

# Property Tracker



June 2018

## Less than half of aspiring homeowners say it's likely they will own in 10 years

- 51% of people who do not currently own their own home aspire to in 10 years
- Less than half of these aspiring homeowners believe they are likely to buy a home
- Raising a deposit remains the number one challenge facing buyers

### The UK is a nation of homeowners

The June 2018 *Property Tracker* marks 10 years since the survey started back in June 2008. We took this opportunity to analyse how people's home-owning aspirations compare to reality.

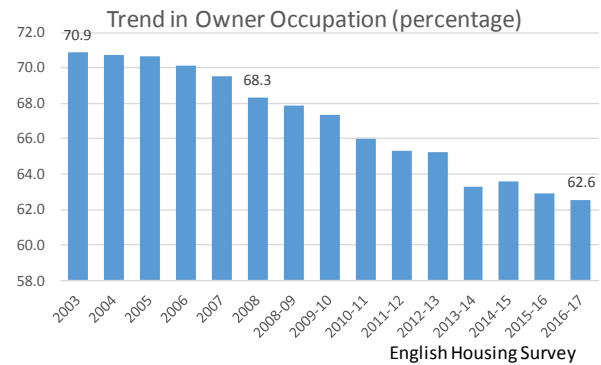
We asked people to tell us where they lived 10 years ago, where they currently live, and where they aspire to live in 10 years' time. The results show that the UK is undoubtedly a nation of people who want to own their own home. 58% of respondents said they currently own their home and nearly three quarters (71%) say they want to be homeowners in 10 years' time (including current owners).

The table below shows how tenures have changed over 10 years among the people surveyed in June 2018, as well as their aspirations for 10 years' time.

Tenure: <i>past, present and future aspiration</i>	June 2008	June 2018	June 2028
Owner occupied	54%	58%	71%
Private rented	13%	16%	4%
Social rented	10%	12%	6%
Living with family who own	17%	8%	2%
Other	3%	2%	4%

Despite a strong desire to be a homeowner, trends in homeownership have been declining, according to official data. In 2016/17 just 62.6% of people in England

owned their home, compared to its peak of 70.9% in 2003, and 68.3% ten years ago in 2008 when the *Property Tracker* started.

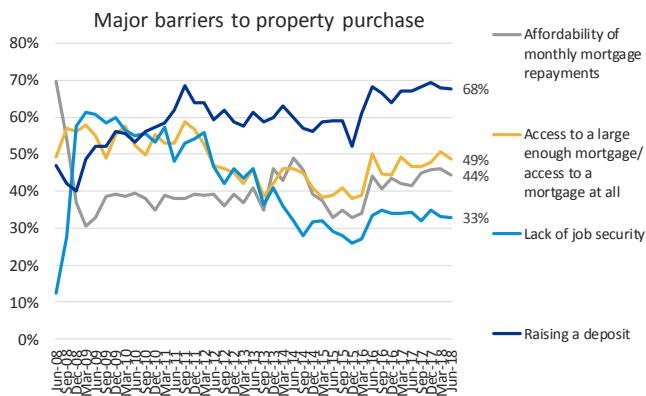


### Less than half of aspiring homeowners say it's likely they will own in 10 years

The *Property Tracker* results reveal that 51% of people who do not currently own their own home aspire to do so in 10 years' time, but less than half (46%) of these believe it's likely they will actually achieve this. It remains very difficult for many people to buy a property due to higher house prices and therefore affordability issues.

The *Property Tracker* shows that raising a deposit has consistently been the greatest barrier to property purchase since 2010, and today it remains close to an

all-time high level with 68% of people citing it as a barrier.



Obtaining a mortgage has been the second most common barrier for some time. Some aspiring homebuyers may feel it is unlikely that they will ever own a property because they do not meet lender’s criteria, if for example they are self-employed or have a complicated financial situation. Building societies are often able to help these types of borrowers because they can assess people on an individual basis rather than relying automated processes utilised by larger lenders.

### Social renters have less aspiration to own their own home

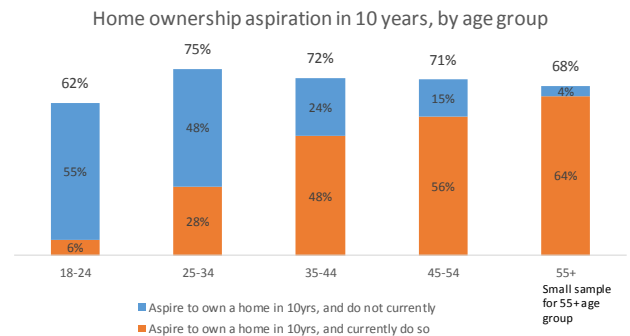
		Aspiration for ten years' time				
Tenure		A property I own	Private rented	Social rented	A family/ friends' property	Other
Current residence	Private rented	68%	12%	5%	3%	3%
	Social rented	37%	5%	33%	2%	4%
	A family/ friends' property	64%	11%	2%	7%	3%

The *Property Tracker* survey also shows a difference in people’s aspirations based on where they currently live. The results show those in the social rented sector have less aspiration to own their own home compared to those in the private rented sector. Over two thirds (68%) of private renters aspire to own their own home in 10 years’ time, compared to just 37% in the social rented sector.

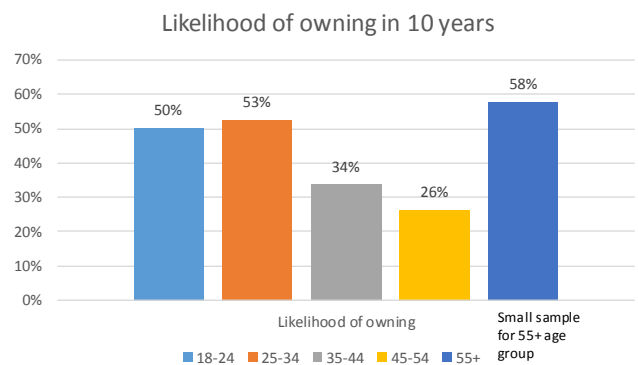
People living in social housing may be on lower incomes, and for some in this group the prospect of home ownership may feel out of reach. Consequently, their aspiration to own a home may be lower. In fact, a third (33%) of social renters aspire to stay renting social housing in 10 years’ time.

### Younger people feel home ownership is more likely than older people

The aspiration to own a home in 10 years is strong across all age groups. Although the youngest age group (18-24) have the least aspiration to own (62%) and those aged 25-34 have the highest at 75%.



However, for those who do not own a home currently and aspire to, as people get older, the proportion that say it is likely they will own a home decreases. Half (50%) of those aged 18-24, and 53% of those aged 25-34 say they feel it is likely they will own a home in 10 years. This compares to just over a quarter (34%) of those aged 35-44 and just over a quarter (26%) of those between 45-54. The exception is for those aged over 55+ where 58% of say it is likely they will own in 10 years. However, the majority of this age group (80%) are already homeowners, and just 4% do not own and aspire to do so, meaning the sample for this group is very small.



## A focus on younger people (aged 25-34)

The desire for home ownership is strong for those between 25-34 with almost half (48%) of people aged between 25 and 34 today who do not currently own a home saying that they want to do so within 10 years.

However, this group of are highly pessimistic about their prospects of achieving home ownership even if they wait a decade: 41% think that the achievement of this dream is unlikely.

The past, current and future accommodation that young people live in is outlined in the table below.

Tenure of people aged 25-34	2008 (%) where those aged 35 to 44 today lived 10 years ago	2018 (%) where those aged 25 to 34 today live	2028 (%) where those aged 18 to 24 today aspire to live in 10 years
Own their own home	40	33	62
Private rented	27	31	9
Social rented	10	15	2
Shared ownership	2	2	1
A property owned by a friend or relative	14	14	3

The results show;

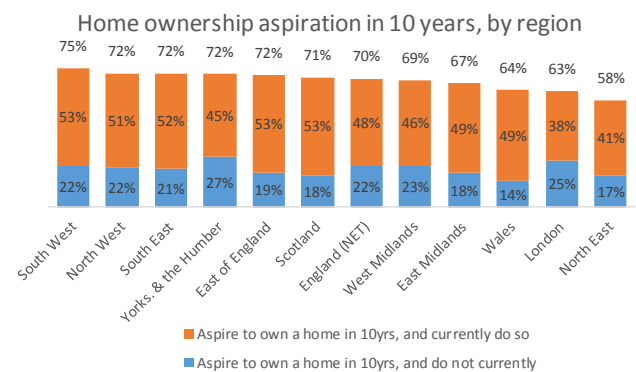
- A significant drop in those who own their own home – down from 40% in 2008 to 33% today.
- A significant number (62%) who want to own their own home in 2028.
- By 2028 far fewer want to be living in private rented accommodation – down from 31% today to 9% who say this is their preferred tenure in 10 years-time.
- Today 14% live in property owned by a friend or relative. This is not somewhere that many of today's 18-24 year-olds see themselves living in 10 years – just 3%.

## Regional differences

The *Property Tracker* also shows how home ownership aspirations vary across the regions. Those in the North East have the lowest with 58% saying they aspire to

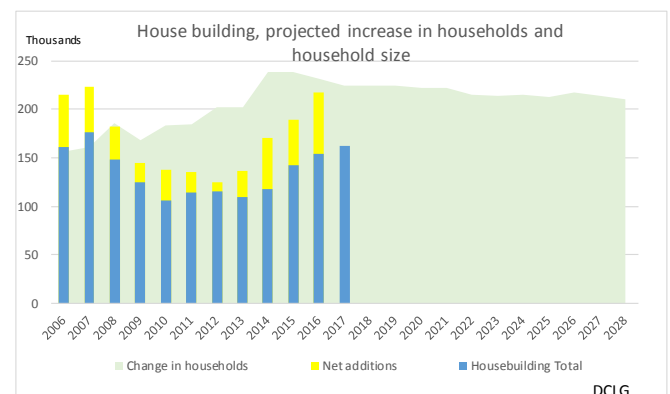
own a home in 10 years. The next lowest are those living in London (63%) and Wales with 64%.

One might expect that in areas where house prices are high relative to earnings (HP/E), aspirations to own a home might be lower. However, in the North East the HP/E ratio is the lowest compared to all other regions. In London, the ratio is the highest in the UK and one would expect aspirations to be lower here, but the HP/E ratio is also high in the South West, and aspirations to own in this region are the highest. It would therefore appear that other factors influence home ownership aspirations rather than if buying a home appears achievable.



## A broken housing market

The government has conceded that the [UK housing market is broken](#), and in 2017 announced a target to raise the housing supply (net additions) by 300,000 each year during this parliament. Whilst this target is admirable, it will do little to compensate for the decades of undersupply of new housing relative to demand. ONS projections show the formation of new households has outstripped the creation of new homes for nearly a decade.



The Government's Housing White Paper recognises that an increased supply of housing is one of the ways to fix the market, but in reality there isn't a single

solution. The Property Tracker survey gives an indication into some of the frictions that consumers see in the housing market have evolved over time.

## Property Tracker – looking back 10 years

The mortgage and housing markets are in a very different place today compared to 10 years ago. In June 2008 we were nearing the height of the financial crisis. House prices were falling following double-digit growth in 2007 when prices reached their previous peak of £185k (Nationwide).

<b>Barriers to property purchase</b>	<b>2008</b>	<b>2018</b>
Raising a deposit	47%	68%
Affordability of mortgage repayments	70%	44%
Access to mortgage finance	49%	49%
Concerns about fall in property prices	46%	15%
Lack of job security	12%	33%

The biggest barrier to property purchase at the time was affordability of mortgage repayments, cited by 70%, which is understandable when the average fixed rate mortgage was 5.8%. However, this fell as a barrier very quickly as the Bank Rate was cut repeatedly over the next year until reaching 0.5% in March 2009. Although a lack of job security was not one of the major concerns in June 2008, as the financial crisis unfolded and the economy entered a recession unemployment began to rise, and it became the biggest barrier at the end of 2008 and throughout 2009.

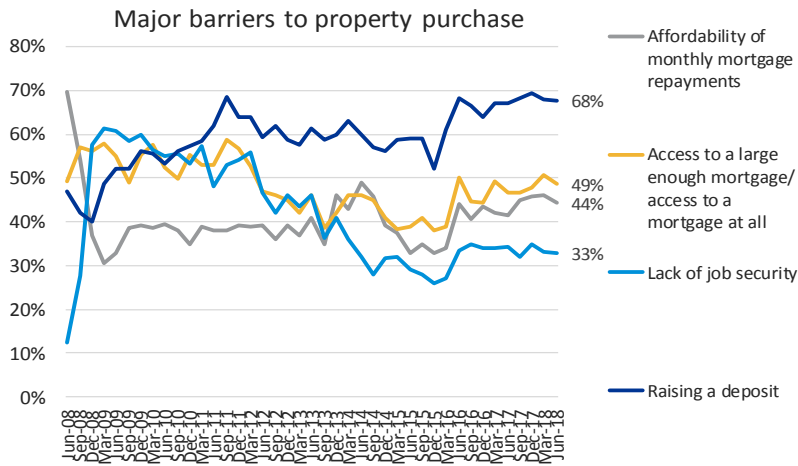
<b>Housing market statistics*</b>	<b>2008</b>	<b>2018</b>
Annual House price growth (Nwide)	1.1%	2.1%
Average house price (Nwide)	£179.1k	£211.6k
House price / earnings ratio (Lloyds)	5.40	5.70
Gross mortgage lending Q1 (BoE)	£72bn	£60bn
Property transactions Q1 (HMRC)	294,970	296,360
Total mortgage balances (BoE)	£1,163bn	£1,371bn
2yr fixed mortgage rate (BoE)	5.80%	1.53%
Bank Rate (BoE)	5.25%	0.50%

The situation today is very different. Mortgage rates and unemployment are at all-time lows, meaning affordability of mortgage repayments and job security are not currently major barriers to property purchase. The biggest barrier today is raising a deposit, which has been the case since the end of 2010 due to weak income growth through the recovery and rising house prices, particularly in some regions.

With the credit crunch and recession, followed by new post-crisis mortgage market regulation, many banks

withdrew from the mortgage market. This is reflected in difficulty obtaining a mortgage being one of the most commonly selected barriers in the Property Tracker over the last ten years. However, during this period building societies continued to support homebuyers. From April 2008 to March 2018, building societies accounted for 45% of the total growth in the mortgage market with £98.2 billion of net lending (gross lending minus repayments). The sector was also able to help nearly three quarters of a million (741,452) first-time buyers to purchase their first home. In the last 12 months for which we have data, building societies accounted for 31% of all first-time buyer loans in the UK.

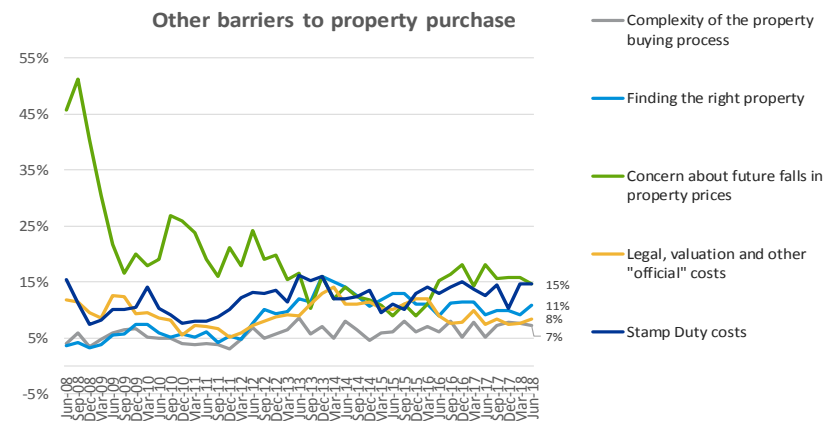
The sector is renowned for being able to help buyers who do not have completely straightforward financial circumstances by assessing mortgage applications individually. This has allowed the sector to respond to changes in demographics and the workplace. For many first-time buyers, older borrowers, self-employed or those looking to build their own home, the building society sector is their first port of call.



The major barriers remained relatively unchanged in June 2018 compared to March 2018.

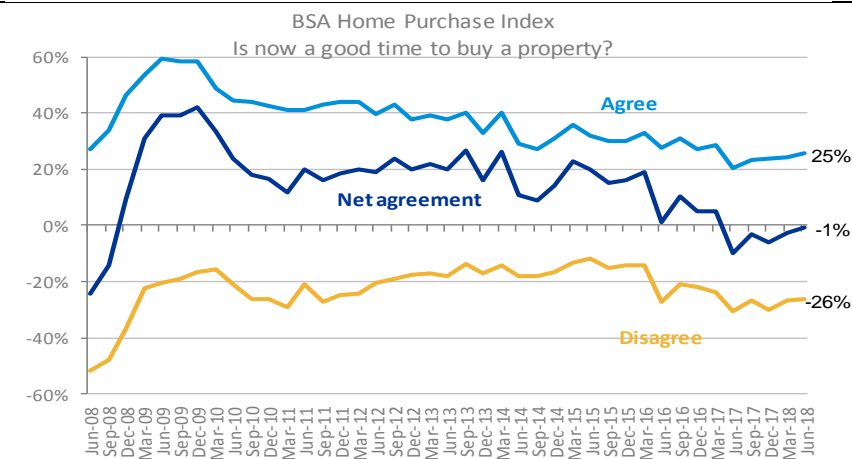
Access to mortgage finance was a barrier to 49% of people in June 2018 compared to 51% in March 2018.

Affordability of mortgage repayments was a barrier to 44% in June 2018 compared to 46% in March 2018.



There was an increase in the proportion saying finding the right property was a barrier, from 9% in March 2018 to 11% in June 2018.

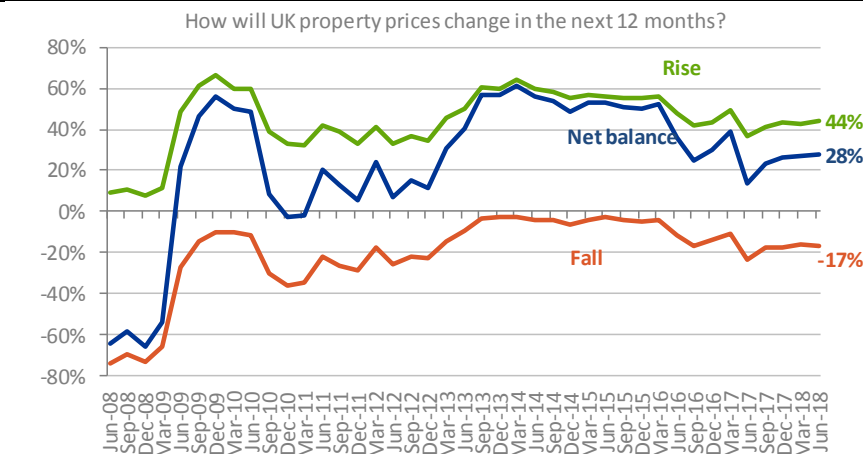
Other minor barriers were little changed quarter on quarter.



In June 2018 25% of consumers agreed that it is currently a good time to buy property in the UK; relatively unchanged from 24% in March.

In June 2018 26% disagreed, relatively unchanged from 27% in March 2018

As a result, the net agreement decreased, to minus 1 percentage points in June 2018, from minus 3 percentage points in March 2018.



44% of consumers thought house prices would rise in the next 12 months in June 2018, relatively unchanged from 43% in March 2018.

17% thought prices would fall in March 2018, compared to 16% in March 2018.

The net balance therefore remained relatively unchanged at 28 percentage points, compared to 27 percentage points last quarter.

The Property Tracker survey is conducted quarterly by YouGov Plc for the Building Societies Association.

Total sample size was 2,003 adults. Fieldwork was undertaken between 1st - 4<sup>th</sup> June 2018. Surveys are carried out online. Figures have been weighted and are representative of all GB adults (aged 18+). All figures, unless otherwise stated, are from YouGov Plc.

Figures between June 2012 to March 2016 are from Canadean Consumer. For all other dates research was carried out by YouGov. Therefore, caution should be taken when comparing results across these periods.

The proportion agreeing 'now is a good time to buy' includes those who agree strongly and those who tend to agree, while the proportion disagreeing includes those who disagree strongly and those who tend to disagree. Respondents who answered 'don't know' are not shown, so percentages do not sum to one hundred.

Net agreement represents the proportion who agree with a statement minus the proportion who disagree. Net balance figures represents those who said house prices would rise to some extent minus those who said prices would fall. These figures are calculated by the Building Societies Association using YouGov data.

\*All data referenced is from March 2008 and March 2018 unless otherwise stated from the relevant sources.

The Building Societies Association (BSA) represents all 44 UK building societies. Building societies have total assets of over £393 billion and, together with their subsidiaries, hold residential mortgages of over £302 billion, 22% of the total outstanding in the UK. They hold over £271 billion of retail deposits, accounting for 18% of all such deposits in the UK. Building societies account for 36% of all cash ISA balances. They employ approximately 40,000 full and part-time staff and operate through approximately 1,550 branches.

Data tables for the standard questions can be downloaded here: [www.bsa.org.uk/information/statistics/bsa-property-tracker/](http://www.bsa.org.uk/information/statistics/bsa-property-tracker/)

