



**Housing
Aspirations**
Homeownership
for the Next
Generation

JUNE 2022



Contents

01 / Foreword	page 4
02 / Executive Summary	page 7
03 / Introduction	page 9
04 / Survey Respondent Profile	page 11
05 / Research Results	page 17
/ Case Studies	page 28

01 / Foreword

Rising living costs and interest rate increases coupled with house price growth at a time when salaries are being squeezed means the odds are increasingly stacked against people getting on the housing ladder.

Despite this, shared ownership remains an affordable route to homeownership, particularly in London and the South East, where values are highest. The biggest challenge for the industry is awareness of shared ownership as an option.

And this is why the education around shared ownership as a path to homeownership has never been more important.

Our research shows the huge gap in knowledge of the tenure as a means to buying, particularly for those with a small deposit. It also reveals the important role parents play in advising and supporting their children through the home buying process.

Those working in the industry, SO Resi included, need to put education at the heart of their strategy, raising the profile of shared ownership not just with young people but also their parents so they can better advise.

The Government has played a big part in helping the sector to deliver product, and new operators are entering the market, which will hopefully increase choice. And it has done this alongside other home-buying initiatives.

Help to Buy was a huge success in boosting first time buyers' sales. A total of 355,634 households in England have bought properties, collectively valued at £99 billion, since the launch of the scheme in 2013 – with 83% of these being first time buyers. In fact, nearly 9,000 first time buyers used Help to Buy in the final three months of 2021 alone.

We need to put education at the heart of our strategy, raising the profile of shared ownership

83% of homes bought with Help to Buy were by First Time Buyers



Yet the scheme is coming to an end sooner than we first thought and is being replaced by First Homes. Unlike shared ownership, the First Homes scheme doesn't help those with a relatively small deposit saved or a modest income. As our survey of young people shows, once they know about shared ownership, they understand its value as an option. And there are some great initiatives, such as the Shared Ownership Campaign, running with the support of a number of different organisations, which is helping.

The Government has done a lot of work to make shared ownership more attractive as a tenure by adding in extra buyer protection. However, putting some serious political will and a funded campaign to build awareness of the sector would be a great next step and a huge boost.

The only way to empower the next generation of homeowners is to educate them from as early on as possible. We teach life skills at school and university, and options for housing should be a standard part of the curriculum.

Young people must be armed with the tools they need to make their own housing decisions when the time comes, otherwise we risk a generation of buyers being locked out of the property market simply due to a lack of education.

This isn't about stigmatising those who choose to rent; rather, it's about helping those who aspire to owning their own home fulfil their ambition by helping them to understand the range of options available to them.

The only way to empower the next generation of homeowners is to educate them from as early on as possible



Kush Rawal
Director of Residential Investment



02 / Executive Summary

Our research has shown a large gap of education amongst the next generation of homeowners. The industry, as well as ourselves, need to be doing more to empower the next generation to buy their own home.

With the end of Help to Buy on the horizon, more needs to be done to educate the next generation on the routes to homeownership and the options available such as shared ownership. Below are some facts and statistics that highlight the lack of information from the next generation in terms of homeownership.

-  Financial barriers to homeownership are increasing as house prices and cost of living rises
-  70% of young people still aspire to own their own home but affordability is the biggest barrier
-  Low earnings and the size of deposit required are seen as the biggest home ownership challenges
-  Concerns about housing is affecting mental health and homeownership is seen as a more stable option
-  Renting is seen as a temporary housing solution
-  Awareness of shared ownership as a route to home ownership is low
-  Parents play an important role in advising on homebuying
-  Education around home ownership and housing options is urgently needed requiring a joined approach
- 

03 / Introduction

How do young people feel about homeownership? Sometimes referred to as 'generation rent', is buying a home something they aspire to, and what do they see as the barriers?

SO Resi commissioned research to find out, canvassing more than 2,000 18-30-year-olds across England for their views on renting and buying and the options available.

The research comes at a time when rental and house price data shows the increasing financial challenges of getting on the housing ladder. According to the ONS, house prices have continued to grow: Average house prices in the UK hit £350,000 in March 2022, a rise of more than 10% in 12 months.

In 2020/2021, average mortgage payments in London were £244 per week and £143 per week outside the capital. But private rents are actually higher. ONS data shows that the average weekly private rent in the same period was £340 per week in London and £158 per week outside the capital.

And this isn't the only financial pressure young people face as rising inflation is pushing up the cost of living. It also comes when there is increased pressure on living space, with more people working from home, at least for some of the week, and rising concerns about housing.

The positive impact on mental health of having a stable home is well known. Private rental is often viewed as insecure, as landlords can decide to take back the property or sell it. This is something which was reflected in Metropolitan Thames Valley Housing's (MTVH) Housing Futures report, which showed that 6 out of 10 young people said thinking about their future housing situation affected their mental health.

With this in mind, SO Resi wanted to gauge how young people view different housing options and their aspirations to better understand how the industry can help.

SO Resi
commissioned
research, canvassing
more than 2,000
18-30-year-olds

How do
young people
feel about home
ownership?

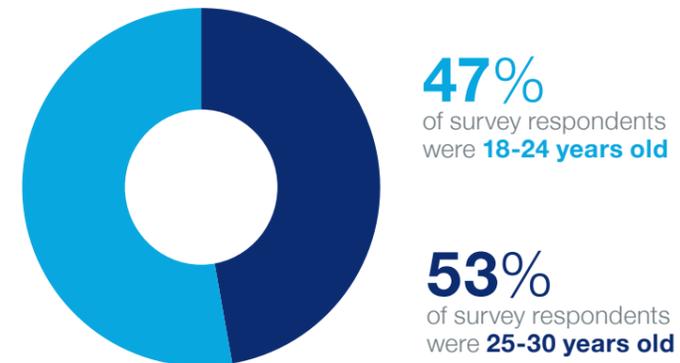


04 / Survey Respondent Profile

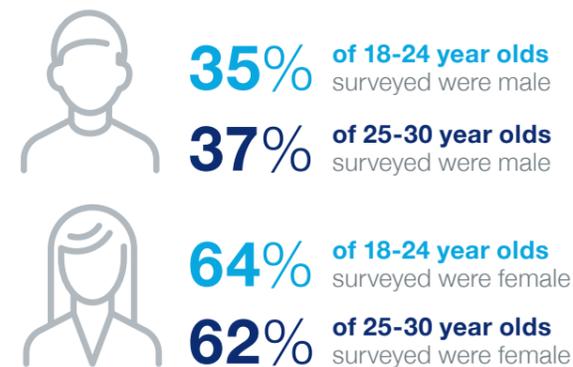
An independent research company was commissioned to survey a group of young people on their attitudes to housing, with the sample split between 18-24 and 25-30-year-olds.

In splitting the respondents into two age groups, the aim was to determine if attitudes differ after starting work or as relationships and family status change.

AGE OF SURVEY RESPONDENTS



GENDER OF SURVEY RESPONDENTS

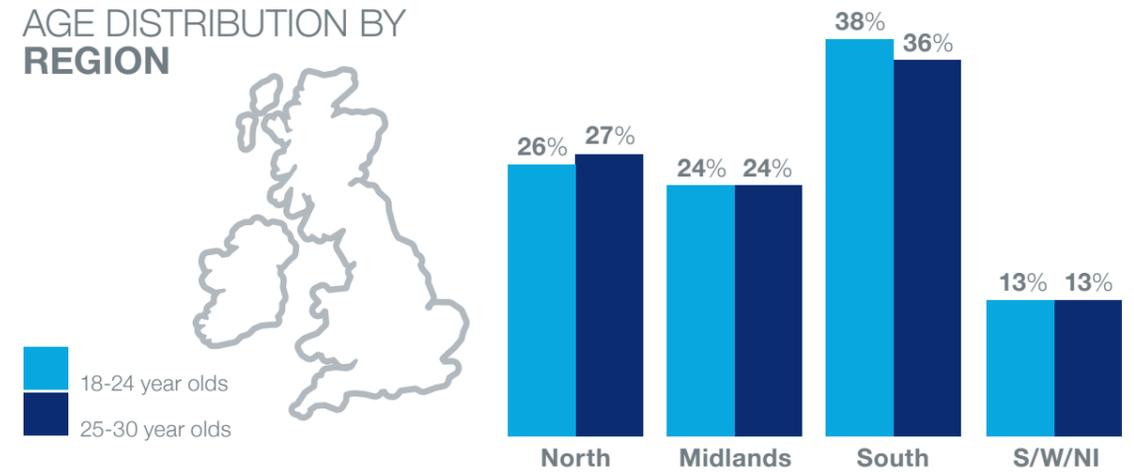


Our research covered respondent groups from across the UK, with a mix of socio-economic backgrounds and life stages. 25-30-year-olds are more likely to be parents.

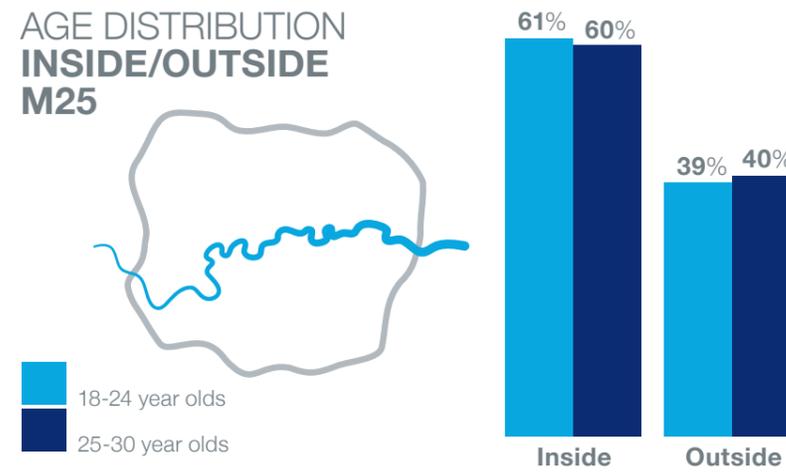


04 / Survey Respondent Profile

AGE DISTRIBUTION BY REGION



AGE DISTRIBUTION INSIDE/OUTSIDE M25



Base: All participants (2,026);
18-24-year-olds (953),
25-30-year-olds (1,073)

More than half of those questioned were living in rental accommodation

The 18-24 age group were most likely to be living with their parents or friends

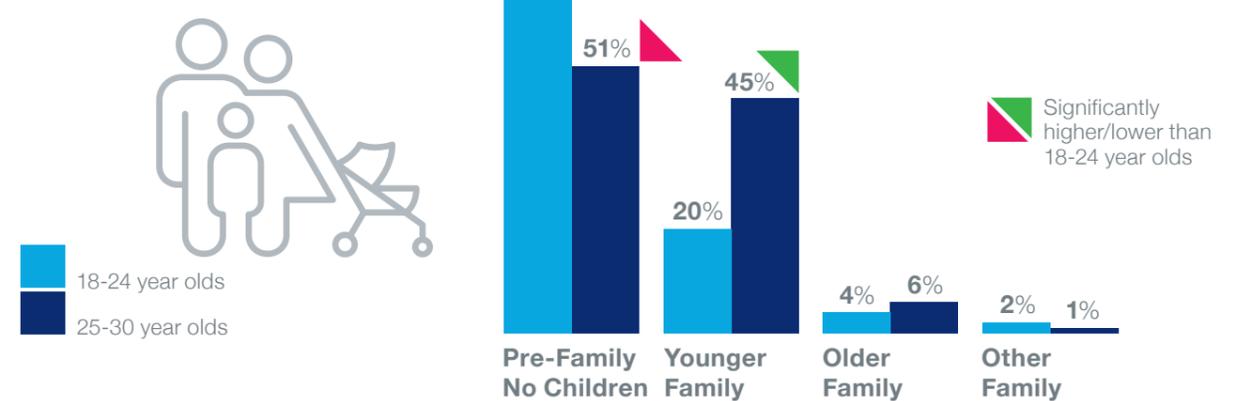


04 / Survey Respondent Profile

AGE DISTRIBUTION BY SOCIO-ECONOMIC GROUP



AGE DISTRIBUTION BY LIFE STAGE



Base: All participants (2,026);
18-24-year-olds (953), 25-30-year-olds (1,073)

More than half of those questioned were living in rental accommodation, with the 18-24 age group most likely to be living with their parents or friends. They were paying an average of £348 per month on accommodation, with only 16% owning their own home.

Unsurprisingly more of the older cohort owned their own home - 31% - and were more likely to be married, have a degree and have financial products.

For this age group, because of the higher proportion having mortgages, the average monthly expenditure on accommodation was £498.



05 / Research Results

Attitudes towards renting

Renting was seen as a necessity, with around 60% saying it was all they could afford.

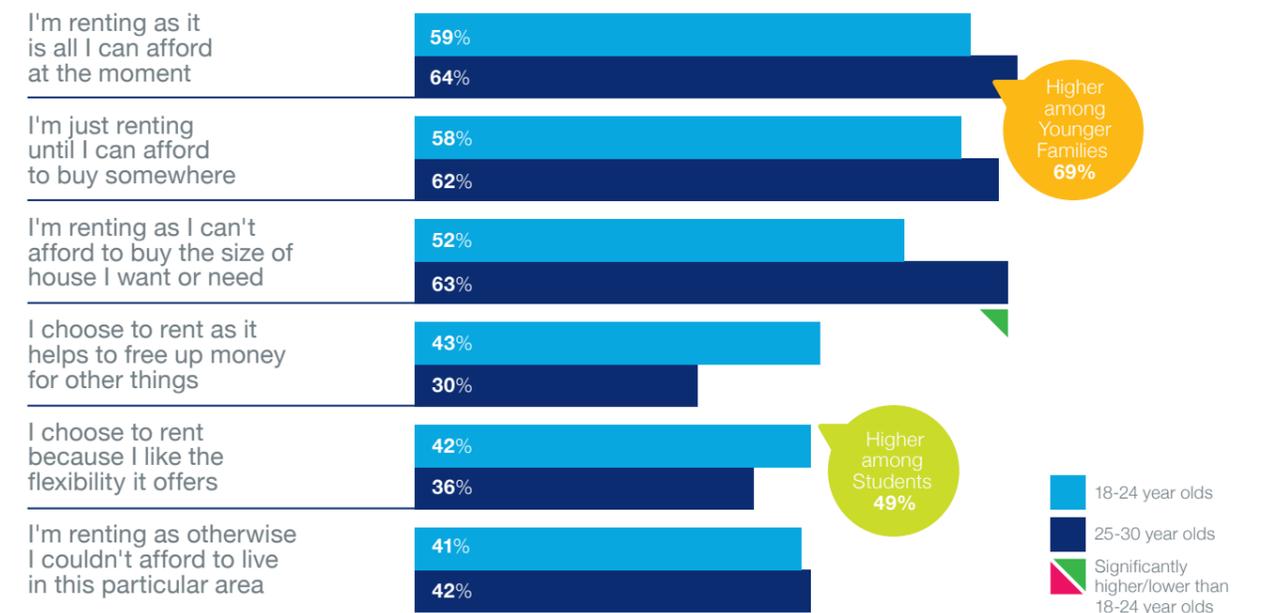
It also enabled some to live in an area of their choice that would otherwise be too expensive. Of those paying rent across both groups, many believe they are paying too much.

Renting was also seen as a stop-gap until they could afford to buy, with 47% of 25-30 year-olds who were renting saying they couldn't get a mortgage because they weren't earning enough or they didn't have sufficient credit rating.

While some, particularly in the younger cohort, said renting freed up money to do other things, given a choice, 70% of all those surveyed said they would prefer to own their own home.

The majority of 18-30-year-old renters have aspirations to buy their own place, with 60% admitting they cannot afford it at present

TOP 7 ATTITUDES TOWARDS RENTING ASKED OF RENTERS ONLY (NET: AGREE)



Question: To what extent do you agree or disagree with each of the following statements?
Base: All participants who are renting; 18-24-year-olds (500), 25-30-year-olds (528)

There were a number of frustrations with renting. Most common was the perception that it was ‘dead money’ followed by not being able to personalise the accommodation – decorate or hang pictures, for example. There was also frustration with the speed with which landlords deal with repairs and concern among the older cohort about the security of renting if a landlord changes their mind.

Renting was generally seen as a temporary situation, with owning a home viewed as a more reliable option. Homeownership was second on the list of priorities for young people after getting a good job.

Renting was generally seen as a temporary situation, with owning a home viewed as a more reliable option



05 / Research Results continued

Barriers to homeownership

Despite the interest in homeownership, two-thirds said they knew nothing about the process of buying a home. Parental influence was clearly important as one in two said they would rely on their parents for advice on how to buy. Homeownership was also seen as a worry and a huge financial commitment.

Two thirds of respondents said they knew nothing about the process of buying a home

Parental influence was clearly important as one in two said they would rely on their parents for advice on how to buy

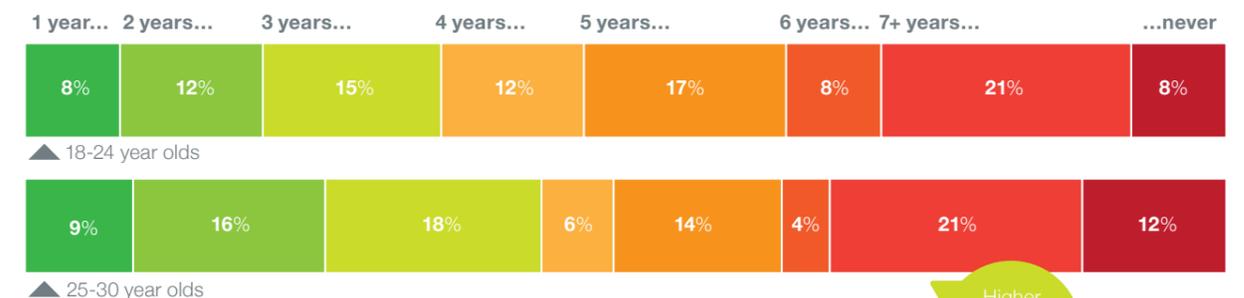
Living in the now and having money to spend on enjoyable activities were both seen as important financial goals; saving for a deposit was also seen as a priority, with just over one in four putting money aside.

Affordability is seen as the biggest barrier to homeownership and was cited by 61% of the younger cohort and 53% of the older as the main reason for not buying

Saving enough was seen as a hurdle to overcome, with 46% of the 18-24 year-olds and 39% of the 25-30 year-olds not expecting to be able to buy a home for at least five years.

Whilst there is a slight shortening of the time before they plan to buy a property amongst the older group, there is a sizeable proportion who still believe it will be more than five years.

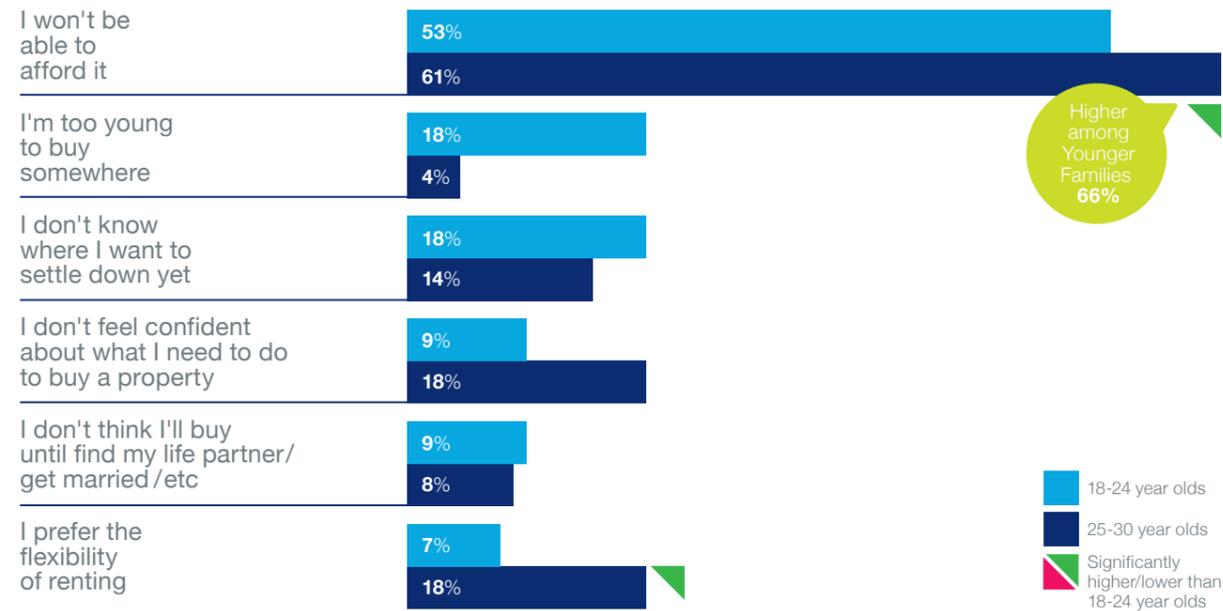
RESPONDENTS PLAN TO BUY A PROPERTY IN THE NEXT...



Higher among Students 29%

Question: When, if at all, do you plan to buy a property? QB2. Why aren't you considering buying a property in the coming years? Base: All participants (2026), 18-24 year olds (953), 25-30 year olds (1073). 18-24 year olds who aren't considering buying (55), 25-30 year olds who aren't considering buying (71).

BARRIERS TO BUYING A PROPERTY



Question(s): When, if at all, do you plan to buy a property? QB2. Why aren't you considering buying a property in the coming years?
 Base: All participants (2026)/ 18-24 year olds (953)/ 25-30 year olds (1073)/ 18-24 year olds who aren't considering buying (55)/ 25-30 year olds who aren't considering buying (71)

The perceived financial barriers are understandable when viewed against rising house prices, earnings data and the rising cost of living.

Research by Nationwide Building Society found that first time buyers face providing five and half times their typical annual income to own a home. The long-running average is 3.8 times the annual salary.

And according to Statista, the average deposit for a first time buyer in the UK was £53,935 in 2021 but in the most expensive region, Greater London, the deposit amount was more than double.

Research found that first time buyers face providing five and half times their typical annual income to own a home



05 / Research Results continued

Shared ownership as a route to homeownership

Shared ownership is a tenure that helps address the affordability barrier to homeownership, allowing the purchase of a share of a leasehold property for a lower deposit with rent paid on the remainder.

Despite this, only 18% of 18-24s and 32% of 25-30s were aware of shared ownership as an option, and just 19% were considering it.

Once the tenure was explained, interest jumped to 47% for the younger cohort and 42% for the older. Unsurprisingly, it was the ability to pay a lower deposit that made this form of buying most attractive.

Only 18% of 18-24 year olds were aware of shared ownership as an option

Only 32% of 25-30 year olds were aware of shared ownership as an option

Once the tenure was explained, interest increased to up to 47%

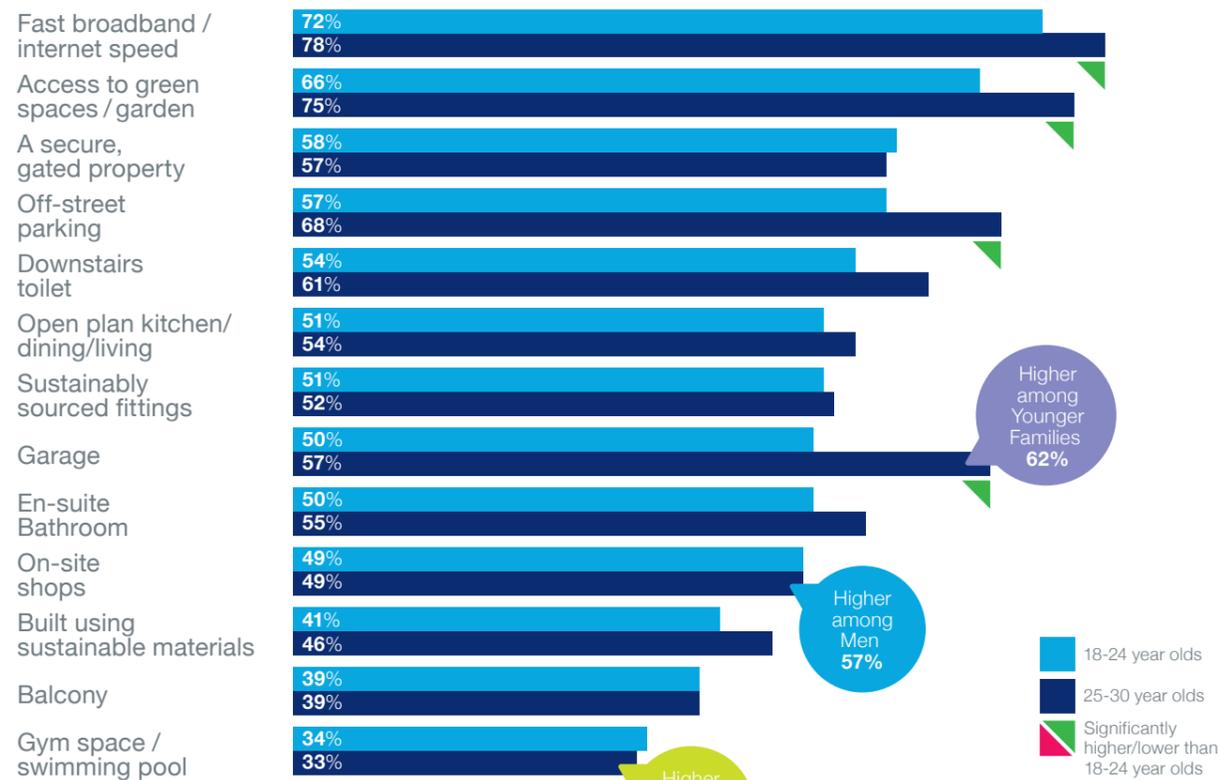
What does a first-time buyer's preferred home look like?

- / Young people prefer urban and suburban locations for their first home rather than something in the countryside. And ideally, it will be a semi-detached or detached property, with 55% choosing this option.
- / A larger flat was the preferred purchase choice for around 16%, although the figure was higher for men at 20%.
- / Three quarters thought fast broadband was the most important facility, followed by access to green space or a garden.
- / Both age groups prefer a home close to amenities such as shops and a post office, although it was a higher priority for women. And more than a third of young people wanted pubs and restaurants nearby.
- / For the 25-30-year-old age group, proximity to green spaces, nurseries and schools became more important.





FACILITIES IMPORTANT WHEN BUYING A PROPERTY



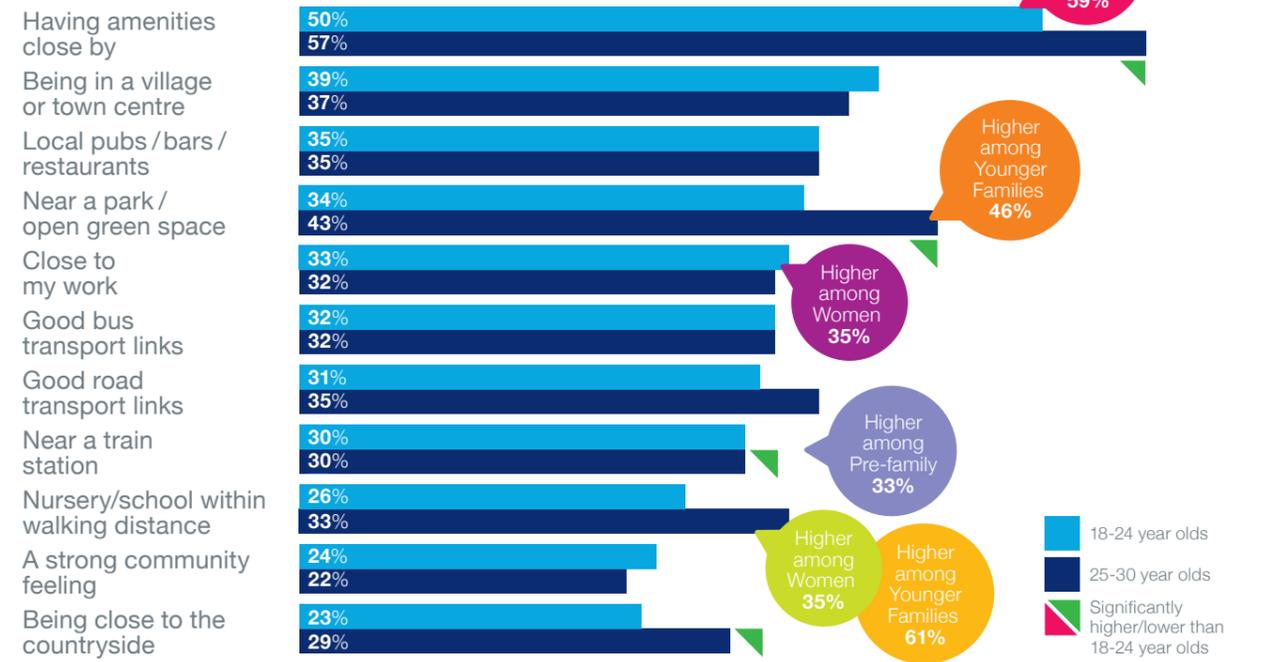
Question(s): QCI. Which of the following facilities, if any, would be important to you when choosing a property to buy?

Base: All participants (2026)
18-24 year olds (953) 25-30 year olds (1073)





AMENITIES IMPORTANT WHEN BUYING A PROPERTY



Question: Which of the following aspects relating to the location, if any, will you look for when buying a property?
Base: All participants (2026) 18-24 year olds (953) 25-30 year olds (1073)

- Having amenities close by is most important for both age groups when buying a property
- Being close to work and good transport links is important to both age groups
- Both age groups felt it was important to buy a property in a town or village centre



Shared Ownership Case Study: Getting away from the uncertainty of renting

For Jenie Fuerte lockdown proved a blessing and a curse. On the one hand, she was able to save up a deposit to buy more quickly because she couldn't go out. But on the other hand, renting a room in a shared house during the pandemic was challenging.

"I had been living in a house share for two years, and whilst it was fine temporarily, it became a nightmare from the first lockdown last year," she said.

"It was hard not having my own space, and having to deal with a challenging landlord was very stressful. The pandemic gave me the push I needed to really focus on my savings and secure a place of my own where I could make my own rules and do as I please."

The place she secured was a one-bedroom flat bought using shared ownership in Ealing, West London. Homeownership also offers Jenie peace of mind: *"For me, the most important thing is that I feel happy and comfortable in my home, and shared ownership has allowed me to do this."*

"I now have the security of owning my own home, and I don't have the uncertainty that comes with renting."

The location of the flat means travel into central London for work or to catch up with friends is easy. She added: *"I also really like how close I am to so many shops and restaurants. There are also plenty of open green parks within walking distance, such as Deans Gardens, Walpole Park and the famous Ealing Common."*



Shared Ownership Buyer Case Study: Getting over the deposit barrier

Leanne Williams had started saving to get onto the property ladder but thought buying in London was out of reach – until she discovered shared ownership.

The revelation came during lockdown. She said: *“After my friend moved back home, I was torn between renting by myself or moving into a house share as I didn’t think I’d be able to buy anytime soon.*

“I randomly came across SO Resi Clapham Park and was amazed when I found out I could actually afford to buy – so I went for the house share and saved as much as I could each month.”

While still a large sum, Leanne’s target of saving £7,000 for the deposit was more achievable. Having saved the deposit, she was able to buy a one-bedroom flat, and the costs were comparable to what she would have paid renting by herself.

“I feel like it’s win-win because each month I’m paying for my own property and investing in my future, whereas before I was paying someone else’s mortgage.”

And she’s also able to live somewhere she likes: *“The development is in such a good location, as it’s close to one of my favourite spots Abbeville Road, where I can get a coffee or go for brunch. I’m also walking distance from Brixton Station so I can get the tube straight to Oxford Circus each morning for work,”* she said.



Nationwide Stats Source:

www.thetimes.co.uk/article/23a291d8-4d62-11ec-a89c-4bee41baeb9c

Statista Data:

www.statista.com/statistics/557891/first-time-buyer-average-deposit-by-region-uk/

Ons Record House Price Growth:

www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/march2021

ONS Dec 21 Data:

www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/december2021

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T R I N I T Y
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