

HOUSING BRITAIN

The challenges of homeownership at
every stage of the property ladder



Contents

Foreword	3
Introduction	4
Looking for a better home	6
Barriers to buying a home that suits your needs	8
Problems and compromises	9
Policy changes to help people find homes that meet their needs.....	11
Conclusion.....	14

Foreword



Ben Merritt
Director of Mortgages at
Yorkshire Building Society

The housing crisis is one of the biggest problems facing our country today. An inability to meet the costs of buying a home, whether it is the first home you buy or the next home you need to meet your family's requirements, can be a source of stress and misery that lasts for years. And with many people still struggling to move onto or up the housing ladder, whether due to affordability or a lack of housing supply, it's not surprising that many people feel that the housing market is not working for them.

At times of national stress and uncertainty, such as the recent and significant rises in the cost of living, the problems created by the housing crisis are thrown into even sharper relief. At Yorkshire Building Society, we can't pretend we will be able to solve the problems that have led to the housing crisis on our own, but we do want to help.

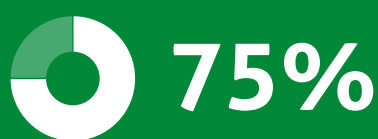
One way we can do this is by talking to people about the barriers they see as preventing them from fulfilling their homeownership aspirations – the factors forcing them to delay or abandon plans to move, or to make big compromises about the type or location of property they buy.

Our aim is that by developing a clearer understanding of what the crisis means in practice, we will be better able to start the conversations necessary to work towards progress in the search for long-term solutions. We know how important it is that those looking to buy a new home are able to find a property that meets their needs, and we believe that by identifying the barriers they face, we can spark the action required that will go at least some of the way to begin resolving these challenges.

Our role as a Society is to speak for homebuyers and champion their cause when working with policymakers, with the aim of helping to bring about positive changes to the market that help people buy a home which meets their needs, now and in the future.



Introduction: Setting the scene



think home ownership is now being pushed out of reach for many.

There has been plenty of debate about the root causes and possible remedies for the UK's housing crisis, but what is not in doubt is the extent of the problems it has created. House prices have increased by more than 200% during the past 20 years, reaching an average of £278,000 by March 2022.¹ While in 2000 the average house price was about five times the value of an average annual salary, today it costs nine years' of average earnings² – it's unsurprising, but a stark reality that three quarters (75%) of all homebuyers think home ownership is now being pushed out of reach for many people, according to our research.

Every government of the past 30 years has tried to find a way to address issues around housing and homeownership, but their efforts have been derailed by

incompatible goals: to build more houses whilst protecting greenbelt land; to offer social housing tenants the right to buy their homes while maintaining the supply of social housing; and to increase the supply of genuinely affordable housing without imposing tough controls on rents or the housing market. Not even building more homes solves the crisis on its own.

The result has been a gradually worsening situation that has affected people across society for years, imposing severe financial strain on many, and culminating in a significant imbalance between housing supply and demand. Living in unsuitable housing can take a significant toll on mental and physical health, and on personal relationships. Some older homeowners also find themselves living in homes that would attract high prices if sold, but they cannot find a suitable property to downsize into. This means that some or most of their wealth is effectively locked away, leaving them unable to use it for themselves or to help their families.



House prices have increased by more than 200% in the last 20 years.

Ultimately, the crisis has widespread economic and social consequences with more than six out of ten people (62%) agreeing that they worry about the housing market and what it means for them and their family in years to come.

As a Society, we're keenly aware of the problems faced by people at every stage of life – and we want to help. Our aim is to shed some light on problems, frustrations and aspirations associated with buying a home. We want to open up conversations and provide support as a responsible lender. We commissioned consumer research to examine attitudes, concerns and hopes about homeownership; speaking to 1,750 homebuyers at all stages of the property ladder.³

By shedding more light on these problems and peoples' attitudes towards them, we hope to inform our efforts to help more people fulfil their aspirations of buying the homes they need.



MAIN FINDINGS



Three in five (59%) homeowners say their **current home meets none**, or only some, **of their needs**.



60% of homebuyers think there are **not enough of the right sorts of homes in their area** to meet the housing needs of people living there.



Three quarters (75%) of all homebuyers say they think **home ownership is now being pushed out of reach** for many people.



Cost is the underlying factor behind most barriers to moving house: 27% of homebuyers cite the **cost of moving**; 27% cite concerns about the **cost of living**; 24% cite the **cost of property** in the area where they want to live.



39% of respondents say **they will need additional financial support besides a mortgage** to fund their next home purchase.



30% think **more support** should be available for **homeowners who want to improve their current home**.



Half of all homebuyers (50%) say the **government should take responsibility** for trying to fix the crisis.

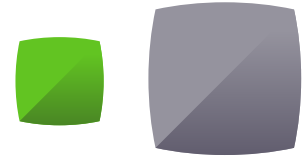


41% say government could **reduce or scrap Stamp Duty**.



Opinions are divided about whether the housing crisis can be solved. **44% of homebuyers think that "The housing market is broken beyond repair"**. Yet 40% say: "I am optimistic that the housing market will be fixed and more people will be able to own a home."

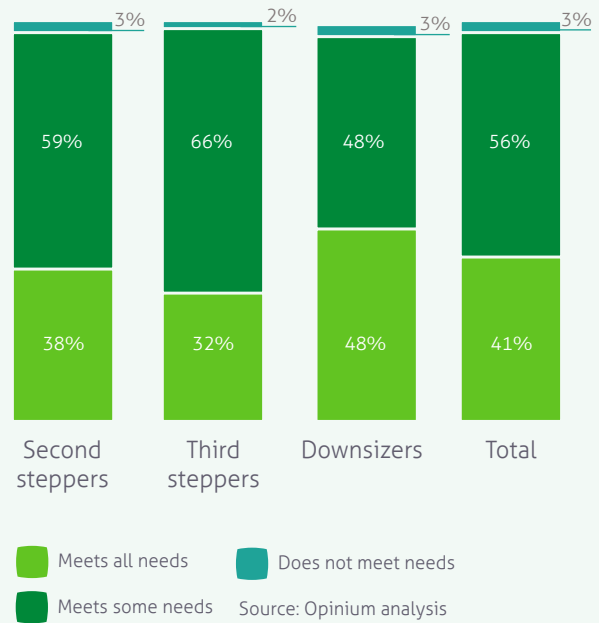
Looking for a better home



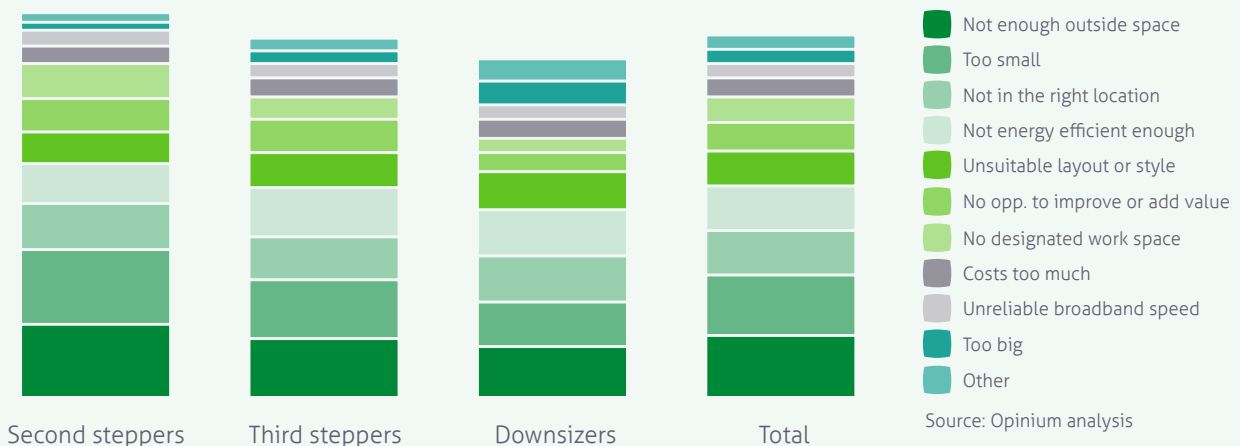
People buy or move house for many reasons, but as our research shows, the reason is often that their current living arrangements do not meet their needs, with third steppers the group least likely to be in a home that fits their requirements.

The two most common reasons for a home not meeting current needs are that it does not have enough outside space (cited by 39% of homebuyers) or is too small (38%). Second steppers are most likely to cite both these reasons, perhaps in part because they are more likely to have a growing family. But we are also struck by the fact that more than a quarter (28%) of homebuyers say their current home is not energy efficient enough – an ever more important issue in an era of rising energy costs and a growing awareness of environmental issues.

Does your current home meet your needs?



Reasons why your current property does not meet your needs



Note: Chart segments represent the proportionate number of responses given in a multiple choice question where respondents were asked to select up to five answers.

TRYING TO BUY YOUR FIRST HOME

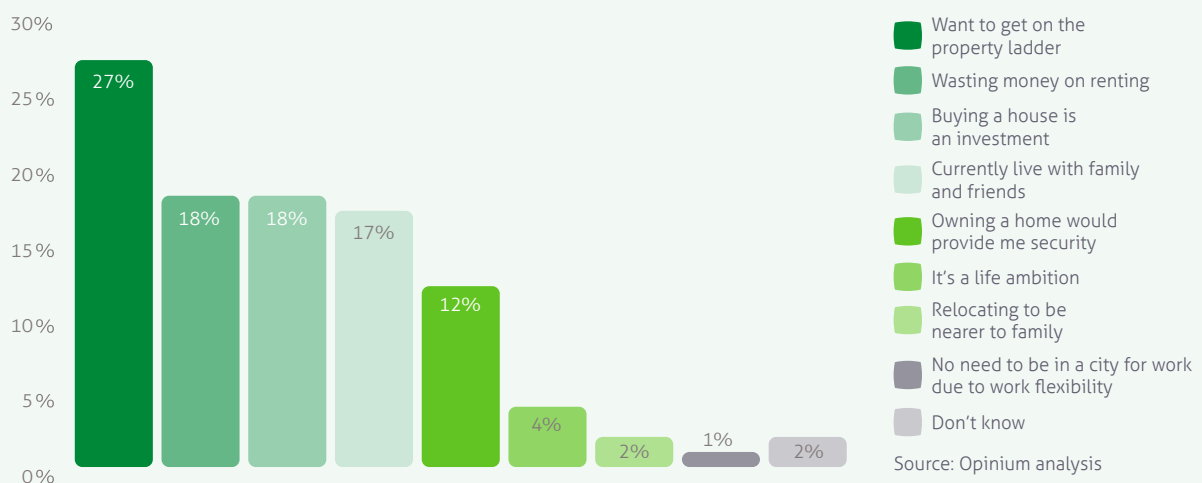
Despite the struggles they face, first-time buyers are optimistic about the chances of their first home meeting all their needs: 79% think this is likely to be the case. Those who do not think their first home will meet their needs often expect it will be too small or not in the right location.

Among first-time buyers, the most common reason for wanting to buy a house is their desire to get onto the property ladder (27%). But it is also significant that almost one in five (18%) see buying a property as an investment; while the same number say they feel they are wasting their money when paying to rent a property instead. Almost as many (17%) currently live with friends and family and simply want their own space; 12% say that owning a home would give them some security. These are all entirely reasonable, almost universal desires. People can see all the financial, social and psychological

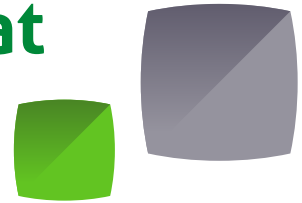
advantages they would gain if they could buy a home of their own. It is unfortunate to think that the housing crisis is making it so difficult for so many people to fulfil these aspirations.



First time buyers' main reasons for buying a house



Barriers to buying a home that suits your needs



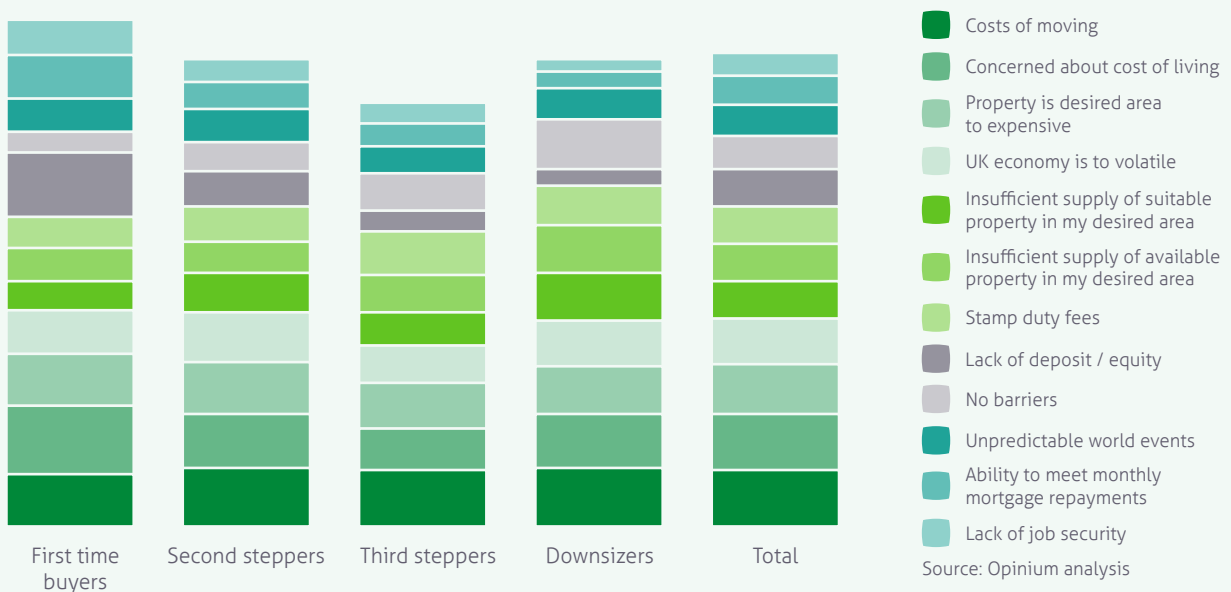
It's perhaps no surprise that the factor cited by the largest number of homebuyers as a barrier to moving house is cost – but this is actually true several times over. More than a quarter of homebuyers (27%) cite the cost of moving, including mortgage fees, legal fees and removal costs, as a barrier; and the same number say concerns about the cost of living act as a significant hurdle.

Other concerns reveal a more general anxiety about financial and economic factors. More than one in five homebuyers (22%) say the volatility in the UK economy at present is a barrier to buying a new home. Moreover, almost a fifth (18%) say Stamp Duty is a barrier, while people are also worried about their ability to keep up with mortgage payments and job security.

The third most commonly cited barrier is the cost of property in the area where they want to live: cited by 24%, including 25% of both first-time buyers and second steppers. Another common perceived challenge is a lack of suitable property in the place they want to live, as is a lack of available property, both cited by 18% of all homebuyers.

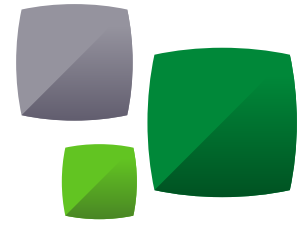
It is worth noting that when we asked respondents about policy changes that might help more people to find a home that suits their needs (see below), 30% would like to see more support for homeowners who want to stay in their current home and improve it so that it meets their requirements.

What are the biggest barriers to your next (or first) house purchase?



Note: Chart segments represent the proportionate number of responses given in a multiple choice question where respondents were asked to select up to five answers.

Problems and compromises



Our research reveals that people at every stage of homeownership are affected by the housing crisis. For example, downsizers (23%) are more likely than other homebuyers to cite an insufficient supply of suitable properties in their desired area as barriers to moving. The same percentage (23%) of downsizers also cite a lack of available properties in area they want to buy. They do not appear to have a particular problem in terms of accessing the funds needed to move - 39% funded the purchase of their current property by selling a previous property - and downsizers are the group that is least likely to have needed financial support from friends, family or a government scheme to buy.

Instead, it is a lack of somewhere to move to that is the key problem – and this has implications for other buyers who want to move, both because when downsizers move someone else can buy their old

property; and because downsizers may pass some of the proceeds of a sale on to family members to help them fund their own property purchase.

Even where properties do come onto the market, high demand means they are often expensive. The net result of these trends is that people further down the housing ladder – first-time buyers, second steppers and third steppers, all end up having to make more compromises when buying their next home.

The net result of these trends is that people further down the housing ladder – first-time buyers, second steppers and third steppers, all end up having to make more compromises when buying their next home.

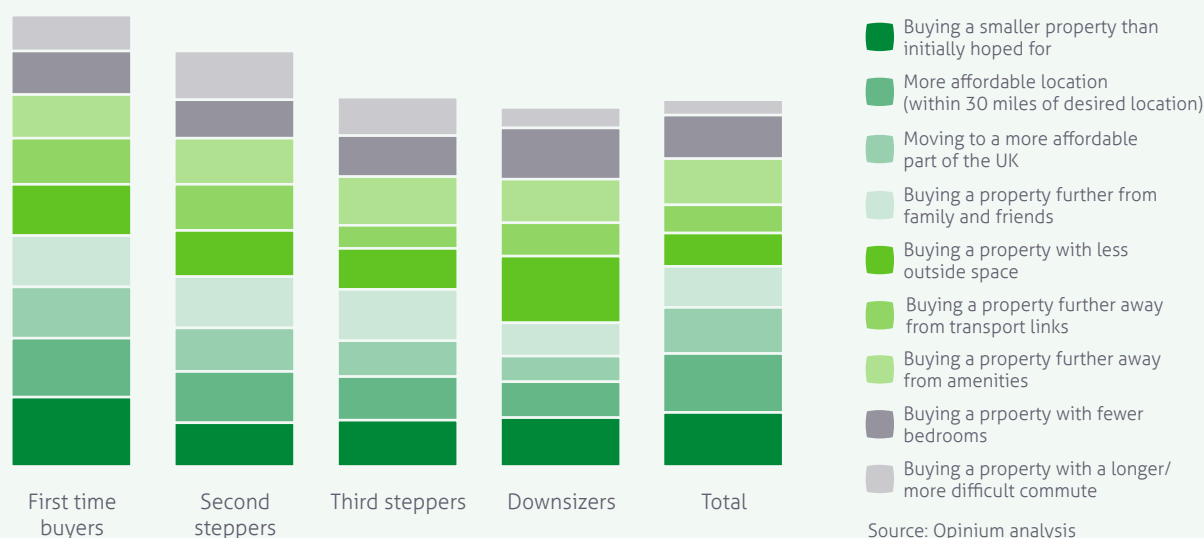


Nitesh Patel

Strategic Economist at Yorkshire Building Society

Buyer needs and priorities change as people move onto and up the housing ladder, but there's a significant number of properties, particularly larger family homes, currently occupied by trapped downsizers. These homes could be freed up if those in them felt there was suitable accommodation to move to in their local area. Statistically, we know that bungalows though only make up around 1.5% of new homes registered last year – with just 2,464 newly built bungalows registered in 2021.⁴ A continuation of this trend will only fuel the current situation, not help it.

What would you compromise on to achieve your next home?



Note: Chart segments represent the proportionate number of responses given in a multiple choice question where respondents were asked to select up to five answers.

Downsizeers are most likely to compromise on outdoor space and the number of bedrooms, but people in the other groups have to make more compromises overall when buying a property. First-time buyers

are most willing to compromise on property size and location, but second steppers are also prepared to compromise in a number of different ways, including in relation to location, amenities and transport links.

FIRST-TIME BUYERS: EXPECTATIONS VERSUS REALITY

First-time buyers tend to be optimistic about the extent to which their first home will meet their needs, with 79% suggesting their first home will fit their requirements. This expectation could be short-lived though, with analysis of our own mortgage customers showing that in the last decade, just one in ten (10%) first-time buyers bought a detached dwelling. Furthermore, according to those surveyed, fewer than four out of ten (38%) of second steppers, who are looking to move out

of the first home they bought, say that their property now meets all their needs.

One reason why optimistic first-time buyers might become dissatisfied second steppers is that needs change as circumstances change. But the obvious questions to ask are what might happen if first-time buyers were actually able to buy houses that really did meet their needs – and if they were then better able to make home improvements that helped to ensure those houses continued to meet their needs over the longer term?

Policy changes to help people find homes that meet their needs

Three quarters (75%) of all homebuyers say they think home ownership is now being pushed out of reach for many people – but this is not just about costs: the availability of the right type of housing is also crucial, with 60% of homebuyers saying there are not enough of the right sorts of homes in their area to meet the housing needs of people living there. We asked who should bear the most responsibility for trying to solve the housing crisis. Half (50%) of all homebuyers say it should be the government, with local councils a long way behind in second place.

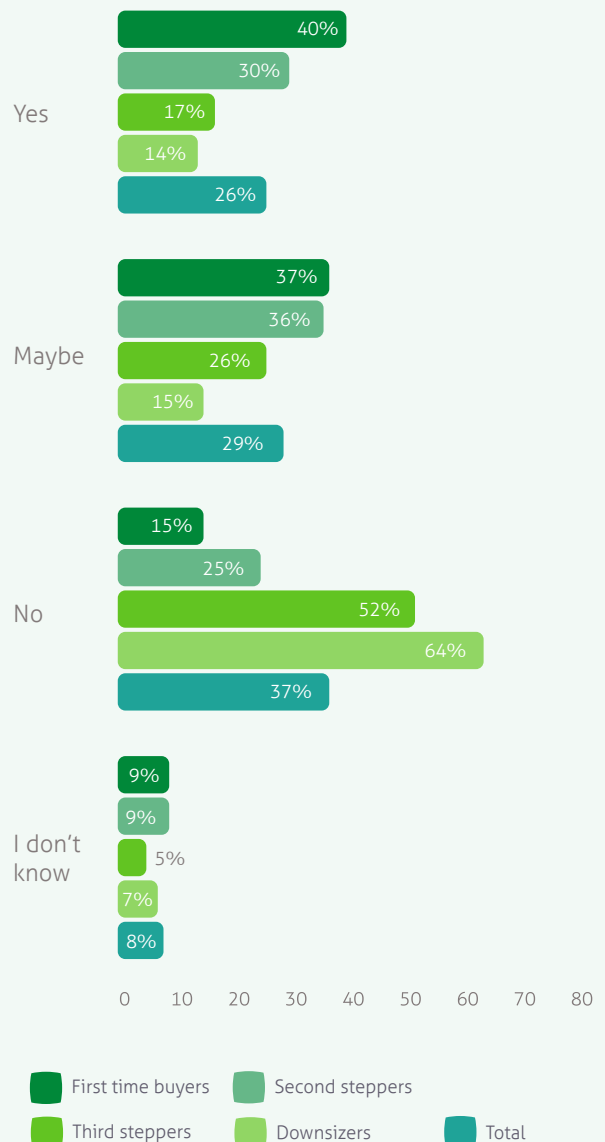


Half of all homebuyers say government are responsible for fixing the housing market.

The government is providing some people with extra help already, but it doesn't go unnoticed that most of this help is aimed at the beginning of the homeownership journey through schemes such as Help to Buy. Just over one in four (26%) say they have used or intend to use a government-backed support scheme to help them buy their next home; rising to 40% of first-time buyers.

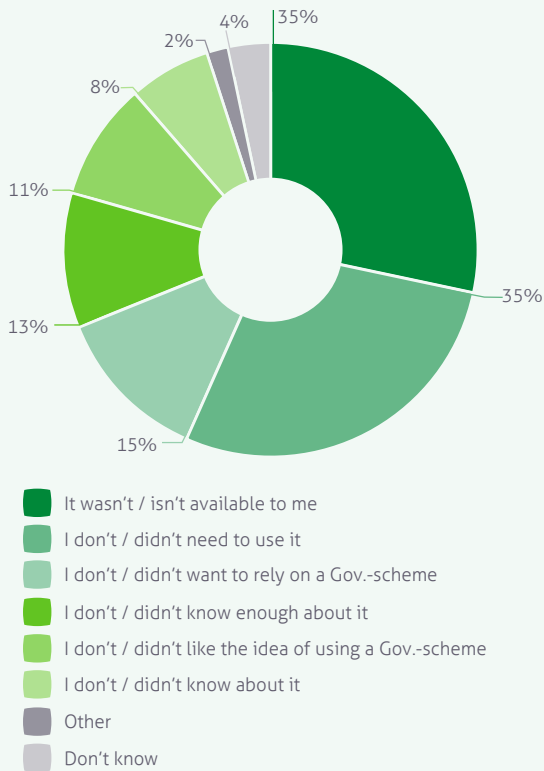


Have you, or do you, intend to use a government-backed scheme?



Source: Opinium analysis

Reasons why those who have not, or do not intend, to use a government-backed scheme

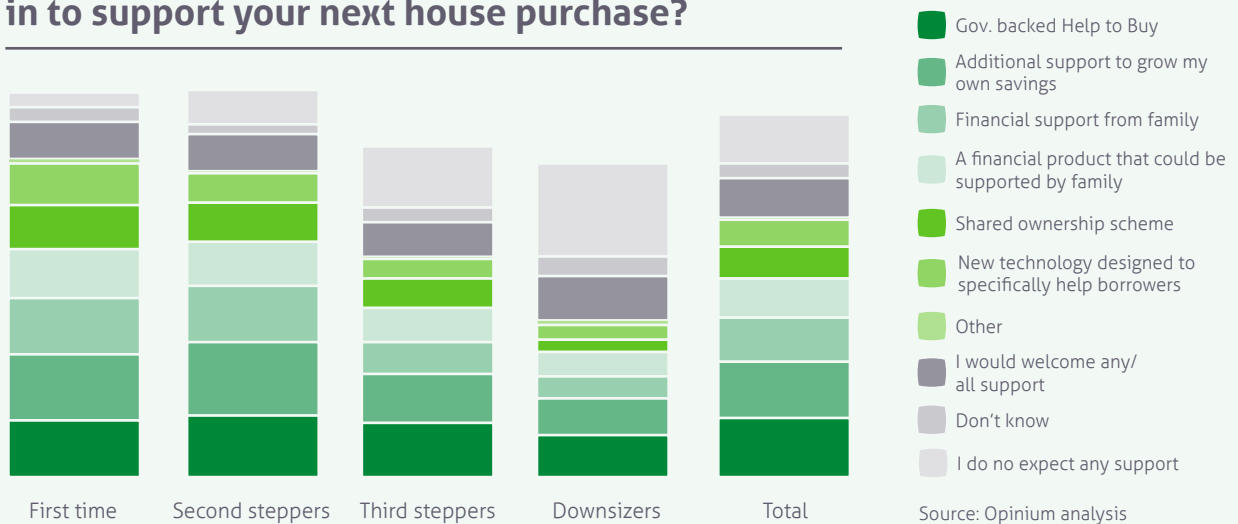


Source: Opinium analysis

More than one in three homebuyers (35%) say using a government scheme makes them feel as if the financial burden of the purchase is being shared. However, 26% of people say they don't like the idea of having to rely on a third party.

Yet overall, slightly more people would be willing to use a government-backed scheme (24%) than those who would try to meet a shortfall through saving more (23%), or by seeking financial support from their families (18%). This suggests there would be an appetite for more government-backed schemes if they were available. It's notable that more than a third (35%) of homebuyers who have not or would not use a scheme say this because they are not eligible to do so. A quarter (24%) of all homebuyers say they would be interested in using a government support scheme if it was available to all homeowners and for older homes.

Which, if any of the following, would you be interested in to support your next house purchase?



Source: Opinium analysis

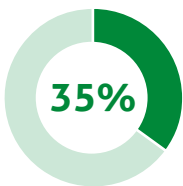
Note: Chart segments represent the proportionate number of responses given in a multiple choice question where respondents were asked to select up to five answers.

WHAT ELSE SHOULD GOVERNMENT DO?

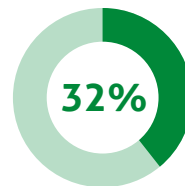
We also asked homebuyers what policy changes could help people find a home that suited their needs. Their suggestions included:



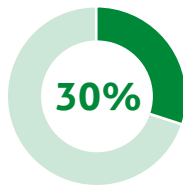
say the government could **reduce or scrap Stamp Duty**



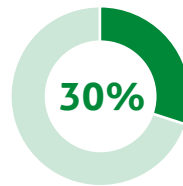
would like to see **more homes built that would suit peoples' needs at all stages of life.**



say the **government should provide financial support** for **all sectors of the housing market**, not just for first-time buyers.



say the **Help to Buy scheme**, or something similar, should be extended so it can **be used to buy older homes.**

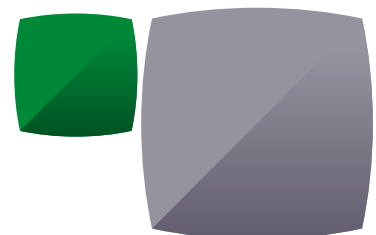


say **financial support** should be made more widely available **to people who would like to improve their current home**, instead of moving elsewhere.

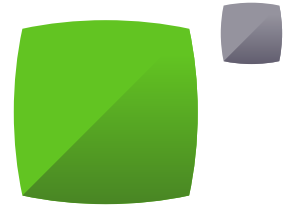


We can't be sure what would happen if policies like these were introduced. We do know that at present, shortages of the right types of housing in places where demand is greatest is one of the drivers behind the current dysfunctional market.

Solving the crisis will require more work by policymakers – in relation to a much wider range of policies – and by lenders and the construction industry. We need long-term thinking to solve a long-term crisis.



Conclusion



Our research has revealed the many problems – real and perceived – that are making it difficult for people at different stages of homeownership to buy and sell property; and ultimately to live in homes and places where they want to live. We have seen how current conditions in the housing market create huge problems for homebuyers at all levels. Cost is certainly a problem, with three-quarters of respondents worried that homeownership is now being pushed out of reach for many people – but so is availability of the right sort of housing in the right place, particularly for downsizers.

We have seen that half of all homebuyers think government should take responsibility for trying to fix the housing market; and that there would be some support both for a reduction or reform of Stamp Duty and for the expansion of government support for the housing market in order to help a larger number of homebuyers at different stages of their lives.

It is clear that there are no simple answers to a complex set of problems. Yet, by sharing these research results and using them to inform our own work, we

hope we can help more people to find ways to get the most out of the market as it is and inform the debate on how to reform our housing market so that it works for everyone.

It is striking that even while the crisis is causing huge difficulties across the country, a substantial number of people – 40% of homebuyers – agree with the statement: “I am optimistic that the housing market will be fixed and more people will be able to own a home.” We have to hope that this is not just idealistic optimism and that one day their hopes will be fulfilled.



1. <https://www.gov.uk/government/statistics/uk-house-price-index-for-march-2022/uk-house-price-index-summary-march-2022>
2. House prices and earnings increases: <https://www.homewardlegal.co.uk/news/post/uk-house-prices-treble-in-20-years>
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours>
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2013-12-12#earnings-trends>
3. We conducted a survey with Opinium Research between 18th and 27th April 2022. Our sample was made up of 1,750 homebuyers, including 500 first-time buyers, 500 second steppers (former first-time buyers looking to move on to their next home), 250 third steppers; and 500 downsizers.
4. <https://www.nhbc.co.uk/binaries/content/assets/nhbc/media-centre/stats/nhbc-annual-registration-statistics-2021-data-booklet.pdf>

About Yorkshire Building Society

As a mutual organisation, we serve our members' best interests. We're proud of the difference we make to people's lives by supporting them with the financial ambitions which enable them to achieve their goals in life.

Although the world has changed enormously since our establishment in 1864, for the past 155 years, our purpose has remained the same. We are here to create long-term value for our members by helping people to have a place to call home and supporting people towards greater financial wellbeing.

For more information on Yorkshire Building Society visit <http://www.ybs.co.uk/>

For further media information please contact: Press Office at pressoffice@ybs.co.uk.

Yorkshire Building Society is a member of the Building Societies Association and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Yorkshire Building Society is entered in the Financial Services Register and its registration number is 106085. Head Office: Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ.

