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The Halifax Generation Rent Report is the largest research project of its kind in the UK. It provides ongoing insight and in-depth analysis into the attitudes and behaviour of young people towards homeownership since the credit crunch. This is the fourth annual report and contains data from over 32,000 20-45 year olds and 3,000 parents with children aged between 20-45 years old.

## Generation Rent 2014: Accepting a lifetime of letting Will rental rungs replace the 'property ladder'?

The first Halifax Generation Rent Report in 2011 described a generation who wanted to buy but couldn't afford to or didn't dare try for fear of rejection. Three years and 32,000 survey respondents later, the opinions of 20-45 year olds are changing, opting to accept the reality of renting and live in properties that would otherwise be out of reach or require years of financial sacrifice to buy.

The 2014 Report was produced for Halifax by the National Centre for Social Research (NatCen). It shows that since 2011 attitudes towards renting have changed and that, if the majority of current 20-45 year olds renting are unable or choose not to buy as they get older, the profile of the housing market will change significantly in the longer term<sup>i</sup>. This would mean homeownership would reduce with time, with fewer and fewer people making their way onto and up the property ladder.

### Key highlights from the report include:

- One in five<sup>ii</sup> of 23-27 year olds have no desire to own a home
- Almost half (48%) agree Britain will become a nation of renters within the next generation
- 46% agree Britain is becoming more like Europe, where renting is 'the norm'
- 86% of potential homeowners refuse to sacrifice the quality of accommodation they currently live in to reduce the amount of rent they pay in order to save for a deposit
- 54% of homeowners think people aren't willing to make the necessary sacrifices to get on the property ladder
- 57% say first-time buyers today are guilty of trying to find their perfect property rather than adjusting their expectations to their means
- 57% of would-be first time buyers would like to save but claim to not have any spare cash that they could save.

**Commenting, Craig McKinlay, Mortgages Director at Halifax, said:** "With attitudes softening towards the social implications of renting, and the number of people who say they will never own a property increasing, we may be heading towards the point where the aspiration to own a nice home will be replaced by the aspiration simply to live in one. It seems that people are now beginning to accept a lifetime of renting and this would not only change the way the property ladder looks in the future, it could even bring into question whether or not it will exist at all for some people."

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## Changing perceptions

While a preference for homeownership remains, fewer people now agree that renting means they cannot fully settle in an area (53% in 2014 from 58% in 2013) or that they can't make a property feel like their home (54% in 2014 from 58% in 2013). The proportion of people who don't want to raise children in a rented property has reduced by 10%<sup>iii</sup>, with the proportion of people worried about renting having a negative impact on their retirement also decreasing by 10%.<sup>iv</sup>

The cycle of renting is also perpetuated by the fact people who predominantly grow up in rented accommodation are themselves more likely to rent than buy. Almost half (49%) of people that don't want to own have grown up in rented accommodation. Of those who don't want to own, over a third (36%) think that the nation should lose its obsession with homeownership and that people would be happier as a result.

## The cost of the tenancy trap

While unemployment has reduced and the availability of higher LTV mortgages has significantly increased over the last year, low incomes and saving for a deposit remain among the greatest barriers to ownership.

For those who choose to rent before they buy, rather than living longer in the family home, saving for a deposit can be an even greater feat. The cost of renting a home in the UK is now on average £1,488 a year higher than owning, with the gap between these costs being driven by average annual rents increasing by over £1200 since 2009, while the cost of owning has remained relatively unchanged over the same period.<sup>v</sup>

This places even greater emphasis on external factors such as parental support, inheritance or even a financial windfall influencing the likelihood of those who want to be able to leave generation rent.

**Craig McKinlay adds:** "It's perhaps surprising that the perceived impact the general public has of the difference that 95% lending, and schemes such as the Help to Buy Mortgage Guarantee, are having on the market are not reinforced by the attitudes of generation rent. In today's market, once you start renting it becomes that much harder to save for a deposit, regardless of the size. This is perhaps why we have seen pessimism amongst young people towards their chances of getting on the property ladder despite the recent widespread changes from mortgage lenders and the government to address this.

"For those who do want to own, consideration needs to be given to set realistic timescales and ways in which this can be achieved. Researching the market and accessing the support that is available for first time buyers could make a real difference in realising the dream of owning your own home."

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## Implications

There are a number of implications if the possible trends identified in this year's report continue. If the proportion of people in 'Generation Rent' remains constant for the next 15 years, those aged 23-27 now may be around 23% less likely than those currently aged 38-42 to ever make it on to the property ladder<sup>vi</sup>.

This is reinforced by the fact that among the youngest age group, those currently aged 23-27, almost one in five,<sup>vii</sup> say that they don't want to own a home. If these attitudes do not change as they get older, and younger people entering the housing market remain less likely to want to buy, there will be a shift in the UK's longstanding aspiration of homeownership, which may be more difficult to reverse than an economic one. If levels of homeownership continue to decline, not only could the existing wealth gap between homeowners and non-homeowners widen, but an increasing rental sector could also mean that a greater proportion of the population would not have property as a resource to draw upon in their retirement.

An increase in the number of people renting could also lead to a more transient population, able to move geographical areas quickly and easily. While this has advantages in terms of labour mobility and national economic growth, instability in being able to project longer term demand is likely to affect the number and nature of new build properties. This could lead to fewer homes being built than is necessary, exacerbating the current housing shortfall which can only be addressed by a continued supply of new homes. Developers will also need to adapt their models to reflect the changing shape of the housing market. If we see an increase in renting, we could also see more focus on build to rent developments.

**Alun Humphrey, NatGen Senior Research Director, says:** "The homeownership profile of the UK is currently in a transient phase. If an increased supply of housing keeps prices stable and any economic recovery is felt, in real terms, by those for whom homeownership is currently out of reach, then we may see levels of homeownership start to 'catch-up' with those of previous generations.

"However, after a long recession and housing crisis, an increasing proportion of younger people have only ever known a difficult economy and housing market. We are starting to see signs of differing attitudes towards homeownership among younger people; if these do not change as they get older then the homeownership profile of the UK may move towards renting irrespective of the economic climate."

**ENDS**

## Notes to editors:

Lloyds Banking Group has committed £10bn to support over 80,000 first time buyers get on the property ladder.

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The Group helped one in four first-time buyers in 2013; helping more than 60,000 people buy their first homes. We approve nine out of ten first time buyer applications through Halifax.

## Research information

This is the fourth annual Generation Rent report conducted by Halifax, the UK's largest lender to first-time buyers. It uses data from over 32,000 interviews with 20-45 year olds built up over four years, and over 3,000 interviews conducted with parents of children between the ages of 20-45 years old. In 2014, Halifax interviewed 8,026 20-45 year olds and 1,005 parents online between 14 and 23 February 2014.

- <sup>i</sup> Page 8 figure 0.4 of NatCen analysis
- <sup>ii</sup> 18% of 23-27-year-olds compared to 13% of 38-42-year-olds in figure 4.2 on p21
- <sup>iii</sup> 44% in 2013 to 40% in 2014 p20, table 1.0
- <sup>iv</sup> 57% in 2013 to 51% in 2014, p20, table 1.0
- <sup>v</sup> Halifax Buying vs Renting Report March 2014
- <sup>vi</sup> 42% of 23-27-year olds compared to 32% of 38-42-year-olds in figure 1.4 on p8.
- <sup>vii</sup> 18% of 23-27-year-olds compared to 13% of 38-42-year-olds in figure 4.2 on p21

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