Elderly care and housing demand in the EU
Golden opportunities, but mind the cultural gap
Introduction

Ageing often has a negative connotation, especially in an economic sense. On average, retired people produce and consume less than young people do. However, ageing is not just a story of declining economic potential. The other side of the coin shows rising demand for products and services that are tailored to the needs of the elderly. Opportunities grow for providers and investors who are active in these markets. As such, the resulting larger market supply further contributes to the options for people to enjoy a comfortable life in old age.

With this report we aim to identify where the demand for elderly care and housing is most promising. We do so by drawing a comparison between eleven European countries (which account for 84% of EU households) based on a number of demand factors. Motivation conducted a representative consumer market research in the countries depicted below to gather data for this study. 11,000 respondents (1,000 per country, representative for the population) were asked about elderly care and housing.

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Would you like to know more?
Summary

The opportunities of ageing
In the EU, elderly people's proportion of total consumption will increase as a result of the ageing population. The number of people over 75 in the EU is expected to double by 2050. Elderly people spend a larger part of their income on housing and health compared with younger age groups. Until 2030, EU-wide demand for care and housing for elderly people can potentially increase by 3.5% and 5.5% per year in volume respectively, based on the eleven EU countries in this research.

Ranking 1: Demographic potential
Spain, Italy and Germany at the demographic top
Spain, Italy and Germany top the first list. Spain is the only one of the selected countries that scores above EU-average on both elderly population growth by 2050 and the proportion of the elderly relative to the population in 2050. Both in 2019 and 2050, Italy will have the largest number of elderly people as a proportion of the total population. In absolute figures, Germany will have the largest population of over 75s both in 2019 and in 2050.

Ranking 2: Income potential
Austrians and French have highest income potential
The income potential of the elderly per country can be divided in three sub-divisions: the ‘Northwestern’ EU-countries lead the pack, with Austria and France at the top. They are followed at a distance by Italy and Spain. The three CEE-countries are at the bottom end. The expected economic progress and relatively high incomes of younger seniors mean that the average incomes of people aged 75+ in EU countries will probably grow the next decade.

Ranking 3: Wealth potential
Wealth potential highest in the Netherlands and Belgium
The wealth potential is highest for the elderly of the Netherlands and Belgium. Dutch financial wealth is considerably higher than Belgian financial wealth because of higher (funded) pension accrual in the Netherlands.

Ranking 4: Care and home support potential
Highest care and support potential in Belgium and Romania
Elderly people in Belgium and Romania pay a relatively large part of the costs of home support and care themselves. Furthermore, they relatively often see these expenses as essential and many seniors in Belgium and Romania consider consuming home support services that they must pay for. In the Eastern European countries, as well as in Italy, non-professional support and care (provided by relatives or friends) is of greater importance than professional care.

Ranking 5: Senior housing potential
Housing potential highest among Dutch and Spanish elderly
By comparison, Dutch and Spanish seniors are most interested in housing options for the elderly. They are also most willing to pay for premium housing quality. A significant proportion of European elderly people is open to housing options that are tailored to the elderly, even in countries that use relatively little senior housing.

Overall ranking
Netherlands and Spain top the overall ranking
The Netherlands takes first place two times in the overall rankings: on the wealth of the elderly as well as on housing potential. The Netherlands' lowest result is on demographic potential, at sixth place. The Spanish are the runner-up. In addition to their first place on demography, Spain has a high potential demand for home support and elderly housing. With wealthy seniors who highly value care, home support and elderly housing, Belgium comes at third place. Austria, France and Germany are tied fifth in overall rankings.
Chapter 1  |  The opportunities of ageing

1.1 More and fitter elderly, but limitations still rise with age

1.2 Housing and health important expenses for the elderly
The opportunities of ageing

1.1 More and fitter elderly, but limitations still rise with age

Number of people over 75 in the EU expected to almost double by 2050
Between 2015 and 2050, the number of people over 75 in the EU is expected to increase from 46 million to 88 million. As a share of the population, the over 75s will increase from 10% to 17%. The number of people older than 85 will increase even faster in the same period, with their population increasing by a factor of 2.5. This means that the population share of over 85s will increase from 3% to 6%.

European elderly live longer in good health...
Since 2002, the life expectancy for new-born EU residents has increased by 2.5 months each year. In the same period, the life expectancy for over 65s has increased by 1.5 months each year. The expected amount of healthy life years is increasing even faster for elderly people. In each year since 2006, EU residents aged 65 have been expected to live in good health for roughly three months longer than the year before.

...but still, health problems rise sharply with age
Nonetheless, all that glitters is not gold. The older the person, the more health issues they usually encounter. The prevalence of chronic diseases and other physical limitations is increasing as a result of healthcare being improved, aging, and lifestyle issues. Many serious illnesses have become chronic instead of fatal. The growing physical limitations at older age stimulate the demand for support and care. The right support, healthcare and living conditions can help elderly people stay independent.

Source: Eurostat, ING Economics
The opportunities of ageing

1.2 Housing and health important expenses for the elderly

Elderly consumption share set to rise
On average, the income of elderly households has grown steadily in the examined EU-states. The main reason seems to be higher pension income stemming from growing labour participation of women and Eastern European countries catching up in general. According to a baseline forecast from a study carried out for the European Commission, total (private and public) consumption related to the 50+ population is projected to grow by approximately 5% per year until 2025 in the EU.

Real incomes of elderly households have risen
Growth of mean equivalised net income of households with a breadwinner over 75 years of age, 2007-2017*

Older consumers spend more on housing and health
Ageing societies experience shifting consumer patterns. Household consumption gradually decreases when the breadwinner reaches their fifties. Elderly people spend a larger part of their income on housing, health products and services, and food. They spend relatively less on recreation, education, clothing and transport.

Growing demand for elderly care and housing
With people growing older (1), incomes of elderly people increasing (2) and the relatively high proportion of the elderly’s expenditure going to housing and care, partly due to old-age physical limitations (3), the EU demand for elderly care and housing that is tailored to the needs of the elderly (for instance, assisted living and nursing homes) is bound to increase.

For the eleven examined EU countries, based on the forecasts for demography and GDP, we expect EU-wide demand for elderly care and home support to grow by up to 3.5% per year in volume until 2030. Our estimation for senior housing demand reaches 5.5% potential growth per year, based on the growth of the over-75 population (2.2% per year in this period), real GDP per capita (1.2%) and the elderly’s shifting preferences for housing in the eleven countries (+2%).

In the next chapter, we examine in which of the eleven countries selected, the potential demand for elderly care and housing is the greatest. We do this by compiling country rankings based on different demand factors.

More housing and health consumption, less transport
Consumption expenditure by age and (selected) purpose, in % of disposable income

Demand for elderly care and housing rises
Main drivers for demand elderly care and housing

Ageing
More elderly people who live for longer

Income growth
Increasing spending power of the elderly

Needs
Elderly people spend more of their income on housing and care than younger people do
Chapter 2  |  Country rankings

2.1  Ranking 1: Spain, Italy and Germany at the demographic top  
2.2  Ranking 2: Austrians and French have highest income potential  
2.3  Ranking 3: Wealth potential highest in the Netherlands and Belgium  
2.4  Ranking 4: Less use of professional elderly care in Eastern Europe  
2.5  Ranking 4 (continued): Highest care and support potential in Belgium and Romania  
2.6  Ranking 5: One in three EU seniors receptive to senior housing  
2.7  Ranking 5 (continued): Housing potential highest among Dutch and Spanish elderly
First we assess the demographic differences between the countries regarding the potential market for elderly care and housing: the population of over 75s.

**Great differences in degrees of ageing**

In the EU, the most significant ageing of populations occurs before 2050. There are great differences in how quick the populations of the eleven countries are ageing: until 2050, the population of over 75s in Germany will increase by 50%, whereas the Dutch population of over 75s will increase by 100%.

The ageing of the population is already at an advanced stage in Germany. Although the largest EU country has the largest population of over 75s, until 2050, the speed with which the population ages is lowest in Germany.

**Higher elderly share, more market opportunities**

A growing proportion of elderly in the population creates growing pressure on the government budget. This increases the chance of budget cuts on publicly financed elderly care and housing. People then have to spend more on care and housing themselves. In general, this increases market opportunities for care and housing providers.

Spain, Italy and Germany rank first in demography

The country ranking on demographic potential for elderly care and housing is based on the three indicators shown in the left graph below, i.e. the projected size (1), proportion (2) and growth (3) of the elderly population.

Spain is the only one of the selected countries that scores above EU average on elderly population growth until 2050 as well as on the population share of elderly people in 2050. As a proportion of the total population, Italy will have the largest percentage of elderly people in both 2019 and 2050.
Disposable income is an important aspect of elderly spending power, which determines to what extent seniors can afford care and housing services.

**Elderly income will continue to grow**
The average income of the over-65s in 2017 (who will be the over-75s of 2030) forms the starting point for our estimate of elderly income in 2030. Based on baseline nominal GDP projections as a proxy for income growth, the income of the 75+ elderly population is expected to continue to grow over the next decade in all eleven countries. In addition to economic progress, the cohort effect is an additional source of growth: from 2007 to '17 younger seniors had higher incomes than older seniors.

Lastly, we make a correction for fiscal deficits that potentially weigh on private income growth due to probable government cuts or tax raises in the near future. For instance, for Italy to achieve the government debt-to-GDP ratio target of 60% by 2033, it is necessary to make a cumulative budgetary consolidation effort of 9.4 percentage points of GDP over the 2021-2025 period (or almost 2 pps. per year; see table).

**Eastern European elderly incomes rise the fastest**
Estimated median disposable income of 75+ households in 2030, based on 65+ income in 2017, long-term GDP-projections and medium-term fiscal sustainability continue to grow over the next decade in all eleven countries. In addition to economic progress, the cohort effect is an additional source of growth: from 2007 to '17 younger seniors had higher incomes than older seniors.

Lastly, we make a correction for fiscal deficits that potentially weigh on private income growth due to probable government cuts or tax raises in the near future. For instance, for Italy to achieve the government debt-to-GDP ratio target of 60% by 2033, it is necessary to make a cumulative budgetary consolidation effort of 9.4 percentage points of GDP over the 2021-2025 period (or almost 2 pps. per year; see table).

**Eastern European incomes are low, but rising sharply**
In 2017, median incomes of Czech, Polish and Romanian elderly people exceeded just a quarter of Western European incomes on average. Nevertheless, elderly in the three CEE countries all experience relatively large, continuing income improvements.

**Austria and France at top of income ranking**
The resulting list of elderly income potential can be divided in three sub-divisions: the ‘Northwestern’ EU-countries lead the pack, with Austria and France at the top. They are followed at a distance by Italy and Spain. The three CEE countries are at the bottom end.

**2.2 Austrians and French have highest income potential**

<table>
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<tr>
<th>Realised 65+ incomes in 2017*</th>
<th>Nom. GDP growth per capita, 2017-30**</th>
<th>Fiscal sustainability ind. (S1)***</th>
<th>Estimated 75+ incomes in 2030 a x (1+b) x (1+c)</th>
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<td>2,628</td>
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<td>Source: Eurostat, OECD, IMF, EC, calculations by ING Economics</td>
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**Estimated elderly income growth surges EU-wide**
Realised (2007, 2017) and estimated (2030F) median disposable incomes per year for 75+ households*, in EUR

**Source:** Eurostat, OECD, IMF, EC, calculations by ING Economics

**Austrian elderly have highest income potential**
Ranking 2: Income potential, based on estimated median disposable incomes per year for 75+ households in 2030

**Source:** Eurostat, OECD, IMF, EC, calculations by ING Economics
Wealth is another important aspect of elderly spending power, which determines to what extent seniors can afford care and housing services.

**Wealth of ‘older elderly’ people will increase**

We take the wealth of people aged 65 to 74 in 2018 as an estimate for the wealth of people aged 75 and over in 2030. Although wealth estimates are very volatile and therefore hard to forecast, it is plausible that the wealth ratio between different age groups in relation to each other roughly stays the same.

The younger generation of elderly people (aged 65 to 74) is wealthier than the older generation (aged 75 and over) in all eleven countries. As a result, we expect a rising wealth potential of 75+ people until 2030.

**Aftermath of financial crisis still visible**

In four countries, the wealth of elderly people has decreased between 2006 and 2018. In Spain and Italy, lower house values are an important reason for this decline. In addition, these countries have suffered from weaker economic growth in this period.

The median wealth of elderly people in the UK was hit hard by the global financial crisis of 2007/’08, which lead to a prolonged falling of exchange rate and asset prices.

The Netherlands and Belgium have the highest wealth potential for elderly people

The ‘Low Countries’ have the highest elderly wealth potential. The Netherlands tops the ranking. Dutch financial wealth is substantially higher than in Belgium due to higher (funded) pension accrual. Less widespread home ownership make German and Austrian elderly wealth structurally lower relative to the Western European standard. Moreover, greater inequality lowers median wealth in Germany. There is still a large gap between wealth in former East and West German regions.
Cultural differences influence consumer preferences. We examine how the elderly’s preferences for care and home support services vary across the countries.

Western Europeans receive professional elderly care and support more often than Eastern Europeans

Our survey shows that elderly people in Belgium, the Netherlands, Spain and France receive professional care and home support more often than elderly people in other countries. Germany and the UK are the only countries surveyed in which elderly care is more common than home support.

The consumption of professional support or care is lowest in the three Eastern European countries. In these countries, as well as in Italy, non-professional support and care (provided by relatives or friends) is of greater importance than professional care.

Care and home support are essential services for European elderly

Elderly people across Europe strongly value household support and care. Compared with other expenses, only personal hygiene and food and drinks are more important to them in general.

Older people in Belgium and Italy value care and home support the most

Belgium and Italy are in the top 3 of the countries in which older people value care and home support the most. People in the UK, the Czech Republic, Poland and Germany do not consider these services to be as essential as people in other countries do. The preferences between care and home support are strongly linked. Spain is the only country where these preferences differ greatly, in favour of home support.

In Italy and Belgium, care services are often regarded as an essential expense…

Survey answer: % of 50+ respondents that would absolutely not want to cut back on care expenses when they are 75 years old or over*

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Source: ING Economics

...as is also the case for home support

Survey answer: % of 50+ respondents that would absolutely not want to cut back on home support expenses when they are 75 years old or over*

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Source: ING Economics

*max. two answers allowed, out of eleven answer options
Private payments dominant in European elderly care
Our survey shows that in most countries elderly people pay their care and home support largely or entirely themselves. This is most common in Romania, Italy, Spain and Poland. Large government payments are most common in the Netherlands and Germany, followed by France, Austria and the United Kingdom. Government payments often come with restrictions for care providers, especially when public funds are distributed to care providers rather than care recipients. This makes it less attractive for providers to enter the market.

Elderly in countries with less home support are more interested in paying for support services
Home support services can be essential to an independent elderly life. The results of our survey suggest that seniors in countries with less home support are more interested in paying for support services. The Romanians, Austrians, Czechs and Germans are the most interested, probably because they receive relatively little home support at present.

Belgium and Romania top the care ranking
We have compiled the ranking on consumption potential for home support and elderly care by combining the survey outcomes, for they each have predictive power for demand potential in the near future. We do so by averaging the country rankings on: 1. the extent to which consumption of professional elderly care is already a broadly accepted phenomenon (1st graph on previous page), 2. the relative importance that elderly people attach to care and support expenses (2nd and 3rd graph on previous page), 3. the share of private payments for these services (1st graph below), 4. the interest in home support at a later age (2nd graph below). Belgium and Romania top this ranking.

Dutch elderly have low out-of-pocket expenses
Survey question: How are the costs of household help and/or physical care of your oldest parent covered?

Romanians most interested in paying for support
Survey question: In which home support service might you be interested paying for when you are 75 years of age or older?*

Consumption potential for care and home support highest in Belgium and Romania
Ranking 4: Care and home support potential
Elderly people often have specific housing needs. We examine how the housing preferences of the elderly varies across the countries.

Around 7% of the elderly people live in senior residences

Most European elderly people live in family houses or regular apartments. The results of our survey suggest that around 7% of people over 55 live in housing specifically built for older people. Examples include apartments or houses tailored to the elderly and residential complexes with centralised support or care.

One in three European seniors is open to housing for the elderly

According to our survey, one in three European seniors would consider moving to forms of housing for the elderly with centralised support or care. Even in countries that make relatively little use of senior housing, at least 25% of the elderly is receptive to senior housing.

Highest use of senior housing in the Netherlands and Belgium

Senior housing is most common in the Netherlands and Belgium, not surprisingly the two countries with by far the highest public expenditure on long-term care. Until recently, the Dutch government financed both a large part of elderly care and a large part of housing costs for elderly people with mild to severe physical limitations.

Dutch, Spanish and German elderly most often consider moving to senior housing

Dutch, Spanish and German seniors stand out because of the relatively large proportion of them that would consider moving to a residence tailored to the elderly, and the relatively small proportion of them that would never consider it.

Elderly housing most common in the Netherlands and Belgium

Survey question: How does your oldest parent live (aged 55 or over)?

Netherlands 19%
Belgium 12%
Poland 7%
UK 7%
Czech Rep. 6%
France 6%
Germany 5%
Spain 4%
Austria 4%
Romania 3%
Italy 3%

- Apartment/house tailored to the elderly
- Apartment/flat in complex with central support and/or care
- Apartment/flat in complex without central support and/or care

Source: ING Economics

Dutch, Spanish and German seniors most receptive to senior housing

Survey question: Would you (if 65+)* or your parent(s)** ever consider moving to a residential complex for elderly people with centralised support or care?

Netherlands 22%
Belgium 13%
Poland 11%
UK 6%
Czech Rep. 6%
France 5%
Germany 5%
Spain 4%
Austria 4%
Romania 3%
Italy 3%

Source: ING Economics

*Asked to respondents aged 65+ who don't have any living parents and don't live in an elderly complex with support and/or care.
**Asked to respondents aged 55+ whose parent(s) is/are still alive and don't live in a complex with support and/or care.
Dutch and Italian elderly most quality-minded

Majorities of both Dutch and Italian elderly people are willing to pay for premium quality accommodation if they cannot live at home. In all eleven countries, the proportion of people with this opinion is at least 25%.

In relation to their high receptiveness for housing options for the elderly, German and Austrian seniors are not very willing to pay for premium quality in general. This may be explained by the fact that on average, elderly Germans and Austrians are substantially less wealthy when compared with their Western European counterparts.

Highest demand potential for senior housing in the Netherlands and Spain

Seniors in Belgium, Spain and the Netherlands top the senior housing ranking. Seniors in Romania and France come last in this ranking.

We have compiled the ranking on consumption potential for senior housing by combining the survey outcomes, as each one has predictive power for demand potential in the near future. We do so by averaging the country rankings on: 1. the extent to which senior housing is already a broadly accepted phenomenon (1st graph on previous page), 2. the amount of people that would ever consider moving to housing tailored to the elderly (2nd graph on previous page), 3. their willingness and ability to pay for housing of above-average quality (graph on this page). The receptiveness for senior housing is given twice the weight in the overall ranking for senior housing potential, because it gives the most direct indication that people are open to the idea of actually moving to a new housing environment.

Survey question: Suppose you (if 65+) or your parent(s)** could no longer live at home because of the need for elderly care. Would you be both willing and able to pay extra, above average costs for a living environment of above average quality?

Source: ING Economics

*Asked to respondents aged 65+ who don’t have any living parents and don’t live in an elderly complex with support and/or care
**Asked to respondents aged 55+ whose parent(s) is/are still alive and don’t live in a complex with support and/or care
Chapter 3 | Overall ranking

3.1 The Netherlands and Spain top the overall ranking 15
3.2 Demand potential present in all countries 16
1. The Netherlands: Fast-growing, financially sound seniors who are keen on senior housing
The Netherlands comes first in two rankings: wealth potential and senior housing potential. The sixth place on demographic potential is the lowest outcome for the Netherlands. What they lack in size, they make up for by having the fastest growing 75+ population until 2050. Combined with third place on financial potential and first place on the demographic and senior housing potential, this is sufficient to put the other countries at a distance.

2. Spain: Large elderly population with high care and senior housing potential
Spain is the runner-up. It’s the only country that scores high on size, growth as well as proportion of the elderly population. A relatively low level of government expenditure on care, home support and housing goes hand in hand with a high potential demand for home support and senior housing. And, last but not least, Spanish elderly people have considerable financial resources with which to meet their needs.

3. Belgium: Wealthy seniors who highly value care, home support and senior housing
Belgium is a small country with high potential. Care, home support and senior housing are very important for Belgian seniors. They are in the top 3 of these rankings. Furthermore, Belgian demographic growth is above EU average and the wealth of elderly people is at a very high level.

4. Italy: A high proportion of elderly people and big interest in care and home support
In 2050, Italy is projected to have the highest number of elderly people as a percentage of total population of the eleven countries. The country also has a high rank on potential demand for elderly care and home support and relatively many Italian seniors are receptive to premium-quality senior housing.

The overall ranking is based on the sum of the rankings of all countries. It displays the differences in potential demand for care and housing for the elderly between the selected countries.

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*The overall ranking is the sum of the five rankings*
3.2 Demand potential present in all countries

5. Austria: High incomes, promising demand potential
Ranking first on elderly income, Austria is also among the top on potential demand for services for elderly people. Austrian seniors in particular have a high interest in home support services and senior housing. Until 2050, the number of Austrian elderly people will grow at a relatively fast pace.

5. France: Demographically and financially at the top
France has both sheer numbers and the financial capability to materialize potential demand. Many French elderly people see care and home support as essential expenses. Although they score relatively low on senior housing potential, a quarter of the elderly would still consider moving to housing tailored to the elderly when the time is right.

5. Germany: Big in numbers and income, receptive to elderly housing
Sharing the fifth position in our overall ranking with Austria and France, Germany has high potential demand for elderly care and home support and, in particular, for elderly housing. German seniors have relatively high incomes. In 2050, the German elderly population will still be the largest elderly population in Europe.

8. United Kingdom: High in senior housing and financials
With the fourth largest elderly population, which will almost double in size the coming thirty years, the UK is full of potential. Sound financial foundations ensure that British seniors will be able to fulfill their substantial appetite for quality senior housing.

9. Poland: Growing in seniors and financials
The size of Poland's population of elderly people is smaller than that of bigger countries and larger than that of smaller countries. However, in the next 30 years, the number of seniors here will increase at a faster rate than in most larger countries. Senior housing is already a widespread phenomenon in Poland, albeit most often without any home support or care. Like the Polish economy, the financial position of Polish elderly people is gradually catching up to other countries.

10. Romania: Fastest financial growth, high potential demand for care and home support
Romanian seniors have seen their financial position improving much faster than their Eastern and Western European counterparts. Although they are still behind, the growth story will probably continue. Scoring lowest on three sub-rankings, Romania’s potential demand for elderly care and home support is strikingly high.

11. Czech Republic: Highest senior housing potential of the CEE countries
Although the Czech Republic ranks the lowest overall, the growth of the elderly population is higher than the EU average. The same goes for the expected growth in elderly income. Furthermore, the Czechs leave the Polish and the Romanians behind in senior housing potential. A substantial proportion of Czech seniors, equal to roughly one in three, would consider moving to senior housing with central care and home support.

The Netherlands and Spain top the overall ranking
Overall ranking: Potential demand for elderly care and housing

Source: ING Economics