteristics of the movers who are captured in ELSA with those of the movers who attrit using probit regression analysis, examining simultaneously the role of sex, age, household composition, education, region of residence, housing and non-housing wealth, and a number of health measures (self-reported health, doctor diagnoses of major and minor health conditions, number of difficulties with activities of daily living, number of mobility issues, depression and cognitive ability). We find that the predicted probabilities for those successfully followed and for those who attrit substantially overlap, suggesting their characteristics are not in general drastically different. In terms of particular characteristics, older movers are more likely to be followed than younger movers, more highly educated movers are more likely to be followed than less well educated movers, movers in the South East are less likely to be followed than movers in other parts of the country, and movers with greater cognitive skills are more likely to be followed than those with lower cognitive skills.

To compensate for the level and non-randomness of attrition, we weight our data using inverse probability weighting. For each individual in the ELSA data, we estimate their probability of being successfully followed in ELSA next wave using a probit regression that controls for sex, age, household composition, education, region, housing and non-housing wealth, health, whether the individual moved, and interactions between moving and age and between moving and education. In other words, we estimate attrition from ELSA in a way that controls for many observed characteristics and that allows the probability of attrition to be different for movers and non-movers in a way that varies by age and education. We then weight each individual who we observe in two consecutive waves of ELSA by the inverse of the probability that they are observed in the second wave multiplied by the standard cross-sectional weights required for the ELSA sample to be truly representative of the private household population aged 50 and over.

The result of this weighting procedure is that our analysis reasonably estimates the prevalence of housing transactions among the full sample and the observed characteristics of individuals involved. For example, the effect on the estimated age profile of moves is demonstrated in Figure 9. The prevalence of moves estimated for the full sample using the ELSA 'admin' data is shown by the black line, while the prevalence estimated using only the followed ELSA sample is shown by the dark green line. Our weighting procedure brings the estimated age profile using the observed ELSA sample back in line with that estimated for the full sample.

Figure 9. Estimated age profile of housing transitions, with and without weighting



Note: Estimated using ELSA waves 1–5 only.

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