



# Beyond the Bricks

## *The meaning of home*

### UK factsheet

Sixty-one percent of people in the UK who do not own their own home expect to do so in the next five years.

Beyond the Bricks is HSBC's new international study on home ownership. To find out how people

really feel and behave when buying, renting and owning their own home, we surveyed more than 10,000 people in 10 countries around the world.

This is a snapshot of some of the key UK research findings about millennials'

home ownership prospects, the changing role of the home, and the pitfalls of budgeting.

There are also some practical tips to help people make their home ownership dream a reality.

## Millennials and home ownership

### Is the dream dead?

Millennials' home ownership ambitions are alive and kicking, but growing affordability challenges look set to defer the dreams of many.

Almost a third (31%) of millennials own their own home and among those who don't, almost three quarters (74%) intend to buy a home in the next five years.

But with 54% of millennials who don't own a home needing a higher salary before they can buy, the combination of slow salary growth and rising property prices makes it unlikely that all will be able to achieve their goal.

In the UK, the typical millennial earned £8,000 less during their

twenties than their predecessors, putting them at risk of being the first group of workers in modern times to see their lifetime earnings fall compared to the previous generation<sup>1</sup>.

Average property prices in the UK increased by 7.5% in 2016<sup>2</sup>.

However, salaries in real terms are expected to grow by only 1.9% in 2017<sup>3</sup>.

The affordability challenge is highlighted by the fact that 67% of millennials intending to buy have not yet saved enough for a deposit, and that 43% are being held back because they cannot afford to buy the type of property that they would like.

### Barriers to millennial home ownership

# 67%

Saving enough money for a deposit

# 54%

Having a higher salary

*Q. Which of these need to happen before you are able to go ahead with buying a home?  
(Base: Millennial non-owners who intend to buy)*

<sup>1</sup> Resolution Foundation Intergenerational Commission Report: Generation Stagnation July 2016

<sup>2</sup> International Monetary Fund: Global Housing Watch November 2016

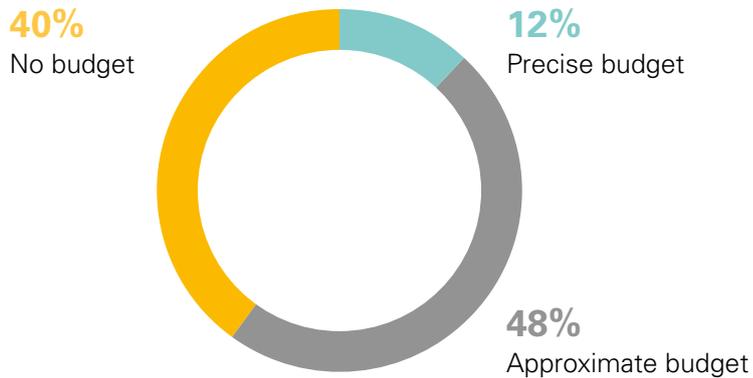
<sup>3</sup> Korn Ferry Hay Group: 2017 Salary Forecast

## Budget blindness

Millennials also do not have their house in order when it comes to financial planning for their home purchase.

Of millennial non-owners intending to buy a home in the next two years, 40% have no overall budget in mind (the second highest proportion in all countries surveyed) and a further 48% have only set an approximate budget.

### Budget setting among millennials intending to buy



Q. Have you set an overall budget for your home purchase?  
(Base: Millennial non-owners who intend to buy in next 2 years)

## Overspending

So it is not surprising that 57% of millennials who bought a home in the last two years ended up overspending their budget.

### Millennials who overspent on their home purchase



Q. Was the total cost of buying your home higher or lower than you budgeted/expected?  
(Base: Millennials who bought a home in last 2 years)

## Making sacrifices

On the other hand, many millennials are willing to consider making sacrifices to afford their own home.

Almost half (47%) of millennials intending to buy would consider spending less on leisure and going out, 33% would be prepared to buy a smaller than ideal place, 19% would consider buying with friends and 15% with a family member. Sixteen percent would even be prepared to delay having children.

### Sacrifices millennials would consider to own a home



Q. Which of these would you consider to help you own a home?  
(Base: Millennial non-owners who intend to buy)

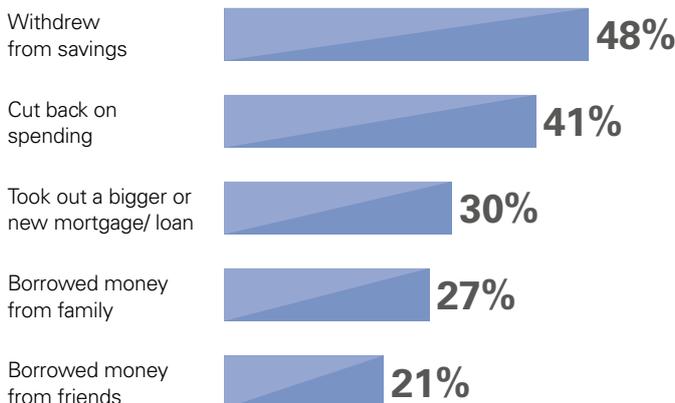
### The Bank of Mum and Dad

Financial support from parents can make all the difference when saving for a home. Thirty-five percent of millennial home owners have used the 'Bank of Mum and Dad' as a source of funding.

Additionally, over a quarter (27%) of millennial home owners moved back in with their parents to save for a deposit.

The Bank of Mum and Dad is in demand again when millennials who recently bought a home found they had exceeded their budget. More than a quarter (27%) borrowed from their family to manage the unexpected costs.

#### How millennial home owners managed unexpected costs



*Q. What actions did you take to manage the unexpected costs?  
(Base: Millennials who bought their home in the last 2 years and experienced unexpected costs)*

## Too little too late

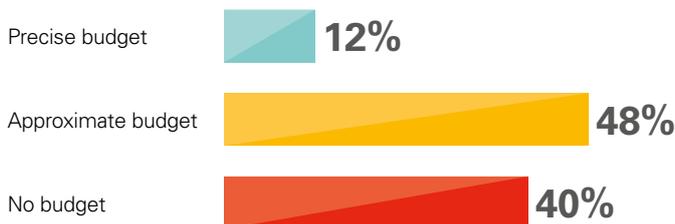
### Shaky foundations

Millennials are not the only generation to find the full cost of buying a home higher than they expected.

Forty percent of all non-owners intending to buy in the next two years have set no overall budget. Forty-eight percent have an approximate budget in mind, and only 12% have set a precise one.

More than half (57%) of recent home owners found the total cost of buying a home was more than they had budgeted.

#### Budget setting among non-owners intending to buy



*Q. Have you set an overall budget for your home purchase?  
(Base: Non-owners who intend to buy in next 2 years)*

### Unwelcome surprises

Overspending is typically caused by not budgeting for the additional costs of home ownership beyond the property purchase price. Renovation costs (57%) and buying furniture (52%) are the most common reasons why recent home buyers overspent.

This reflects the fact that nearly three in five (56%) people see their home as

63% intend to redecorate the first home that they buy

their own space, almost half (46%) as a place to make their own and almost one in five (17%) as a place to show their own style.

To cope with unexpected costs, 51% of recent home buyers withdrew

money from their savings, 40% cut back on their spending, 26% took out a new or larger loan/mortgage, 26% borrowed money from family and 17% borrowed from friends.

#### Most common reasons why recent home buyers overspent



*Q. For the following costs, compared to what you expected, did you spend...  
(Base: Those who have bought a home in the last 2 years and spent more than they expected)*

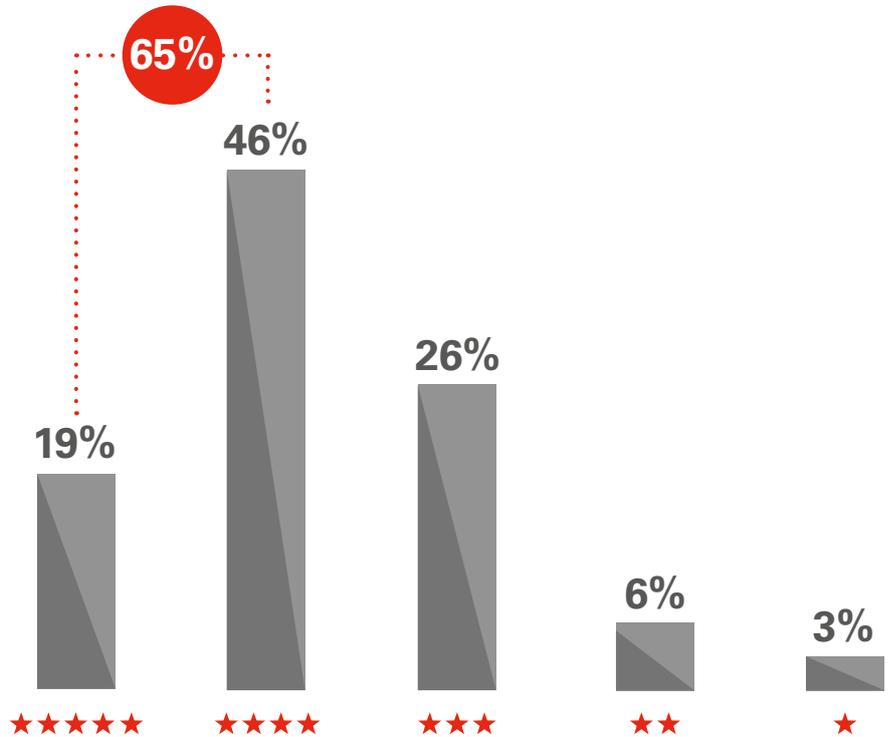
# Home reinvention

## Star quality

Nearly two thirds of people (65%) are very happy with their homes, awarding them a 4 or 5 star rating.

Home owners are noticeably happier (75%) than non-owners (55%).

### Home star ratings

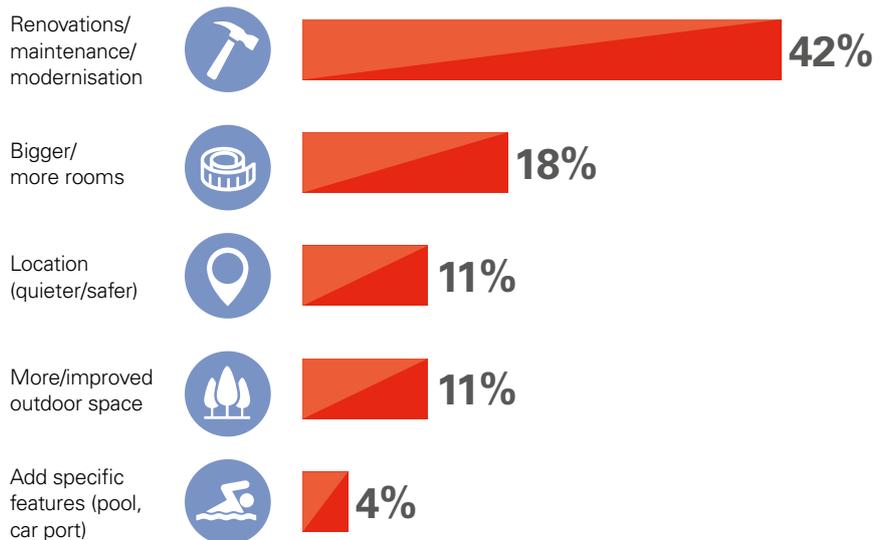


Q. Imagine you were rating your home out of 5. What star rating would you give it? (Base: All)

When people were asked what they would do to achieve a 5 star rating for their home, the most popular change was to renovate or modernise (42%).

Eighteen percent would add space or rooms, 11% would choose a quieter or safer area and the same proportion would like more or improved outdoor space. Four percent would add specific features such as a pool.

### How to make a 5 star home



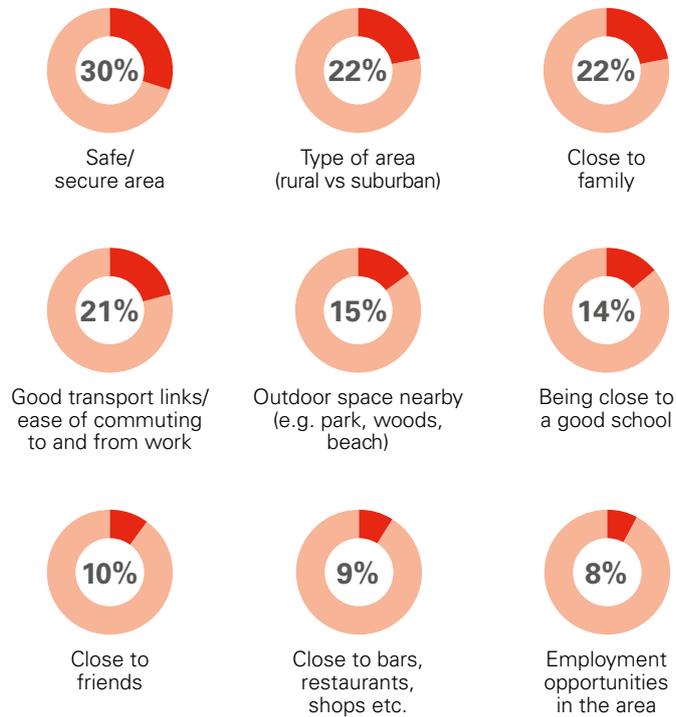
Q. What would you change about your home to get it to a 5 star rating? (Base: All)

## Location, location, location

When choosing the location of their current home, being in a safe and secure area (30%), the right type of area (22%), being close to family (22%) and good transport links (21%) were important.

The least important reasons were employment opportunities in the area (8%) and being close to bars and restaurants (9%).

### Location reasons for choosing a home



Q. What was important when choosing your current home? (Base: All)

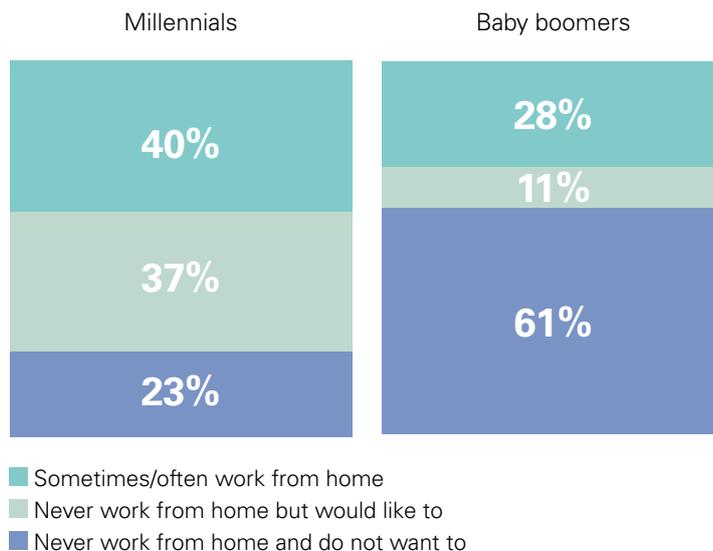
## Work-life balance

The meaning of home is changing as our homes become places to work as well as places to live.

Two in five (40%) millennials work from home and a similar proportion (37%) would like to, whereas less than a third (28%) of baby boomers work from home and only 11% would like to.

Sixty-one percent of baby boomers have never worked from home and do not want to.

### Home is not just home



Q. Do you... (Base: All)

## Practical steps

Here are some practical steps, drawn from the research findings, to help people bring their home ownership dream to life:

1

### Plan early and don't underestimate the deposit

Start planning early to make home ownership a reality sooner. Include saving for the deposit, usually the first payment you will need to make. Find a competitive mortgage to help make borrowing the rest more affordable.

2

### Budget beyond the purchase price

Think about the extra things that will make the house you buy the home you want to live in, and make sure to include them in your home purchase budget.

3

### Consider what sacrifices you can make

Consider cutting back on your day-to-day spending. Think outside the box about what could help you to buy a home, such as buying with a family member or friend.

4

### Get a full view of your finances

Think of your mortgage as part of your long-term financial plan, not as a one-off transaction. Different types of home loan suit different needs and situations. Seek professional financial advice if you need help to make the right choice.

### The research

Beyond the Bricks is an independent consumer research study into global home ownership, commissioned by HSBC. It provides authoritative insights into peoples' attitudes and behaviour towards home buying, renting and funding around the world.

This study, *The meaning of home*, represents the views of 10,013 people in 10 countries and territories: Australia, Canada, China, France, Hong Kong, Malaysia, Mexico, UAE, UK, USA.

The findings are based on a survey of home owners and non-owners aged 18 or older from a nationally representative online sample in each country. The research was conducted online by Kantar TNS in October and November 2016, with interviews in the UAE conducted face-to-face.

This country factsheet represents the views of 1,000 people in the UK.

### Definitions

Millennials: Those born between 1981 and 1998.

Baby boomers: Those born between 1946 and 1963.

Recent home owners/buyers: Those who bought their home in the last two years.

### Legal disclaimer

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Published by HSBC Holdings plc, London

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