

Families suffer as values of retirement homes plummet

Andrew Ellson, Consumer Affairs Correspondent | **Sascha O'Sullivan**

November 23 2019, 12:01am, The Times



Miriam Savage bought a flat from McCarthy & Stone for £197,000. Her beneficiaries had to sell for £26,000

Tens of thousands of families have seen their inheritances decimated after elderly relatives paid inflated prices for new retirement homes that have collapsed in value, an investigation by *The Times* has found. Prices of retirement flats in developments built by some of Britain's biggest housebuilders have plummeted by up to 90 per cent in the face of costly annual management charges and ground rents.

Analysis of Land Registry data suggests that £3 billion could have been wiped from the value of retirement homes built between 2001 and 2015. In one case, a flat bought for £197,000 in 2009 from builder McCarthy & Stone, a FTSE 250 company, was sold for [only £26,000](#) six years later. The owner, Miriam Savage, was paying £8,200 a year in service charges and ground rent to the managing agent.

The losses often become apparent to families only when their loved ones die and they try to sell their home. There are 150,000 retirement flats in the UK. They don't have full-time nurses but most have communal areas and features to help residents live independently. There is often 24-hour telephone support or wardens on site.

The properties are sold as leaseholds with the freeholds bought by the highest bidder. The freeholder collects an annual ground rent and appoints an agent to run the development. These companies have been accused of levying excessive fees and charges and leaving facilities to fall into disrepair.

Sebastian O’Kelly, of betterretirementhousing.com, said: “These flats routinely plummet in value and the reason is the leasehold system. The freeholder and property manager still get their ground rent and service fees irrespective of price. It’s deplorable that families are pouring money into these purchases, often in desperation, only to see their value evaporate.”

Retirement home builders say the [value of the properties](#) is not just financial. They say they reduce loneliness and the burden of maintenance and increase safety and security. McCarthy & Stone points out that since 2010 it has not allowed outside companies to manage its sites and this is protecting values.

Some families have concerns about how properties are sold. One complained that a 88-year-old relative was sold a flat while her daughter was on holiday. When the woman died, the flat wouldn’t sell. Land Registry data shows the average loss of value for flats in the block is £74,000.

The Times looked at nearly 500 retirement flats in 15 developments built between 2001 and 2015. Almost 80 per cent of the homes sold since their first purchase had fallen in value with an average loss of £38,846. The analysis suggests that flats built since 2010 have fared better with only 37 per cent experiencing losses. But one McCarthy & Stone flat built in 2015 lost £45,000 in value when it was sold this year. In the past four years McCarthy & Stone has made profits of £383 million.

Mr O’Kelly said: “The situation may be improving as builders move to being service providers but these companies successfully lobbied government to retain ground rents on retirement sites, which doesn’t encourage the belief they have a long-term interest.”

This week Churchill Retirement Homes donated £150,000 to the Tories. The company is run by Spencer and Clinton McCarthy, the sons of [John McCarthy](#), the co-founder of McCarthy & Stone. There is no suggestion that the donation was linked to the decision to exempt retirement home providers from a ban on ground rents. Spencer and Clinton McCarthy have been Tory supporters for ten years.

The industry says the sale of freeholds funds communal areas and without this system flats would cost more.

Sources at McCarthy & Stone insist it is a different company to the one that developed homes pre-2010. FirstPort is responsible for maintaining the developments built before 2010. It said that nine out of 10 customers say its properties improve their quality of life. It added: “Independent research by the Elderly Accommodation Counsel in 2019 found that new retirement properties typically increase in value. The vast majority of our managed properties increase in price on resale and they are more than just places to live.”