

Improving attitudes to home-ownership

- The desire for owner-occupation has returned to near-record levels, following a protracted dip that started after the early 1990s recession. Some 84% of adults hope to be home-owners in ten years' time.
- The short-term appetite for home-ownership had been looking a little fragile in recent years, but now appears to have recovered strongly.
- This shift in sentiment is likely to reflect high levels of household confidence against the backdrop of a sustained economic recovery and strong jobs market and a greater investment motive on the back of robust capital gains in the housing market.
- While home-ownership aspirations have increased across all age groups, the most dramatic increase in short-term preferences has been with young adults. The proportion of adults under 25 who would like to be home-owners within the next two years has recovered from roughly 40% to 50% over the past five years.
- This sits oddly with declining actual rates of home-ownership over the same period, and begs the question whether higher rates of private renting by younger age groups reflect lifestyle preferences for the tenure or affordability pressures.
- The under 25s have a similar longer-term aspiration for home-ownership as other age groups, but it not clear how realistic this is.
- People in all parts of Great Britain display an appetite for higher rates of home-ownership in the long-term. Reflecting its long-standing greater reliance on social housing, Scotland trails behind somewhat and is the only nation or region where less than 80% of households expect to be home-owners in ten years' time.

Background

This short article presents some key insights into changing household attitudes to home-ownership, summarising market research into various aspects of the housing and mortgage markets undertaken for us by BMRB Omnibus Surveys in January 2007. The research was based on a face-to-face survey of 2,814 adults aged 18 and over in their homes in Great Britain.

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Consumers have been asked similar questions about short- and longer-term tenure preferences in market research surveys going back to the mid-1970s. Although changing sample sizes and methodologies, the use of different research companies and slight alterations in question wordings mean that market research results are not exactly comparable over time, we are confident that the results illustrate meaningful underlying trends in tenure aspirations over time.

However, we have excluded the anomalous-looking 1997 research findings from this article and, where relevant, interpolated results for those years where no survey was undertaken. In both cases, this is to improve the reader's understanding.

Overall attitudes to home-ownership

As Tables 1 and 2 indicate, the short- and longer-term desire for home-ownership has recovered noticeably in recent years. This recovery of sentiment in favour of home-ownership appears to have been at the expense of all other housing tenures. The latest survey does not shed any light on why this transformation has taken place, but it seems likely to be tied up with the high levels of household confidence and capital gains associated with the strong performance of the economy, labour and housing markets.

Table 1: Preferred tenure in two years' time, % of respondents

	Sample size	Owner-Occupied %	Council Renting %	Housing Association Renting %	Private Renting %
1975	1,597	51	32	na	12
1983	2,501	77	16	na	5
1986	2,455	77	17	na	4
1989	2,465	81	12	2	3
1991	2,260	77	13	2	6
1996	2,009	77	15	3	3
1998	2,329	78	14	4	3
1999	3,132	74	17	3	4
2000	3,310	74	12	3	5
2001	3,391	72	12	4	6
2002	3,206	76	11	3	4
2003	2,525	72	10	3	6
2004	1,986	72	12	4	7
2007	2,814	78	9	3	4

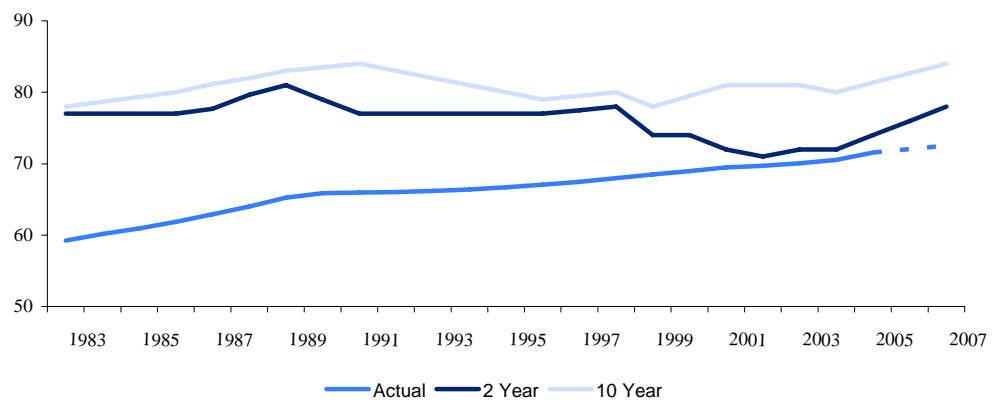
Source: BMRB except 1996-99, MORI (1996-99)

Table 2: Preferred tenure in ten years' time, % of respondents

	Sample size	Owner-Occupied %	Council Renting %	Housing Association Renting %	Private Renting %
1975	1,597	62	25	na	6
1983	2,501	78	15	na	3
1986	2,455	80	13	na	2
1989	2,465	83	11	1	2
1991	2,260	84	10	2	2
1996	2,009	79	12	2	1
1998	2,329	80	10	3	1
1999	3,132	78	13	3	1
2000	3,310	83	8	2	1
2001	3,391	81	9	2	2
2002	3,206	82	8	2	2
2003	2,525	81	8	2	3
2004	1,986	80	9	2	3
2007	2,814	84	6	2	2

Source: BMRB except 1996-99, MORI (1996-99)

Chart 1: Tenure patterns and preferences in two and ten years' time, Great Britain, %



Source: Actual figures Department for Communities and Local Government, survey results BMRB except 1996-99, MORI (1996-99)

Notes: Post 2004 home-ownership rates are CML estimates. Figures have been interpolated for those years when surveys were not carried out.

The desire for home-ownership continues to exceed the actual prevailing rate (Chart 1), and this would seem to bode well for future growth of the tenure. In the case of longer-term preferences, the desire for home-ownership has always exceeded actual rates by a significant margin, and one

that has been more or less constant over the past decade. The picture has been more mixed in the case of shorter-term preferences, however, with the appetite for home-ownership fading noticeably from the late 1990s. Indeed, it is only the latest set of market research results that shows a recovery in short-term sentiment in favour of home-ownership.

Tenure preferences by age

Looking at tenure preferences by age (Tables 3 and 4), the latest survey shows that short- and longer-term aspirations for home-ownership have increased across all age groups. In terms of short-term preferences, the most dramatic increase in the popularity of home-ownership has occurred with younger households, namely those aged under 25 and 25-34 years old. For longer-term aspirations, the picture is more complicated, with the strongest increase in preference for home-ownership occurring at both age extremes – those under 25 and the 65 and overs.

Table 3: Preferred tenure in two years' time, by age group, % of respondents

	Under 25	25-34	35-54	55-64	65 and Over	All Adults
	%	%	%	%	%	%
1975	41	60	58	48	42	51
1983	79	89	84	71	56	77
1986	73	88	86	73	61	77
1989	79	89	90	76	64	81
1991	60	83	87	82	71	77
1996	55	79	86	76	66	77
1998	49	80	85	80	68	78
1999	59	77	84	74	60	74
2000	43	76	82	85	70	74
2001	39	74	80	81	76	72
2002	40	78	79	79	78	71
2003	37	76	83	85	75	72
2004	43	66	78	84	74	72
2007	50	75	83	87	80	78

Source: BMRB except 1996-99, MORI (1996-99)

The recovering popularity of home-ownership among younger households sits a little oddly with the stark decline in the actual rate of owner-occupation among households headed by those under 25. According to DCLG's Survey of English Housing and National Statistics' Labour Force Survey, the rate of home-ownership among under 25 year olds has fallen from 24% to 18% over the past five years. By contrast, the proportion of adults under 25 who would like to be home-

owners within the next two years has recovered from roughly 40% to 50% over a comparable period. This revisits the debate as to whether higher rates of private renting by this age group reflect lifestyle preferences for the tenure or affordability pressures facing younger households.

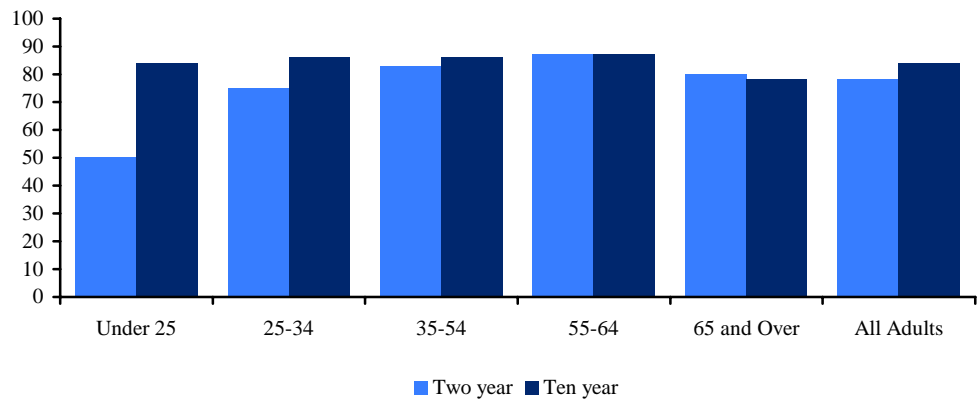
Table 4: Preferred tenure in ten years' time, by age group, % of respondents

	Under 25	25-34	35-54	55-64	65 and Over	All Adults
	%	%	%	%	%	%
1975	79	77	65	49	41	62
1983	92	93	85	66	51	78
1986	89	93	88	70	54	80
1989	95	93	90	75	59	83
1991	90	91	89	80	64	84
1996	84	86	88	74	61	79
1998	83	90	86	81	60	80
1999	86	89	86	73	57	78
2000	83	88	86	77	64	80
2001	80	87	85	80	71	81
2002	78	87	86	82	71	81
2003	76	87	87	84	70	81
2004	77	86	83	83	71	80
2007	84	86	86	87	78	84

Source: BMRB except 1996-99, MORI (1996-99)

Chart 2 illustrates a long-standing age-related aspect to tenure preferences. At younger ages, there is a substantial proportion of households who aspire to home-ownership ultimately, but do not foresee this as their likely tenure in two years' time. The gap between two and ten year aspirations narrows as we look at older age groups, and becomes slightly negative amongst the 65 and over age group. This negative gap reflects issues such as the ability of retirement age people to maintain their homes as they get older and the longer-term suitability of homes as mobility and other health matters surface. Interestingly, however, the negative gap amongst retirement age groups is the smallest it has been since the mid 1970s.

Chart 2: Preference for home-ownership in two and ten years' time, by age group, % of 2007 respondents

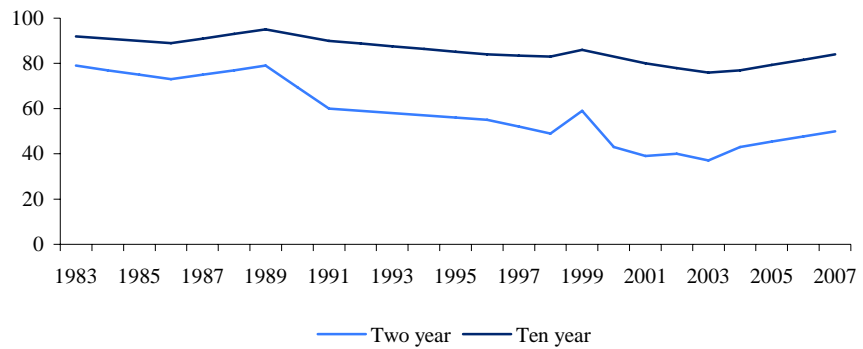


Source: BMRB Omnibus Surveys

An interesting question is whether the aspirations of younger households to become home-owners are realistic, given the intensifying housing supply shortfalls and associated affordability pressures. There is no straightforward answer to this, but Smith et al (2005) looks at a range of factors that influence the views and behaviour of potential first-time buyers. One prospect is that some young people currently choosing to defer home-ownership in favour of renting privately may find themselves unable to achieve home-ownership by their mid-to-late 30s. Potentially, this is one of the biggest factors that may limit overall growth of home-ownership and the dynamics of the housing market. Tatch (2006) signals that many households under 30 already rely on financial help from parents and relatives to overcome deposit and other affordability hurdles. The recent renewed appetite of young households for owner-occupation may therefore be influenced primarily by the obvious investment appeal associated with home-ownership during a protracted period of house price growth, rather than be a realistic assessment of what might be achieved longer-term.

Over the past decade, there have been significant increases in the longer-term appetite of retirement age households to be home-owners, as higher rates of ownership have worked through older age groups and health and longevity expectations have advanced. This has meant that for the time being at least, there is remarkably little variation in longer-term aspirations across age groups. Looking ahead, this uniform overwhelming desire for home-ownership seems unlikely to change significantly, unless the views amongst younger households are adversely affected in the face of difficulties in attaining home-ownership.

Chart 3: Preference of young adults for home-ownership in two and ten years' time, % of under 25s



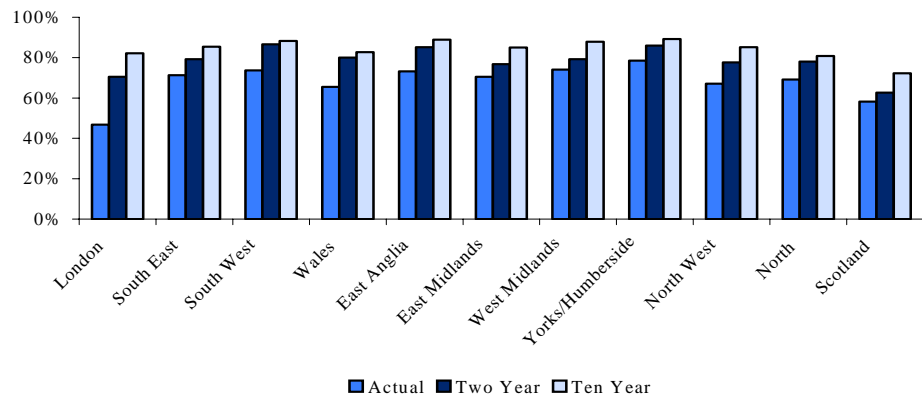
Source: BMRB except 1996-99, MORI (1996-99)

Notes: Figures have been interpolated for those years when surveys were not carried out.

Regional aspirations

Our latest survey also provides a useful snapshot of tenure preferences across different parts of Great Britain.

Chart 4: Regional preferences for home-ownership in two and ten years' time, % of 2007 respondents



Source: BMRB Omnibus Surveys

In each of the separate regions and nations, there is a strong appetite for higher rates of home-ownership over time. Looking ahead ten years, it is only Scotland where the aspiration for home-ownership is less than 80%, in part reflecting the much greater importance of social housing north of the border. Although the survey provides only rough estimates of current tenure patterns, it is clear that those living in London face the biggest transition from current to desired

levels of home-ownership. However, we cannot presume that transitions to home-ownership will necessarily take place within the regions where people currently live.

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