

Senior housing: how to solve the mismatch in the market

The role of seniors
in the Dutch demographic
and residential landscape



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1 Introduction

In the next twenty years, the main driver for demographic growth in the Netherlands is the ever-growing senior age group (≥ 65 year-olds). Yet this group is one of the least sufficiently served target groups in the Dutch residential market. Unsuitable homes, inadequate living environments and high rental prices leave a considerable number of senior households with no option but to stay where they are, which in turn makes the residential market less mobile.

To create movement in the market and to serve seniors in their (future) living needs, more affordable and suitable housing options in the immediate vicinity of seniors' current home and living environments will be of great importance in the coming years.

The current issues the residential market is facing with regard to the ageing population were also apparent in last year's [research paper examining the influence of COVID-19 on the popularity of urban living](#).

This paper examines the specific role of seniors in the current Dutch demographic and residential landscape and that providing sufficient, suitable and affordable housing for seniors at the right locations is of great importance for both seniors and the residential market in general.

To conclude, [ASR Dutch Core Residential Fund's contribution to this topic](#) will be discussed.

The number of senior households will grow considerably, leading to an increased residential stock mismatch, especially in the larger cities



2 Demographic developments: seniors driving population growth

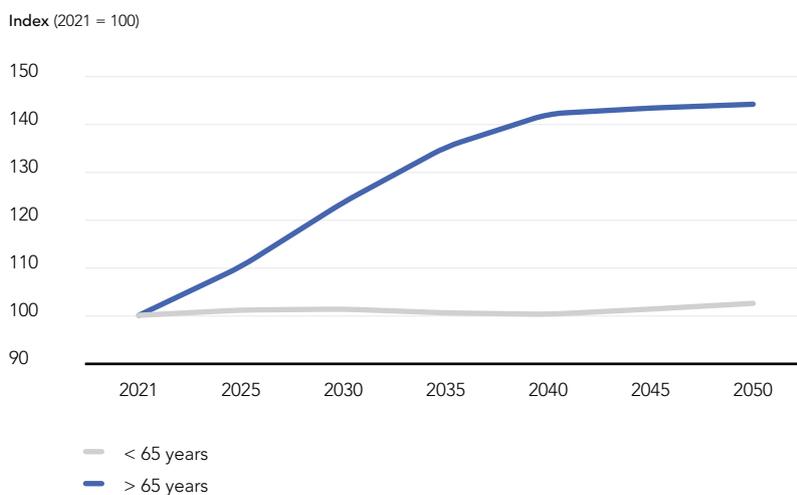
The Netherlands is currently facing a doubling of the ageing population, reaching its peak in the next decade when the entire baby boom generation will have passed the age of 65 and reach retirement age. In the meantime, the average life expectancy of the Dutch population has increased significantly.

While ≥ 65 year-olds in 1950 were expected to reach an age of 79.9 years on average, life expectancy of ≥ 65 year-olds currently¹ stands at 84.9 years old and is even expected to increase to 87.4 years in 2040 (RIVM, 2021). As a result, the number of seniors (65+) is expected to increase from 3.5 million in 2021 to 4.8 million in 2040 (+39%). In contrast, the Dutch population under 65 will only grow by 2% from 2021 to 2040 (Statistics Netherlands, 2021).

This divergence is even more striking when you take into account the number of households: senior household growth is expected to be 42% over the coming 20 years, as shown in Figure 1. This can be mostly attributed to the oldest age group: growth in the age group 75+ will be approximately 77% in the coming 20 years while 65 to 75-year-olds will grow by only 14%. During the same period, households consisting of people under 65 will grow by only 0.2%,

indicating that elderly one-person households in particular will grow, because of deaths among elderly couples, divorces and an individualized society.

Figure 1 Household growth by age group



Senior household growth is expected to be 42% over the coming 20 years

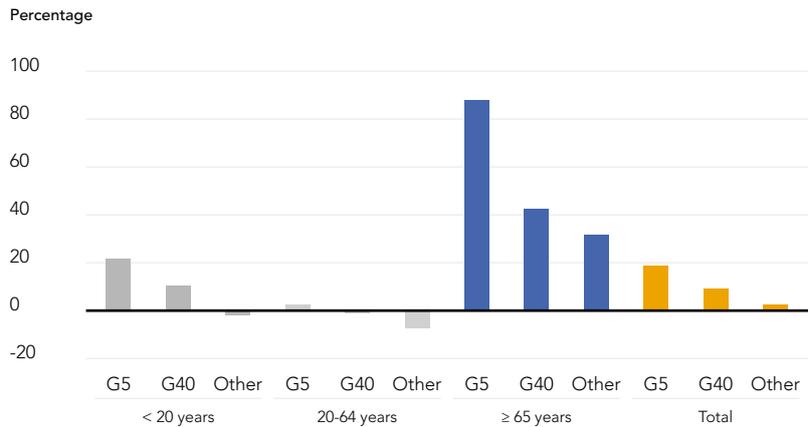
1) Life expectancy in 2020; this number has already taken into account the lasting implications of COVID-19 (life expectancy 2019: 85.5 years old).

In recent decades, ageing has mostly taken place in less economically attractive regions of the Netherlands, such as border municipalities. However, when considering the future growth of elderly households, almost all municipalities² will experience an increase of their senior population between 2020 and 2050, and the level of this increase will fluctuate throughout the Netherlands. In fact, municipalities that are currently experiencing little ageing (including the G5) will be facing the most growth in the senior age group in the coming years.

Figure 2 shows the demographic growth of the elderly population compared to the other age groups in the coming 30 years, broken down by the type of municipality: the five largest cities (G5), the 40 mid-sized cities (that are collectively called the G40³ and do not include the G5) and all other municipalities⁴.

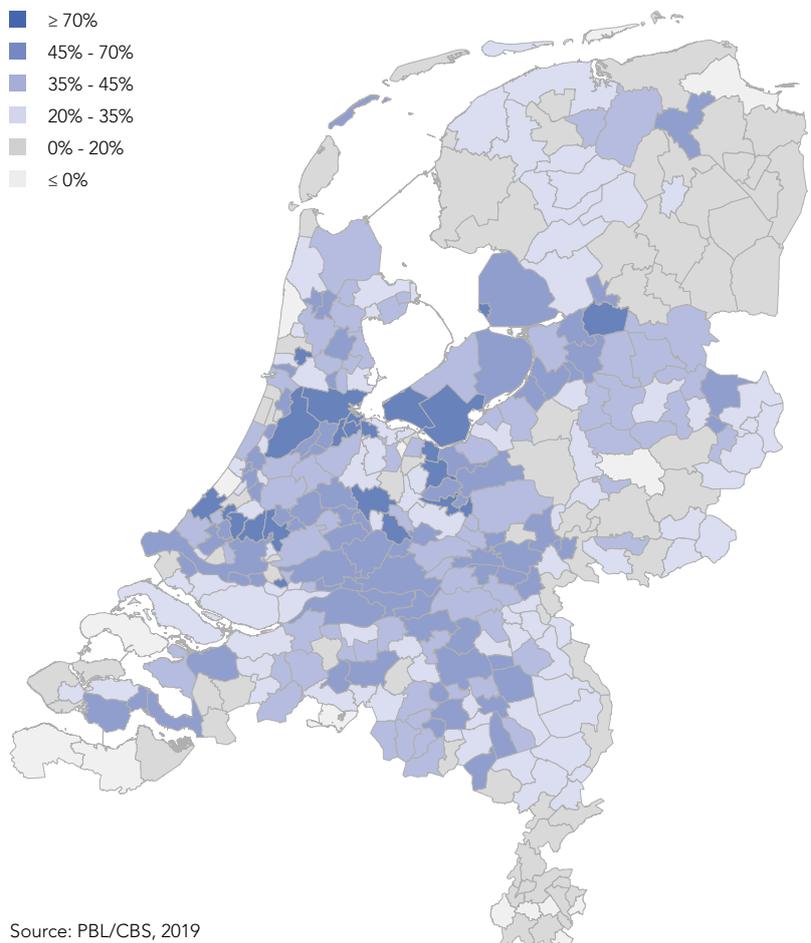
The map in Figure 3 breaks down the growth of the elderly population for each municipality. Especially in the G5, the population aged 65 or older will almost double in the following 30 years, while this increase is significantly lower when looking at the G40 and other (non-urban) municipalities.

Figure 2 Demographic growth per age group, by type of municipality (2020-2050)



Source: PBL/CBS, 2019

Figure 3 Growth of ≥ 65 year-olds per municipality (2020-2050)



Source: PBL/CBS, 2019

2) Only 15 of the 352 municipalities (in 2021) will experience no growth in their senior population in the coming 30 years.
 3) Eindhoven was originally part of the G40. However, for many years it competed with the G4 in terms of population size and economic activity, therefore a.s.r. real estate classified it as one of the five largest cities.
 4) 308 other municipalities (in 2021).

3 Residential stock: sufficient suitability for senior households?

In January 2021, the Ministry of the Interior and Kingdom Relations published the Monitor Senior Housing 2020⁵. This report offered insight into the extent to which seniors have a suitable home (see definition in purple box) and living environment.

This study concluded that, in general, housing in larger cities is relatively less suitable for seniors than in lesser urbanised municipalities, as shown in Figure 4. Most striking is the mismatch in the three largest cities, Amsterdam (43.3%), The Hague (32.1%) and Rotterdam (22.7%). In many cases, the housing stock in these cities still consist of older porch flats without

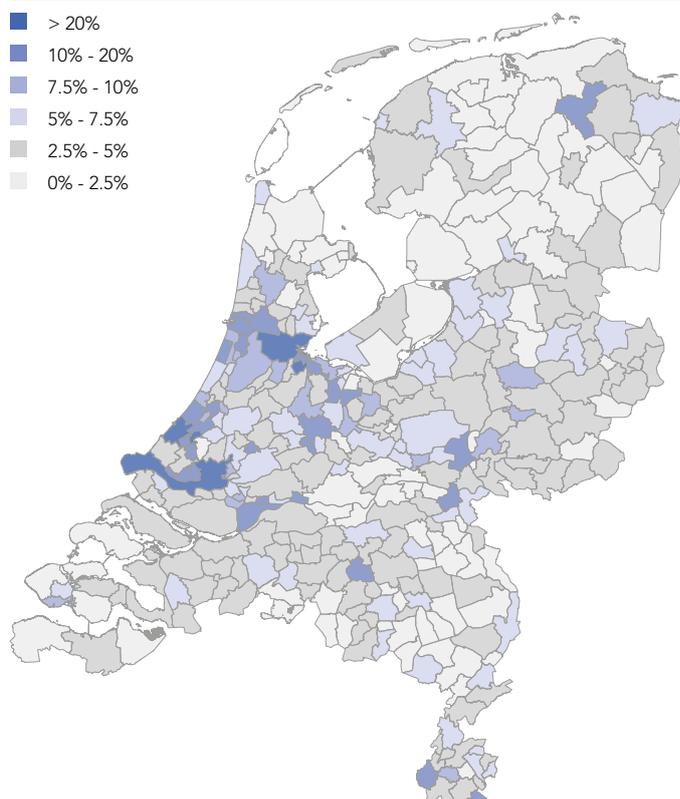
elevators and small single-family homes that offer insufficient room to make it senior-friendly.

By contrast, while the housing stock is sufficiently senior-friendly in most rural municipalities, the living environment is more often (functionally) unsuitable because these municipalities do not always provide the necessary facilities for seniors.

Suitable homes for seniors

A home is considered suitable if it is accessible without stairs (i.e. ground floor living or the availability of an elevator) and if its main functions (living room, kitchen, bedroom and bathroom) are accessible for disabled people or can be made accessible with relatively cost-friendly measures (e.g. the capacity to install a stairlift, among other measures).

Figure 4 Percentage in 2020 of unsuitable homes among ≥ 55 year-olds



Source: Ministry of the Interior and Kingdom Relations, 2021

5) The Monitor considers households ≥ 55 years old as senior households. Although a.s.r. real estate does not consider the age group 55-65 as seniors, it does offer a good insight into the current living situation of people who will be 65 years old in less than 10 years' time.

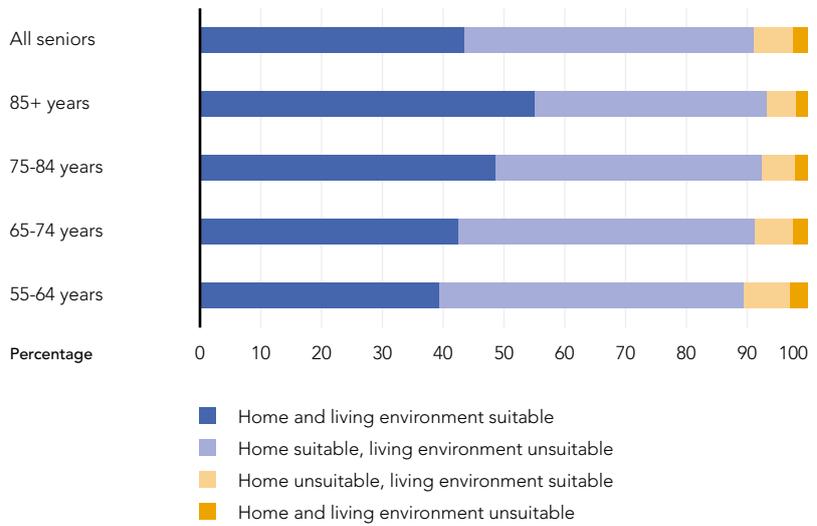
Figure 5 shows the extent to which all Dutch senior households live in a suitable or unsuitable home and their respective living environments. At present, approximately 44% of all seniors live in a home that is both suitable or can be made suitable and which is situated in a living environment that provides the right facilities for seniors as they grow older. However, approximately 9% of seniors live in a home that is unsuitable, which is approximately 333,000 from a total of 3.7 million senior homes.

40-50 municipalities show a significant senior housing mismatch

Given the combination of the relative future growth of senior households with a municipality's local residential stock and its (future) suitability for senior living, most Dutch municipalities have sufficient means to house seniors in the coming 30 years. However, for approximately 40-50 municipalities, including the four largest, there is a clear mismatch between the two. This is shown in Figure 6 where we have scored each municipality on its mismatch between demographic growth and housing stock. As previously mentioned, the G5 and many other smaller urban municipalities stand out as regions where this mismatch is evident. In fact, most of the (sub)urban municipalities with a considerable senior housing mismatch coincide with ASR Dutch Core Residential Fund's 14 focus agglomerations and cities, which is also shown in Figure 6.

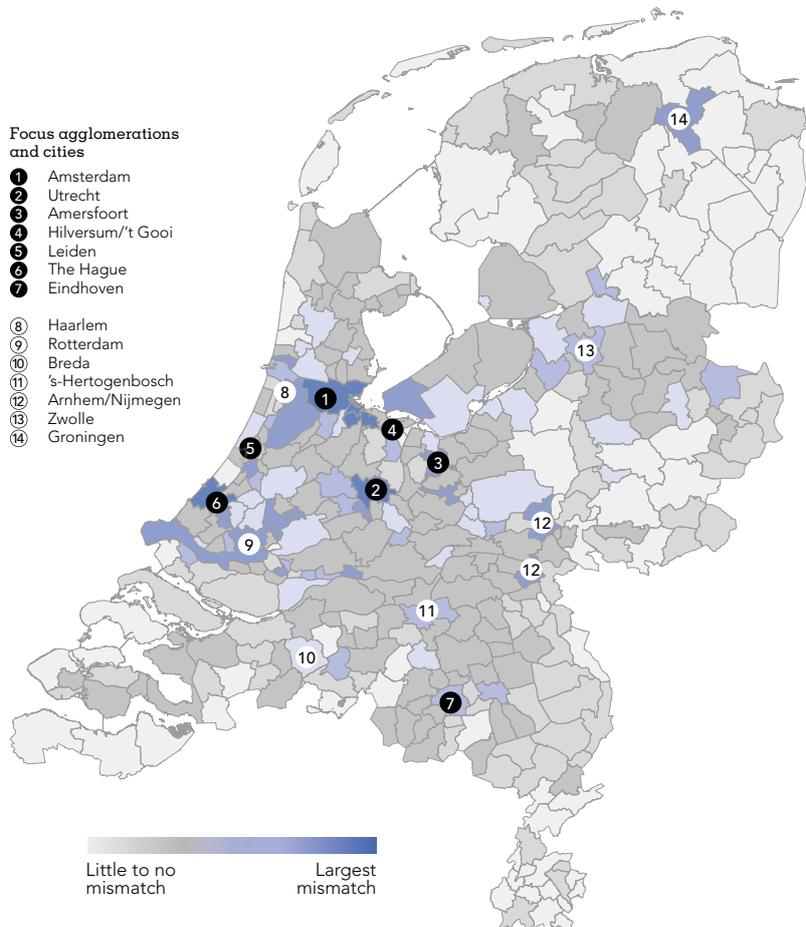
Although the exact national demand for senior housing is hard to determine, the Rabobank (2020) estimated that, in theory, there currently is an urge for 250,000 senior homes.

Figure 5 Senior household's suitability of home and living environment, by age group



Source: Ministry of the Interior and Kingdom Relations, 2021

Figure 6 Mapping the demographic/housing stock mismatch, by municipality



Source: a.s.r. real estate, 2022

Housing and living environment requirements of ≥ 65 year-olds

Although regarded as 'senior households' in general, 65+ households consist of different (sub)generations and types of households. It is not just about age.

Someone's (mental) vitality, ethnic background and approach to life are also important factors. A lot of people in this age category do not see themselves as seniors. When it comes to housing and living environment, they obviously have specific needs. Therefore, for each senior housing complex in every living environment, we have to consider a bespoke approach.

In addition to general physical housing demands such as ground level living with sufficient indoor traffic space, the presence of elevators and (future) possibilities to implement home automation and e-health, the living environment must ideally meet the following requirements:



Primary facilities within walking distance, especially a supermarket, a doctor and a pharmacy. However, increased digitalization could make these facilities less important



Close proximity of at least one public transport connection



An environment that offers sufficient independence and has a senior-friendly public spaces



The environment should also offer a **balance between tranquility and a certain livability** to ensure sufficient social safety and maintain social contacts



In a household of less vital seniors who require care, the (broader) environment should provide **sufficient healthcare providers and/or (in)formal caregivers**

Source: PBL, 2019, MarketResponse, 2021



4 ASR Dutch Core Residential Fund: creating social impact by focusing on mid-priced rental senior housing

The ASR Dutch Core Residential Fund has a clear strategy to make a social impact. Besides its defined impact investing strategy on affordability, much emphasis is placed on serving the wide range of target groups in the Netherlands. For many years, particular focus is on the specific needs of the Fund's target group seniors. This target group is growing significantly, creating a need for suitable products matching their specific requirements. However, there are more reasons why investing in suitable housing for seniors generates social impact.

Firstly, as this paper shows, it fulfils an important demand for the seniors themselves. In general, seniors tend to be sedentary as they are often (socially) attached to their current home and living environment or do not want the hassle of finding and moving to a new home. Even when their home is unsuitable for old age, 75% of seniors will not move, as shown in research by the Rabobank (2020). And where there is a willingness to move, there is a large gap between this willingness and the actual number of moves carried out. This would indicate that there might be more moves if there were to be more favourable preconditions.

As an institutional residential investment fund, ASR Dutch Core Residential Fund can contribute to one of the most important preconditions by investing in suitable (often smaller) homes in



the seniors' immediate vicinity. As previously stated, seniors generally prefer to move within their current neighbourhood or, to a lesser extent, the same village or city district. If there are no options

available, most seniors who wanted to move will stay put and only 15% would look for alternatives outside of their current neighbourhood, village, or city district (Rabobank, 2020).

Secondly, by providing additional homes for senior households, social impact is also generated for younger age groups: it increases the mobility on the residential market as each senior household which moves could lead to up to five additional household movements (Stec Groep, 2021). Many seniors still live in a home that is too spacious for their current (1 or 2-person) household needs. Providing suitable homes for these seniors makes room for families in need of a larger home.

Moreover, the addition of mid-priced senior housing to the residential stock is of growing importance. Although senior (care) housing is gaining popularity among (institutional) investors, this often concerns higher priced rental homes due to the combination of a mid to high level of rent with additional costs for (customized) care. This is partly the result of

Dutch healthcare regulations, but in general this means that many senior rental homes are inaccessible for lower to middle income groups. Furthermore, these levels of rent (with or without additional care costs) exceed their current monthly housing costs, which automatically gives seniors little incentive to look for another, presumably more suitable home (Winter, 2021). The addition of more mid-priced senior dwellings could help to make it financially more tempting to move.

From an investment perspective, the ASR Dutch Core Residential Fund can provide stable long-term financial commitments as they are often backed by domestic pension funds, banks and insurance companies with a likeminded approach to the social impact suitable, affordable senior housing can generate.

In its impact investing strategy, ASR Dutch Core Residential Fund has a clear strategic focus on affordable housing in the most viable regions of the Netherlands. Seniors are one of the main target groups served by the ASR Dutch Core Residential Fund and their importance has been further emphasized in the Fund's portfolio plan. At present, approximately 19% of the Fund's assets have a clear focus on senior households, almost all⁶ located in the tightest markets from a senior-housing perspective (as shown in Figure 6). By focussing on senior housing acquisition opportunities in the geographical regions as selected by the Fund and establishing partnerships with relevant stakeholders, the ASR Dutch Core Residential Fund is aiming to make its portfolio more and more attractive for older tenants.

6) Of the 31 assets with a clear senior focus, 95% is located in the tightest 33% municipalities in the Netherlands.



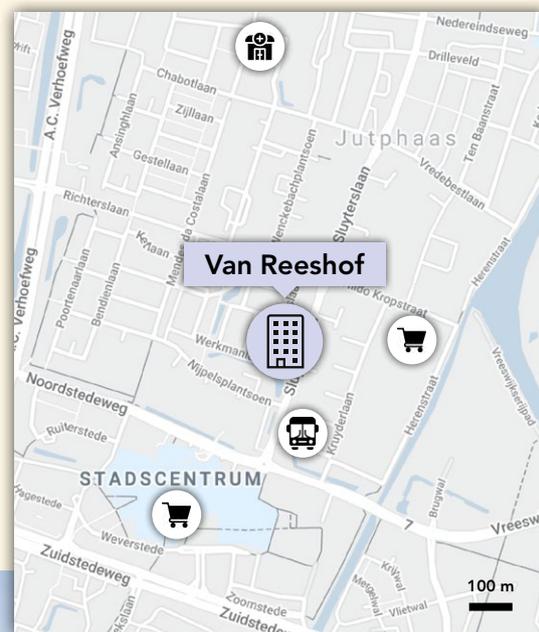
Case study

Van Reeshof, Nieuwegein

Van Reeshof in Nieuwegein, completed in 2017, is one example of efforts made by the ASR Dutch Core Residential Fund to provide housing for seniors.

Together with the municipality of Nieuwegein, clear allocation criteria were drawn up so that households of residents over 65 are given priority, followed by 55-64 year-olds, and lastly residents under the age of 55. Furthermore, senior households already living in Nieuwegein are given priority over people from outside the municipality. In the case of reletting, current tenants and their social network will be mobilized to attract other seniors. The project has a clear view on affordability, so apartments are rented out to people in the mid-priced rental segment.

Last but not least, the Fund acknowledges the importance of people having a suitable home and living environment. The apartments are designed lifetime-compatible and are conveniently located at five minutes' walking distance from a supermarket and Nieuwegein's city centre, and ten minutes' walk from the nearest pharmacy and doctor's office. The nearest bus stop is located just around the corner.



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