

# Attitudes to home-ownership and moving in 2004

- Home-ownership continues to be the most popular tenure in Great Britain. In 2004 72% of GB households said they would like to live in their own homes in two years. This rises to 80% of households who wished to own their own home in ten years' time.
- Over time the proportion of young people who aspire to home-ownership has fallen quite dramatically but seems to have stabilised in recent years.
- A gap continues to exist between home-ownership aspirations and prevailing home-ownership rates. This gap has narrowed over time, as more people now own their own homes and aspirations to own have levelled out.
- While there is still the potential to further increase home-ownership, it is likely that the remaining 'home-ownership gap' will be somewhat slower and more difficult to close.
- Worsening affordability over recent years appears to have constrained the ability of young aspiring home-owners to buy.
- However, just over a fifth of households who own or aspire to own are likely to buy a home in the next two years, similar to the proportion reported in 2000. This is positive given the uncertainty surrounding the current housing market.
- More affordable house prices, higher incomes and stable interest rates are the factors that are most likely to encourage households to buy a home.
- Would-be first-time buyers are also likely to be influenced into the housing market by lower stamp duty/moving costs, feeling a need to get a foot on the housing ladder or if they can get help with deposit.
- High house prices are the biggest deterrents to buying property for all households.

## Introduction

Home-ownership has been the most popular tenure in Great Britain since our records began in 1975 and is set to continue. The Government has recognised this by raising housing, and home-ownership in particular, up the political agenda. In the current climate of high house price growth relative to incomes and declining first-time buyer numbers a range of policy options are being explored to help people into home-ownership and ensure that they are able to sustain this tenure. Recent Government initiatives have focused on key workers, the development of £60,000 homes and equity shares for social rented tenants. At the same time CML research has explored how households might use equity loans to access home-ownership (particularly where this is linked to new supply) and to staircase up and down the share of the property they own as their circumstances change.

### **Author and Editor**

Jackie Smith

Senior Research Analyst, CML

[Jackie.Smith@cml.org.uk](mailto:Jackie.Smith@cml.org.uk)

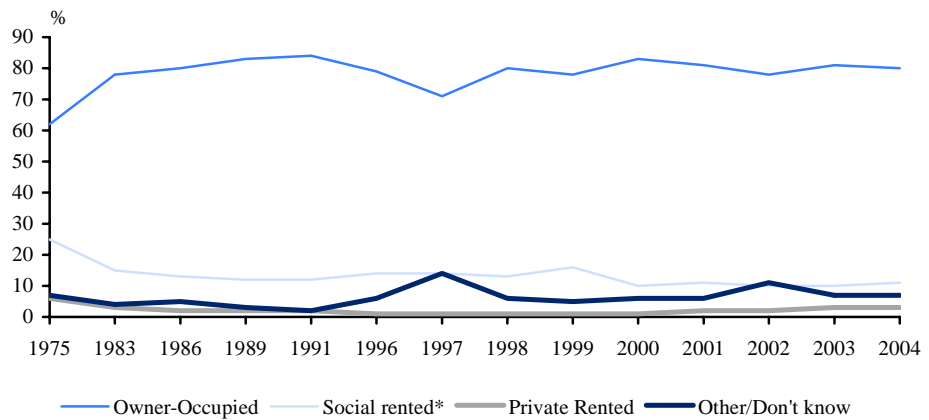
To inform the ongoing debate this article presents findings from recent market research, which focuses on attitudes towards home-ownership and moving – exploring in particular what might encourage or discourage GB households to buy.

The market research was carried out for the CML by BMRB in November 2004. Interviews with 1,986 adults (aged 18 and over) were carried out in-home, using a Computer Assisted Personal Interviewing (CAPI) system. The data are weighted to ensure that demographic profiles match those for all adults in Great Britain with respect to sex, age, social grade and standard region.

### Aspirations for home-ownership

Home-ownership has now been the preferred tenure amongst UK households for more than thirty years. While we do not have data going back pre-1975, we can infer from Chart 1 that the preference for home-ownership probably overtook the desire to live in council rented accommodation during the late 1960s. From 1975 aspirations to live in owner-occupied housing in ten years' time jumped from 62% to a peak of 84% in 1991. Since then the proportion has levelled off and currently stands at 80%. A similar pattern is seen for households wishing to own in two years' time where numbers jumped from 51% in 1975 to 72% in 2004.

Chart 1: Where people would like to live in ten years' time, 1975-2004



Source: MORI 1992/1996-2003 all other years BMRB  
 Notes: \* includes housing associations from 1989. The apparent dip in popularity of home-ownership 1997 and 2002 is likely to be due to varying methodologies and sampling errors.

### Aspirations for home-ownership by age

Charts 2 and 3 illustrate how attitudes to owning have changed over time within different age groups. In particular it clearly shows the fall off in aspirations of younger people over the last 20 years. This fall has been most dramatic in the under 25 age group. In 1983 79% of households aged under 25 reported that they wanted to live in home-ownership in two years' time, yet this had fallen to 43% by 2004. Since 2000, aspirations of the youngest age groups do seem to have stabilised, while for those aged 25-34 there is still some uncertainty about the direction of trend.

Further evidence of young people delaying entry is reflected in CML data. For example, the proportion of house purchase loans to those aged under 25 reduced from 20% in the mid-1980s to just eight per cent in 2004. In addition, the age of first-time buyers has increased to 34 in 2004 up from 31 in the mid-1980s.

A number of explanations have been given for this dramatic downward shift in attitudes to buy among the younger age groups. Drivers of tenure aspirations for these groups seem to be affected by a broad range of factors – affordability and financial (confidence constraints) together with lifestyle choice and demographic factors. These include;

- The impact of the last housing market recession which knocked consumer confidence and meant that young people were more wary about entering the housing market at an early age.
- Worsening affordability since about the year 2000 onwards, which has constrained the ability of aspiring home-owners, particularly those aged up to 35, to buy.
- A general increase in the amounts of debt that young people hold (including student debt and other debt) which might affect their ability and/or desire to also service a mortgage.

Chart 2: Aspirations to buy within two years, up to age 54

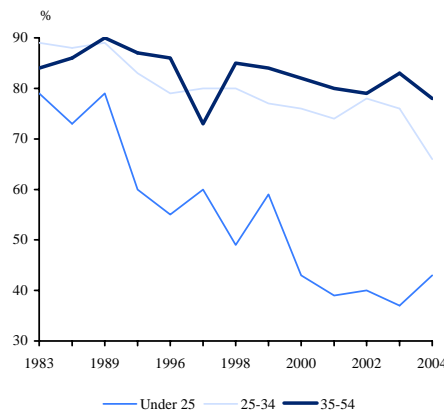
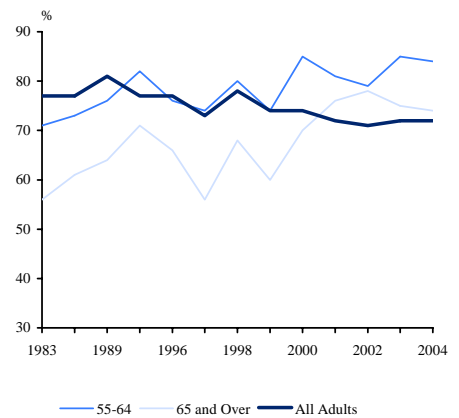


Chart 3: Aspirations to buy within two years, age over 55



Source: BMRB 2004  
Base: All adults 18+

- A desire to rent and live in high cost areas where buying a home may not be possible (Ball and Glascock, 2005). The improved mobility that comes with renting is also another factor driving these choices.
- As young people now delay having children and marriage this might also be contributing to fewer households entering home-ownership at a younger age.

Population projections from the Office for National Statistics show that the number of people aged 25-34 fell by ten per cent between 1996 and 2001, and is projected to fall by a further 11%

by 2006. While this might not affect proportions of households aspiring to different tenures it will continue to influence the numbers of new households forming that want to buy homes.

It is difficult to attribute with any certainty the relative importance of all these different factors and indeed the extent to which they are permanent one-off shifts or temporary factors. New CML research on the profile and attitudes of first-time buyers and would-be first-time buyers should shed some light on this during 2005. However, either way it is clear from first-time buyer numbers and aspiration rates that problems around affordability have contributed to fewer aspiring home-owners to enter the market.

Chart 3 shows that aspirations among the over 55s have increased, and to some extent compensated for the fall off in young home-ownership. The 55-64 age group increased from 71% to 84% since 1983, while the over 65s have seen a larger increase from 56% to 74%. Much of these patterns will simply reflect trends in levels of home-ownership which are shown by age-group in Chart 4. However, the downward shift in aspirations of young home-owners has dragged down two year aspiration rates for all households between 1983 and 2004. Ten year aspirations by contrast have remained relatively static at 80% in 2004 up slightly from 78% in 1983.

Taken together these findings tend to confirm that while the overall popularity in home-ownership remains high young people are delaying entry.

Aspirations by region tend to reflect levels of home-ownership in different areas. For example, aspirations to own in two years' time in London are lower than average at 58%. This ties in with London's high proportion of rented housing stock and a younger population. The regions with the highest aspirations to own in two years' time are the north west (81%), Yorkshire and Humberside (78%) the north and East Anglia (both 77%). Wales has one of the lowest at 63% and Scotland at 70% is also relatively low. As might be expected a lower proportion - only 50% - of those not working want to own within two years and this rises to just 55% for those on incomes less than £10,000.

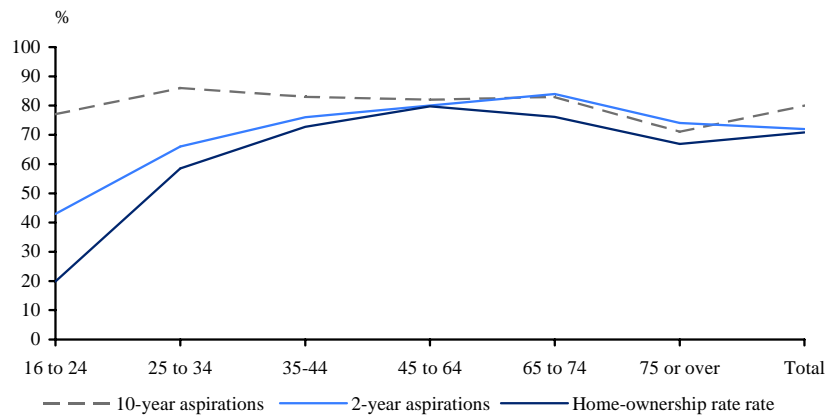
While the long-term regional trends in aspirations show a similar pattern to that seen over the short-term, they are generally at higher levels. For example, aspirations over a ten-year period reach 90% in the north and 87% in Yorkshire and Humberside and the north west and 67% in London.

### Home-ownership gap

There is a clear gap between the long-term desire to own and the current home-ownership rate. This has created an appetite for further policy developments to help some groups into the housing

market. Chart 4 shows that the most significant home-ownership gap is seen in the youngest age groups. While this reduces as households get older even for those in the 35-44 age group (above the average age of a first-time buyer) there is a gap in two year aspirations of four per cent and in ten year aspirations of ten per cent. After this age group aspirations are broadly met by the prevailing home-ownership rate. However, taking all ages together the home-ownership gap is ten per cent.

Chart 4: Two and ten year aspirations for home-ownership and home-ownership rate, 2004



Source: BMRB 2004

Over time a gap has always existed between the prevailing home-ownership rate and the proportion of young households who aspire to home-ownership. This gap has remained relatively constant over the last twenty years between the home-ownership rate and ten year aspirations but reduced somewhat in respect to two-year aspirations. The gap will partly reflect the fact that some households wish to own but are not yet in a position to buy – either for financial or other reasons.

Given increases in home-ownership rates over the last ten years and the subsequent levelling off in aspirations may mean that it will be more difficult and take more time for households remaining in this gap to meet their aspirations than in the past. We do not know from this research how aspirations to buy translate into actual home-ownership. However, it is likely that affordability constraints in the past few years mean that fewer households who aspire to home-ownership are able to make that a reality within the two-year framework. For example, research by Bramley (2004), suggests that only 33% of new households could afford to buy in 2004, well down on 2002 when 40% could afford to buy. However, it is also clear that the reasons behind the home-ownership gap are likely to be different for different age-groups.

It is useful to explore more fully the characteristics of those who aspire to own their own homes but who have not yet entered the tenure. Understanding more about this group and their attitudes can help both to devise policies to help them to meet their aspirations if necessary or better understand why they are delaying.

#### Characteristics of those in two year home-ownership gap

Table 1 shows the characteristics of those wishing to be home-owners in two years' time revealing that nearly 70% are aged under 35, and the majority (58%) are in private renting.

Table 1: Households who aspire to own their first-home in two years time, by age

	Current tenure			
	Rented social %	Rented private %	Rent free %	Total %
18-24	13	32	54	30
25-34	41	42	22	38
35-44	29	15	9	18
45-54	10	8	7	8
55-64	6	1	8	3
65+	2	2	0	2
Total	100	100	100	100
Total Row %	27	58	15	100

Source: BMRB 2004

By income the majority, 68%, have incomes under £25,000. The 32% of this group with incomes above £25,000pa are, given house prices across Great Britain, perhaps more likely to be the first-time buyers over the next two years.

The majority (52%) of households in this two-year home-ownership gap group live in London and the south east, and the south west, largely reflecting the population distribution. Linking up with further questions asked about what might influence their decisions to move shows that 59% of households in these regions say that it is high house prices that are discouraging them from moving in the next two years. A further 28% say that their income is too low and 23% say that an expectation of increasing interest rates would deter them. These responses clearly fit much more closely with the affordability constraint model for delaying entry. More details on what might influence households' decisions to buy are given in a later section. However, having explored households' aspirations for different tenures it is also useful to look at how likely they are to buy.

### How likely are households to buy in the next two years?

Table 2 is based on all home-owners and those that stated they would like to be home-owners in two years' time, which reflects the total pool of potential home buyers. It shows that overall just over a fifth of households are very or quite likely to buy in the next two years. This figure is on a par with proportions of potential movers in previous years and is slightly up on the 19% reporting they would be likely to buy a new home in 2000. These are relatively robust numbers given that some uncertainty exists in the future direction of the housing market. However, it does tally with renewed consumer confidence seen at the beginning of 2005.

Expectations of moving into home-ownership do, however, vary by current tenure with just seven per cent of existing home-owners very likely to move compared to half of private tenants. While the majority of households answering this question (89%) are already home-owners this still shows confidence particularly among private tenants about their ability to buy within two years.

Table 2: How likely to buy first home or new home in the next two years, by current tenure

	Owner occupied %	Rented social %	Rented private %	Rent free %	Total %
Very likely	7	39	50	35	11
Quite likely	8	21	34	41	11
Neither likely nor unlikely	7	20	4	13	7
Quite unlikely	11	4	7	2	10
Very unlikely	67	16	6	8	60
Total	100	100	100	100	100
Total Row %	89	3	6	2	100

Source: BMRB 2004

Notes: Base - all owners or those who aspire to home-ownership in the next two years

The proportion of people who say they are likely to buy in the next two years is higher among younger age groups. So that while only seven per cent of owners and aspiring owners aged 45-54 say they are very likely to move in the next two years, this rises to 13% for those aged 35-44 and 25% for 25-34 year olds. Unsurprisingly, social groups AB and C1 and those on the highest incomes are also more likely to say they will move.

Regionally, over a third of those who say they are very likely to buy in two years' time live in London and the south east and nearly half of those quite likely to buy also live in these regions. This ties in with the high proportion of households in these regions who are aspiring to home-ownership but not yet owners. Households who reported that they were least likely to buy in the

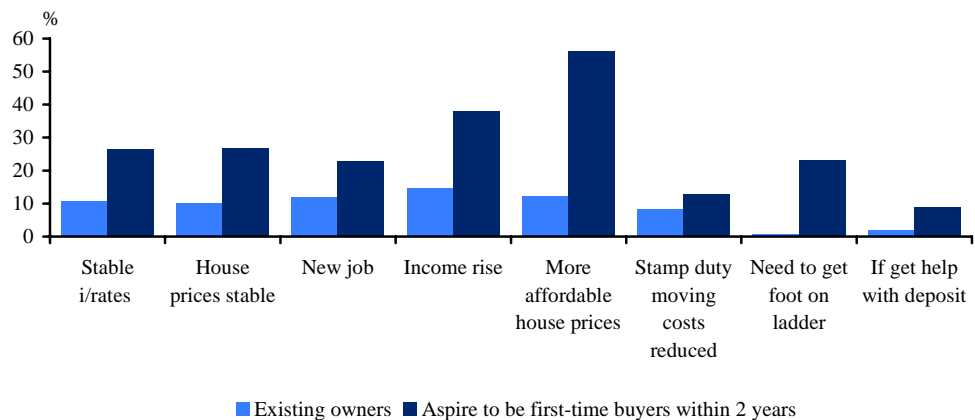
next two years lived in East Anglia - 78% of households - and in Yorkshire & Humberside and the north - 70% of households.

**What factors encourage or discourage households from buying**

Transactions in the housing market reached their highest level for over ten years in 2004, yet current forecasts are predicting a slowdown in the coming few years as the market adjusts to slowing house price growth. But, the housing market has been sending mixed messages in recent months. There have been some reports of falling prices and others of stable or even small rises in prices. At the same time estate agents report more houses on books and a slower market, transactions look like they may be levelling off and mortgage lending starting to slow down. In this climate of relative uncertainty it is helpful to be able to gauge consumers' attitudes to buying and what might influence their decision to buy over the next two years.

Chart 5 summarises what factors might encourage households to either buy a new home or their first home in the next two years. This shows quite significant differences between existing owners and aspiring first-time buyers. The majority of existing owners (57%) reported that they do not currently want to move. The chart shows that a rise in income might be most influential in driving their decision to move - 15% of owners mentioned this. Other factors, however, such as stable interest rates and stable or more affordable house prices or a new job were all about the same level with 10-12% of owners mentioning them.

Chart 5: What factors might encourage you to buy in the next two years?



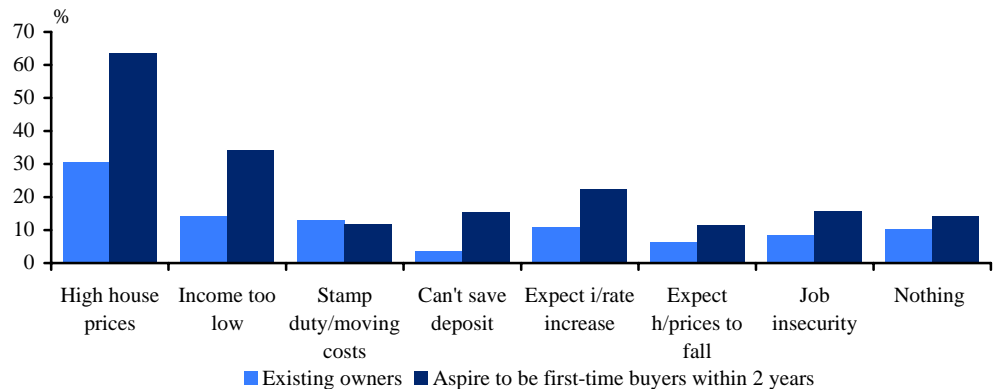
Source: BMRB 2004

Notes: Based on all adults 18+ who are existing owners or said they aspire to own in 2 years time

It is clear from both Charts 5 and 6 that would be first-time buyers (who are currently renting or living at home) say that house prices are the most significant factor affecting their entry into home-ownership – 63% of this group say they are discouraged by high house prices. While 56% say they would be encouraged into the market if house prices came down and were therefore

more affordable, it is perhaps unlikely they would be so optimistic if house prices fell significantly. Indeed, 11% of would be first-time buyers say that the prospect of falling house prices over the next two years is actually discouraging them from moving.

Chart 6: What factors might discourage you from buying in the next two years?



Source: BMRB 2004

Notes: Based on all adults 18+ who are existing owners or said they aspire to own in 2 years time

Unsurprisingly, would be first-time buyers are also more likely to be influenced by stamp duty or moving costs, a need to get a foot on the housing ladder and by whether they can get help with a deposit than are existing owners.

Chart 6 shows that nearly a third of existing owners are also deterred from moving by high house prices, 14% said because of low incomes and 13% mentioned high moving costs and stamp duty. An optimistic ten per cent of owners and 14% of would be first-time buyers say that nothing would discourage them from moving in the next two years.

### Future prospects for home-ownership

The research points to a number of different consequences for the owner-occupied sector. The data suggest that those most likely to buy a new home in the next two years are households that either work full-time, have incomes over £50,000 or live in London and the south east. Although they are relatively small in number, of those renting privately who aspire to home-ownership a very high proportion 84% say they are likely to buy in the next two years.

Distilling the analysis on moving suggests that house prices, incomes and interest rate expectations are currently the key driving factors of households moving into and within home-ownership. Given the current level of house prices relative to income and the continued existence of a home-ownership 'gap' a large number of households are likely to find it difficult to move even if they would like to. Recent CML research shows that low-cost home ownership

schemes such as equity loans can play a role here – particularly where schemes are linked to new supply. For example, an additional 13.4% of new households under 35 could afford to purchase with a 25% interest-bearing equity loan that could not otherwise afford full purchase - this equates to 27,750 new households per year in England (see Bramley, 2004).

This could make a positive contribution to maintaining liquidity – particularly at the lower end of the housing market. The impact and consequences of the additional Government schemes to help first-time buyers into the market has yet to be seen. But taken together with increasing low-cost home ownership schemes there is certainly a potential to increase home-ownership even if this is developed at a relatively slow pace. However, further research by CML and others into the dynamics of the housing market, and particularly on the attitudes and needs of potential first-time buyers is essential to contribute to greater understanding of these issues.

### References

- Ball and Glascock (2005) *Property Investments Funds for the UK: potential impact on the private rental sector*, Council of Mortgage Lenders
- BMRB (2004) *Housing market survey for Council of Mortgage Lenders*, November 2004
- BMRB (1976) *Survey of Attitudes towards Current and Alternative Housing Policies*, London
- BMRB (1983, 1986, 1989, 1991) *Housing and Saving*, London
- Bramley (2004) *The potential market for equity loans in the UK*, Council of Mortgage Lenders
- MORI (1996-99) *Annual Housing and Finance Survey*, London
- MORI Financial Services (2000 and 2001) *Annual Housing Survey 2000 and 2001*, London

### **Further information on Housing Finance**

Housing Finance is an authoritative online journal which provides in-depth articles on a wide range of mortgage related issues. For free online access to other recent articles and a subject index see [http://www.cml.org.uk/goto.asp?page=pub\\_research\\_hfonline](http://www.cml.org.uk/goto.asp?page=pub_research_hfonline). A package of CML Statistics that complement Housing Finance online is free to members and associates or can be subscribed to by non-members (for details see <http://www.cml.org.uk/goto.asp?page=stats>). For further information on Housing Finance articles contact the editor Jackie Smith at [Jackie.Smith@cml.org.uk](mailto:Jackie.Smith@cml.org.uk).

© Copyright 2005 Council of Mortgage Lenders.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or mechanical. Photocopying or other means of recording are forbidden without the prior written permission of the publisher.

The Council of Mortgage Lenders  
3 Savile Row, London, W1S 3PB

Telephone: 020 7437 0075 Fax: 020 7734 6416

Every effort has been made to ensure the accuracy of information contained within the report but the Council of Mortgage Lenders cannot be held responsible for any remaining inaccuracies. The opinions expressed in this report are the responsibility of the authors alone and are not necessarily the views of the Council of Mortgage Lenders.

ISSN: 0955-3800