COLLYER BRISTOW

HOME OWNERSHIP ATTITUDES AND ASPIRATIONS

A SURVEY OF LONDON AND THE SOUTH EAST

52% OF NON-HOMEOWNERS BELIEVE THEY WILL OWN THEIR OWN HOME WITHIN 5 YEARS

INTRODUCTION

House price growth in 2019 slowed to its lowest rate in six years before recovering slightly at the end of the year, according to the mortgage lender Halifax. Its House Price Index points to a 4% annual increase on the average price of a house, which now stands at £238,963.

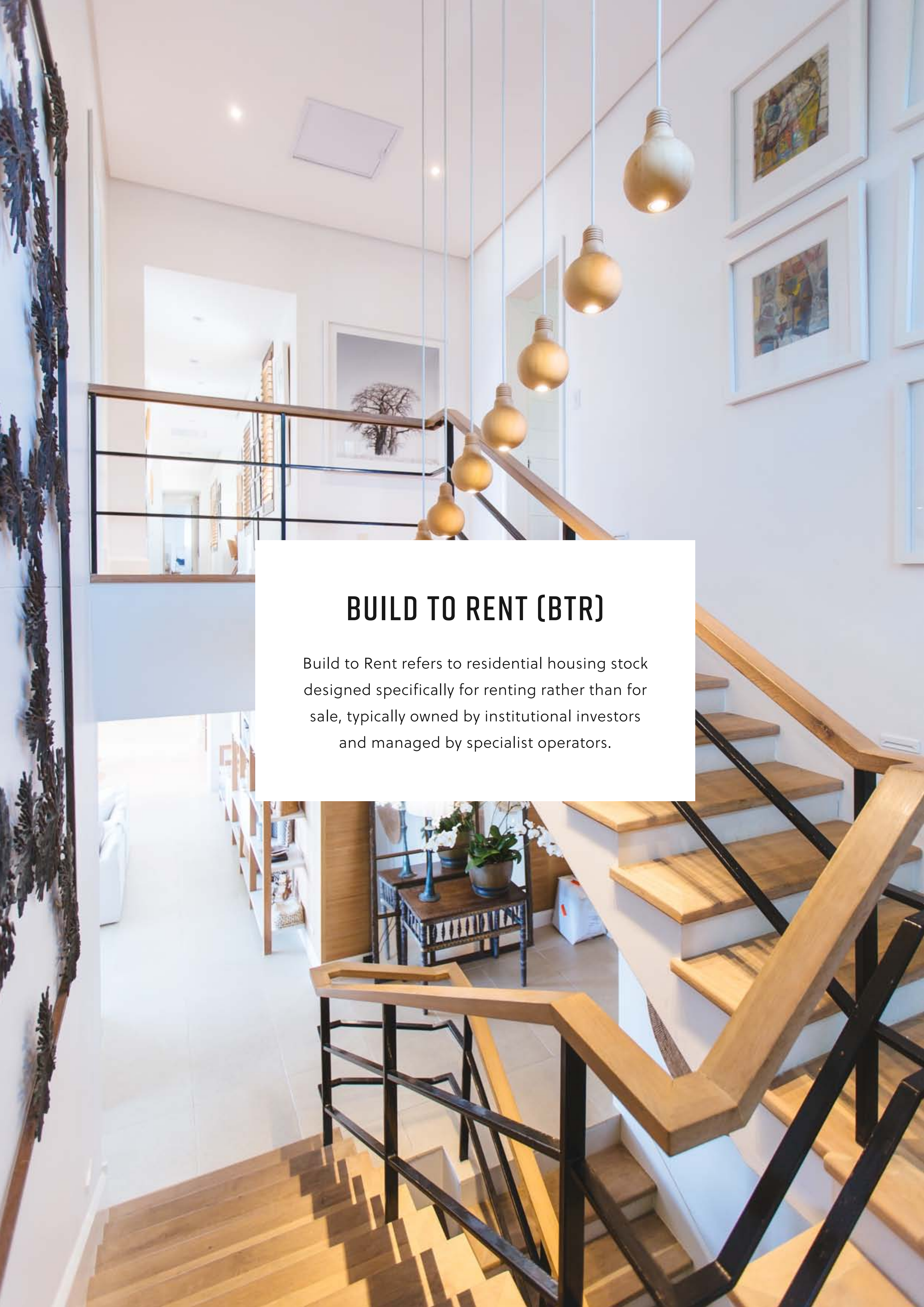
House prices in London have been amongst the hardest hit, seeing nine consecutive quarters of falling prices albeit recovering slightly following the December General Election result.

Rents across London remain high, with Rightmove's Rental Price Tracker reporting a 2.2% quarterly increase in average rents across the capital. The average monthly rent now stands at £2,104, with further increases expected as rental stock is reported to be falling by some 22%.

This picture has not dampened buyers' enthusiasm for home ownership. Our annual Home Ownership survey reports that home ownership still remains the ultimate goal for most.

The current economic picture, clouded by the lens of a protracted exit from Europe and the General Election, suggests that home ownership will now take longer for most of those we surveyed. Twelve months ago, 62% believed they would own their own home within five years; today that has fallen to just 52%.

New ownership tenures continue to play an important role, with co-ownership schemes and Help to Buy providing important support for first time buyers. We believe alternative tenures will continue to play an ever more important role in the housing market of our major cities.



BUILD TO RENT (BTR)

Build to Rent refers to residential housing stock designed specifically for renting rather than for sale, typically owned by institutional investors and managed by specialist operators.

But for 'Generation Rent' the rise of a professional rental sector continues to appeal. Build to Rent (BTR) developments play an important role in the housing market in London and the South East. Savills, the property agents, in its quarterly Build to Rent update reports a 20% increase in dedicated BTR schemes with further significant growth predicted following waves of institutional investment.

Our own research points to dedicated co-living schemes becoming an increasingly important part of the housing mix. Whilst still a niche offering, we have seen an increase in those living in co-living schemes. They are proving particularly popular with those living and working in London for the very first time.

In addition to the research, our report includes interviews with two developers who share their thoughts on the changing housing market in London and the South East.

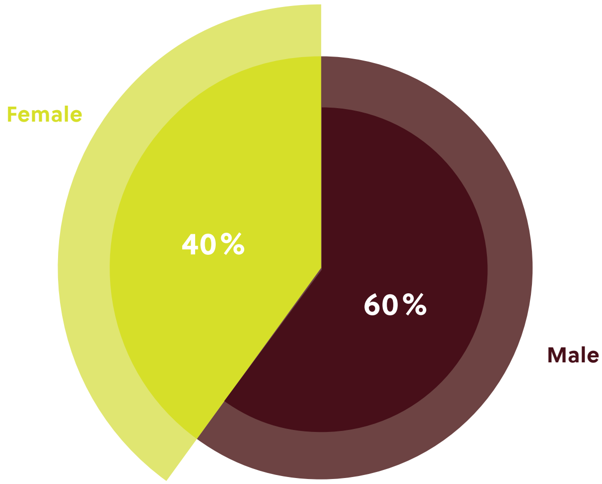
We hope you find our second annual Home Ownership report of interest and we would welcome your feedback.

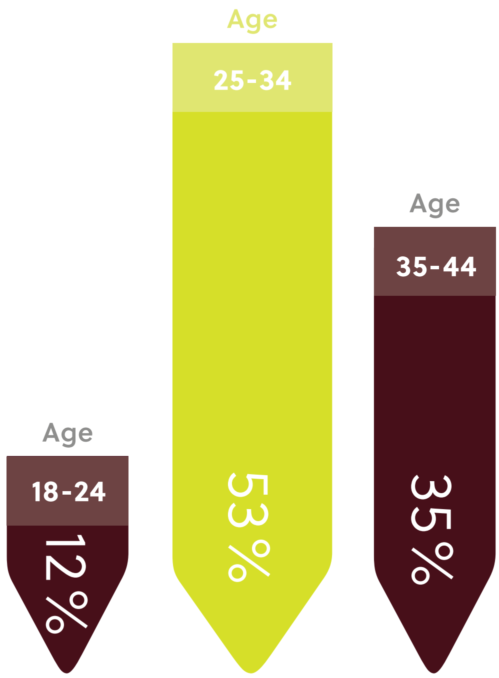
Sources:

- www.theweek.co.uk/london-house-prices
- www.theguardian.com/money/2020/jan/08/uk-house-prices-rise-december-pushing-annual-rise-to-4-per-cent
- www.rightmove.co.uk/news/rental-price-tracker/
- www.savills.co.uk/research_articles/229130/291355-0/uk-build-to-rent-market-update---q3-2019

SURVEY DEMOGRAPHICS

Sample size: 564





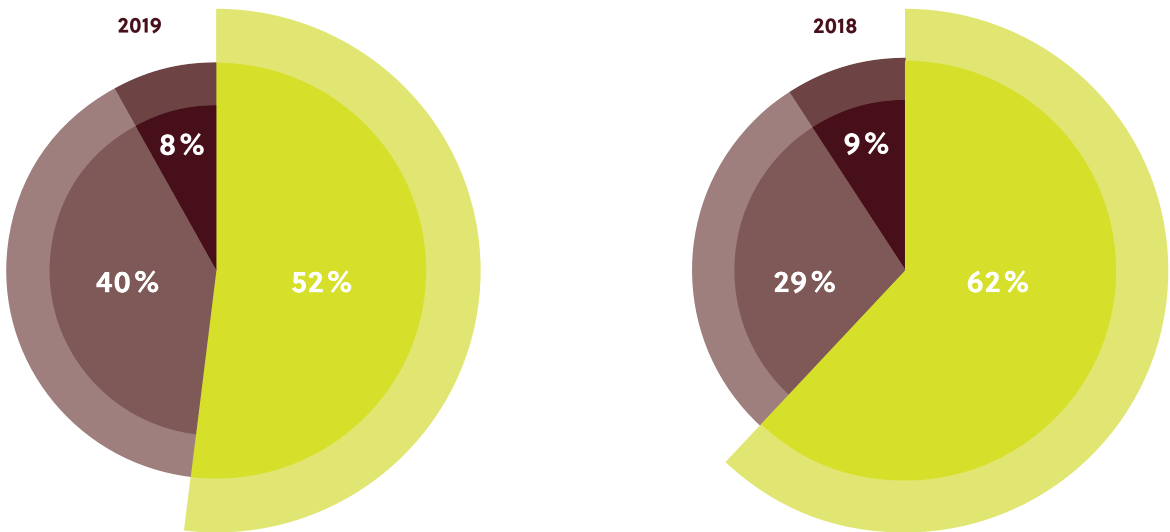
HOME OWNERSHIP ASPIRATIONS

THE OPTIMISM OF YOUTH

Home ownership remains the ultimate goal for the majority of those surveyed who don't already own a home – overall, 52% believe they will own their own home within the next five years.

However, those who do not currently own a home are less confident that this will happen within five years than a year ago. In 2018, when we first ran this survey, 62% believed they would

HOME OWNERSHIP ASPIRATION IN THE NEXT FIVE YEARS



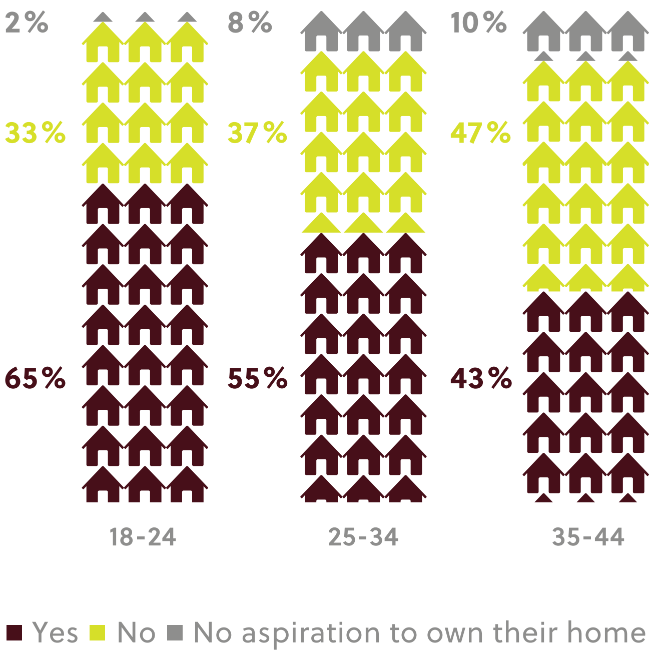
- Home ownership is a realistic goal
- Not a realistic goal
- No aspiration to own their home

own their own home within five years compared to 52% today.

This is against stuttering house prices, a general lack of supply on the market, and reflecting wider uncertainty in the economy.

Unsurprisingly, home ownership aspirations change with age. Those under the age of 24 broadly believe they will buy their own home within five years, yet that falls away with age. The reality check of the complex housing market and the demands of changing personal situations continue to shape home buying decisions.

HOME OWNERSHIP ASPIRATION BY AGE RANGE



BUYING A HOME

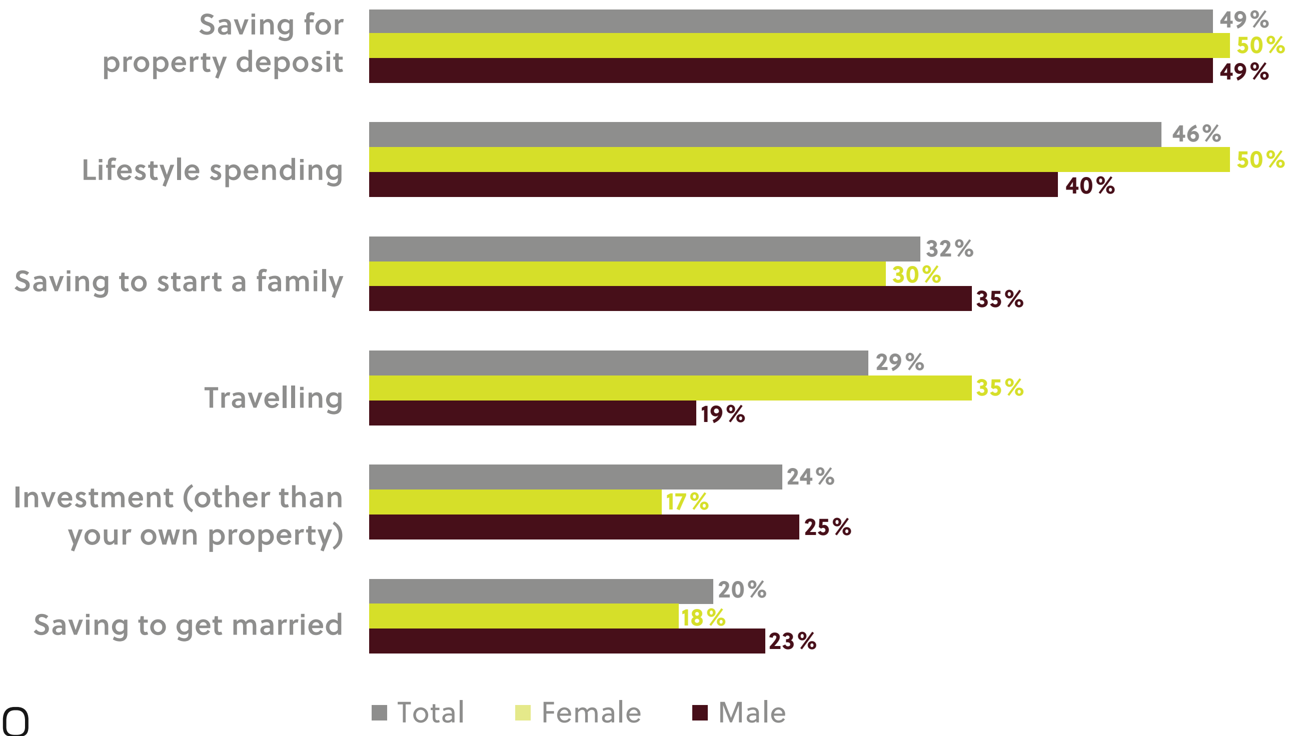
ARE SAVINGS ENOUGH?

Our survey asked those who had purchased a home how it was funded, and also asked those intending to buy a home in the next five years how they planned to fund that purchase.

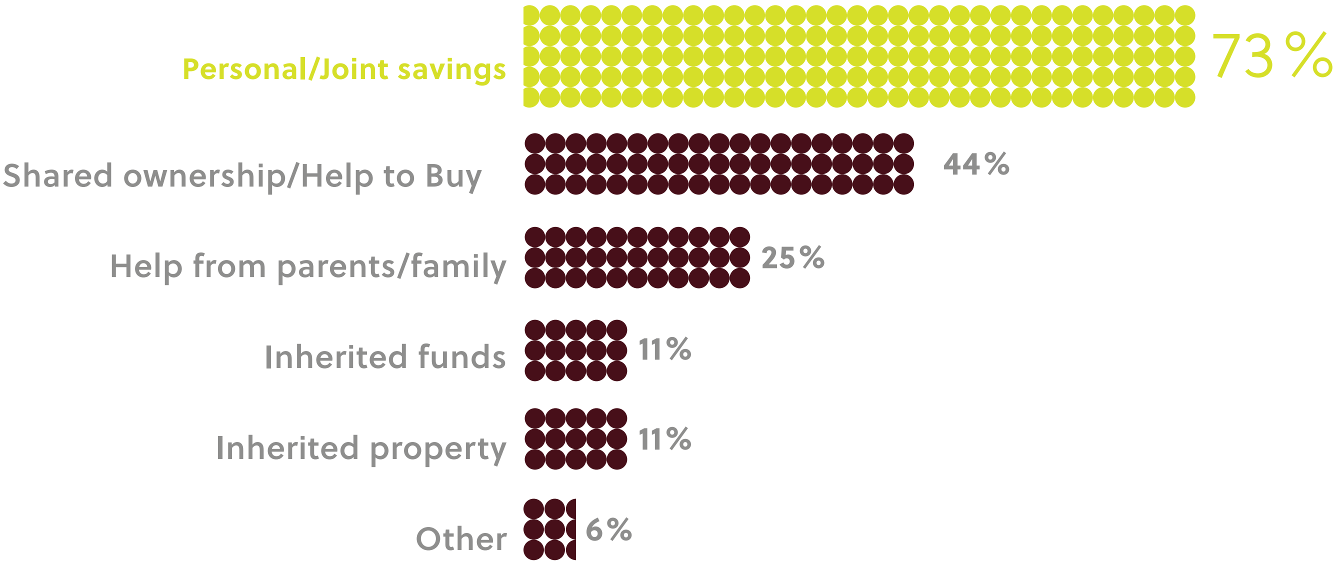
Saving has and always will play a part in how most of us fund a home. Yet it seems that savings alone are no longer enough.

The 'Bank of Mum and Dad' was important to those who have already bought and will be for many of those intending to buy in the next five years. Legal and General in 2019 estimated that some £6.3bn was lent by parents to their children to fund their home purchases, making it one of the six largest lenders in the UK.

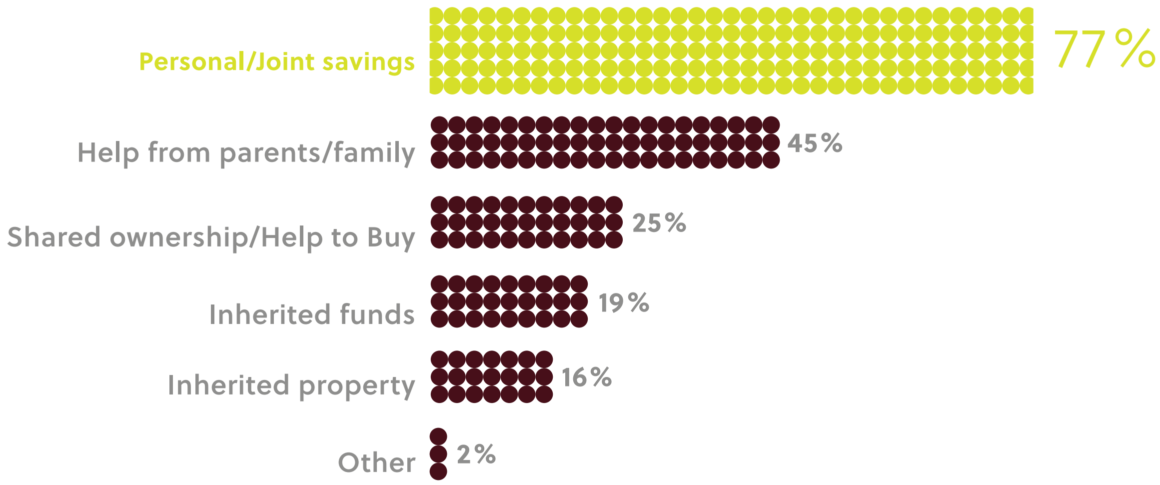
SAVE OR SPEND? PRIORITIES OF NON-HOMEOWNERS



HOW DO YOU INTEND TO FUND YOUR HOME PURCHASE?



HOW DID YOU FUND YOUR HOME PURCHASE?



But is that pool of funding running dry? In 2018, some 40% of those intending to buy a home in the next five years indicated that their parents would help. This year, that has dropped to just 25%.

The Government's Help to Buy scheme remains important in enabling first time buyers to get on the property ladder, with 25% of our sample having already used the scheme to buy their home and 44% saying they intend to. Questions have been raised over Help to Buy, particularly around its role in artificially inflating house prices, but it remains an invaluable route to home ownership.

Source:
- www.legalandgeneralgroup.com/media/17339/bank-of-mum-and-dad-2019-a4-20pp.pdf

"THE ROLE INHERITED WEALTH PLAYS IN THE LONDON AND SOUTH EAST PROPERTY MARKET IS, IN PART, DUE TO THE AGING BABY BOOMER GENERATION AND THE BEGINNINGS OF ONE OF THE LARGEST TRANSFERS OF WEALTH SINCE THE SECOND WORLD WAR. THE 'BANK OF MUM AND DAD', IT APPEARS, HELPS CHILDREN BUY A HOME IN MORE WAYS THAN ONE."

JANET ARMSTRONG-FOX, PARTNER AND HEAD OF PRIVATE CLIENT PROPERTY, COLLYER BRISTOW

'BANK OF MUM AND DAD'

The 'Bank of Mum and Dad' remains an important way to get onto the property ladder, yet mum and dad need to think carefully about how that money is given, says **James Cook**, a Partner in the Private Wealth team at Collyer Bristow. Do they want to retain some control over the money that is given and the property, or will minimising any tax implications be a priority?

Buying the home jointly with a child will give mum and dad considerable protection over their investment and where their child lives. But it may leave them facing a potentially hefty stamp duty bill penalised by the second home surcharge. If and when the property is sold, it will also leave them facing a capital gains tax bill together with an asset potentially liable to inheritance tax.

At the other end of the scale is simply gifting the cash outright. As long as mum and dad live for seven years the gift will fall out of their estate for inheritance tax, but they will have no legal say on how the money is used. And if their son or daughter separates and/or divorces their partner and the property is sold, all or part of the gift would potentially be lost outside of the family.

Halfway between the two is a loan to help buy a home. Any loan should be documented but consider first whether the loan is to be expressed as a percentage of the value of the home, in which case if the property is sold the amount returned will also increase in line with the value of the home, or a flat amount. Both will have potential tax implications.

Our survey asked individuals who had not yet purchased a home to prioritise their disposable income. Saving for a house deposit is the number one priority, but that does not come at the expense of having fun and enjoying life. And interestingly, our survey shows that this does not significantly change the older you get: 51% of 18-24 year olds' against 46% of 35-44 year olds' still prioritise 'lifestyle spending'.

In 2018, we first noted the role inherited wealth plays in buying a home, where 31% used either inherited funds or property to buy their home.

We have asked the same question again this year, and 35% have used inherited funds (19%) or property (16%) to fund the purchase of their home.

The same question was put to those intending to buy a home within the next five years, and again the percentage remains high – with 22% expecting to use inherited funds (11%) or property (11%).

PRICE OVER LOCATION

HEAD NOW RULES THE HEART

The estate agent's old adage of 'location, location, location' no longer stands completely true. Price is very much in the driving seat when choosing a home.

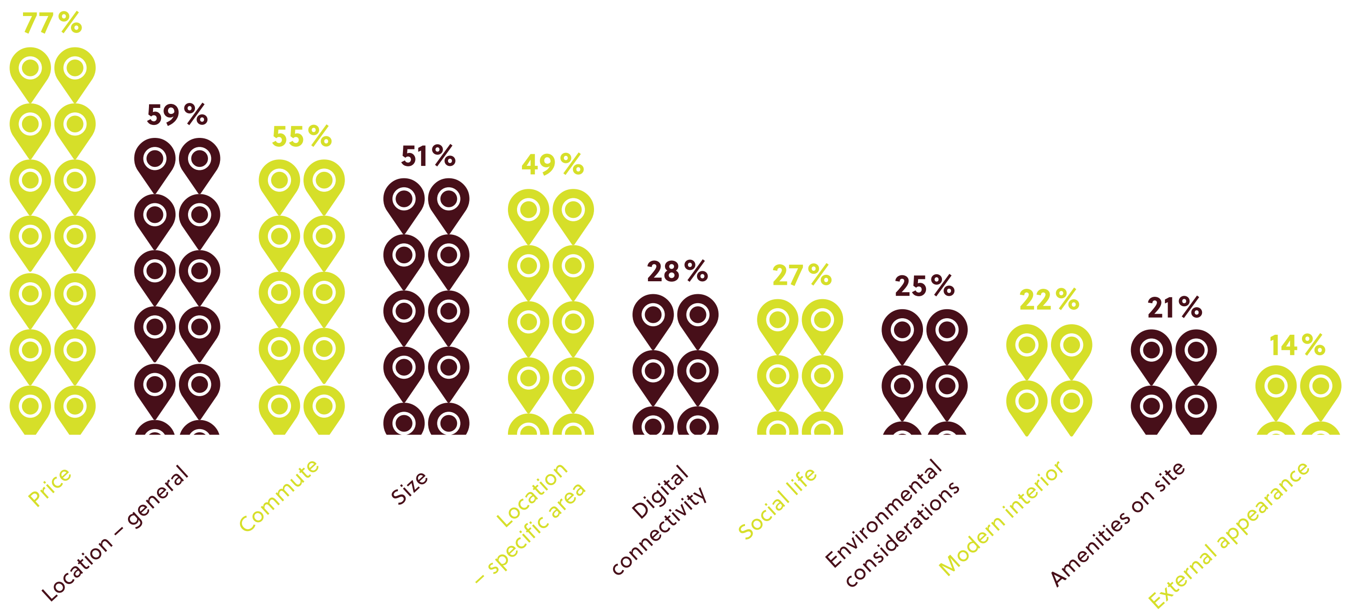
Broad location, followed by commute to work and size of home remain important factors, showing that the head rules the heart when choosing a new home.

Our research suggests that homebuyers are increasingly prepared to travel further to enjoy a full social life, with just over a quarter (27%) stating that as influencing home buying decisions.

Digital connectivity is increasingly seen as an essential service for homebuyers, but seems to be less important to women (21%) than men (40%).

We are surprised that curb appeal is not so appealing, suggesting that today's homebuyers are more realistic about the property market and are perhaps more prepared to improve their home once it has been purchased.

CHOOSING WHERE TO LIVE



FOR 77% OF RESPONDENTS PRICE IS VERY MUCH THE DRIVING FORCE WHEN CHOOSING A HOME

CASE STUDY: IPSUS DEVELOPMENTS

Ipsus Developments was established in 2004 by **Nick Pendlebury**. Disillusioned following a career with the big housebuilders, he set out to create a developer building high quality homes initially in South West London. Ipsus is now applying its philosophy that has worked so well in London across the UK, targeting areas such as Tunbridge Wells, Reading, Oxford and Bristol.

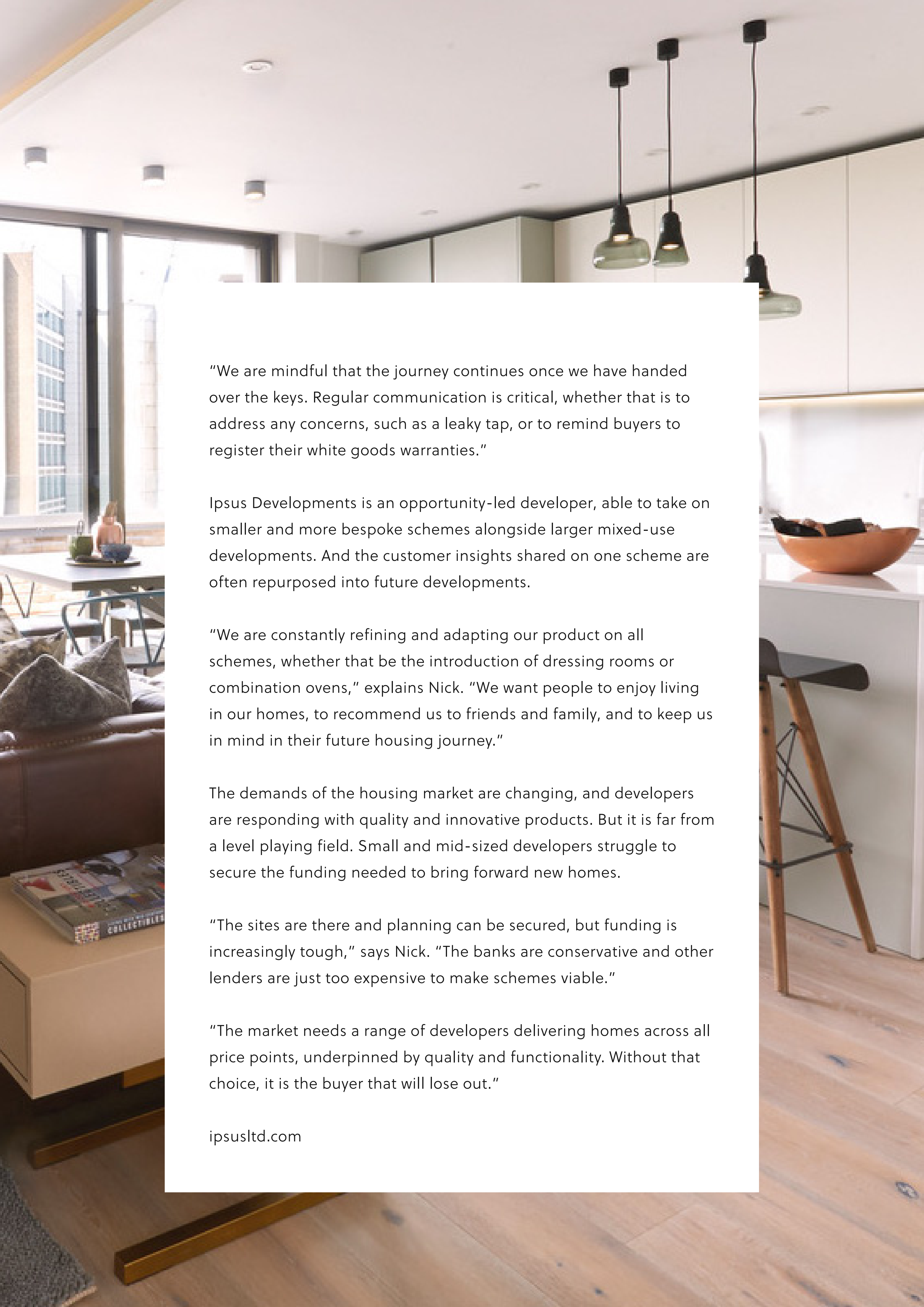
Nick and his team deliver a range of homes and apartments, often with a commercial element, for young professionals, first time buyers and downsizers, and has built a strong reputation for high-quality homes and first-class aftercare.

"The residential market is changing and rapidly," says Nick Pendlebury, Managing Director of Ipsus Developments. "Buyers are increasingly demanding of what is the single largest purchase of their lives, and rightly so. They are looking for good functional design, quality materials and finishes."

"They want to be excited by buying their home and they want honesty from a developer, and one who is there throughout the journey."

In short, they want a developer who cares.

"Aftercare is a massive issue for the housebuilding industry," says Nick, "and is often a major source of frustration for new homebuyers. It starts with getting the product right in the first instance, but there is no hiding from the fact that every new home will have some defects. It is how they are managed that makes the difference."



“We are mindful that the journey continues once we have handed over the keys. Regular communication is critical, whether that is to address any concerns, such as a leaky tap, or to remind buyers to register their white goods warranties.”

Ipsus Developments is an opportunity-led developer, able to take on smaller and more bespoke schemes alongside larger mixed-use developments. And the customer insights shared on one scheme are often repurposed into future developments.

“We are constantly refining and adapting our product on all schemes, whether that be the introduction of dressing rooms or combination ovens,” explains Nick. “We want people to enjoy living in our homes, to recommend us to friends and family, and to keep us in mind in their future housing journey.”

The demands of the housing market are changing, and developers are responding with quality and innovative products. But it is far from a level playing field. Small and mid-sized developers struggle to secure the funding needed to bring forward new homes.

“The sites are there and planning can be secured, but funding is increasingly tough,” says Nick. “The banks are conservative and other lenders are just too expensive to make schemes viable.”

“The market needs a range of developers delivering homes across all price points, underpinned by quality and functionality. Without that choice, it is the buyer that will lose out.”

ipsusltd.com

CO-LIVING

YOUR HOME IS MY HOME

One of the reasons we embarked on this study in 2018 and intend to repeat it annually is to track the growth of the co-living sector of the residential market.

Co-living remains a niche product – just 2% of our sample currently live in such schemes across all age ranges – but it is growing in popularity. In 2018, just 1% of our sample lived in co-living schemes.

Growth is being driven by the 25-34 age bracket, where 4% of those sampled in that age bracket live in co-living schemes – an increase from 3% in 2018.

Cost and one single monthly fee is considered the main attraction, making it easier for younger adults embarking on their careers to manage and budget their funds and save each month towards a deposit. The facilities and ease of commute are all a big pull, perhaps more so for those living and working in a large city like London for the very first time.

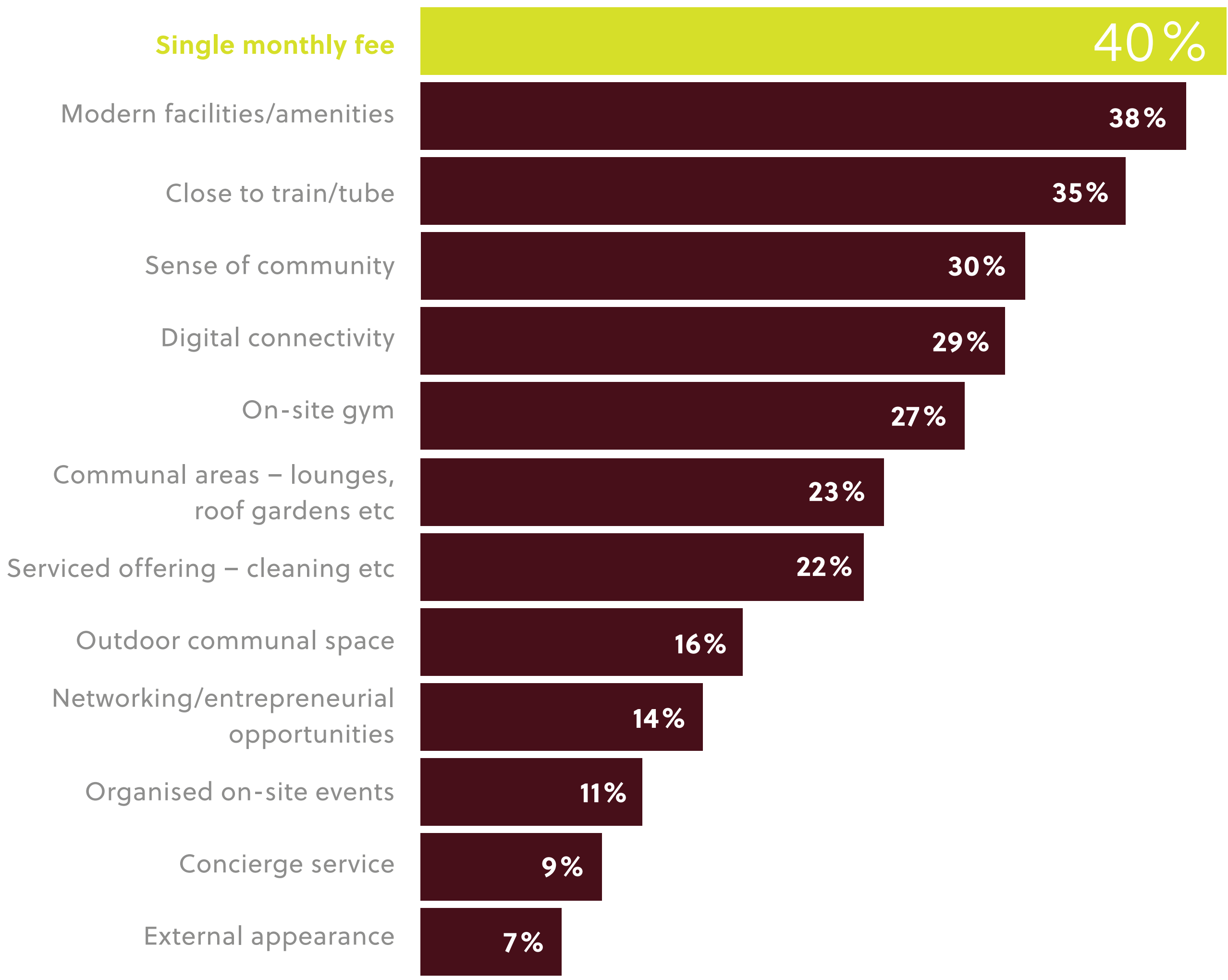
CO-LIVING

Co-living refers to emerging residential schemes where groups of individuals live together renting relatively small private spaces yet enjoying generous communal areas. They are typically managed by specialist operators who provide a managed programme of events for occupiers. London is Europe's largest co-living city and with 85% of total capacity currently in the development pipeline, the number of beds will continue to increase rapidly.

Source

- JLL European Coliving Index 2019

WHAT ASPECTS OF CO-LIVING MOST APPEAL?



CASE STUDY: ECOWORLD – CREATING COMMUNITIES

The EcoWorld Group was established in Malaysia in 2013 and has quickly grown to become one of the country's largest residential developers. It has built its reputation on the ethos of unmatched product and service quality.

And it is that ethos that underpins its growing reputation in London as a developer of high-quality homes, creating communities where both buyers and renters want to live.

In 2015 EcoWorld International was formed. EcoWorld International is the overseas arm of the EcoWorld Group focusing on real estate development outside of Malaysia (currently UK and Australia).

EcoWorld International's first schemes in London – Embassy Gardens at Nine Elms, Wardian London at Canary Wharf, and London City Island – are all being developed in a 75% owned joint venture with Ballymore. In 2018, EcoWorld International acquired a 70% stake in Willmott Dixon's residential portfolio and the joint venture is called EcoWorld London.

Kew Bridge – a scheme of 1,000+ homes and the redevelopment of Brentford Football Club – is EcoWorld London's first solo and flagship development.

Simon Chatfield, Deputy Managing Director, EcoWorld London said: "We have a very strong vision and philosophy, and that DNA runs through every one of our schemes. We build quality homes and create and manage communities where people want to live.

"Our flagship Kew Bridge project perfectly reflects that ethos: we have embedded ourselves in every aspect of the scheme – how it works, the flow, the design of the homes, and the everyday aspects that impact on the way we live."

The starting point behind every EcoWorld development is the resident's experience – whether that be a buyer or a rental occupier.

"At the end of the day, people will be living in one of our homes irrespective of whether they rent or buy," says Simon. "So, we create places where people will want to live. The experience, whether you buy or rent, will be the same. The managed amenity spaces, facilities and services are there to be enjoyed by everyone."

Every one of EcoWorld London's developments include an on-site community manager tasked with providing the long-term stewardship needed to make the communities become established and grow.

"We know that it can be very difficult to meet your neighbours when living in an apartment block," explains Simon, "so our community managers arrange social events and activities to enable our communities to flourish. Occupiers can engage as much or as little as they wish, and our events are really well received.

"Not all developers can or want to do this, but it is one of the things that sets us apart and reflects our approach of staying actively involved in the places we create. The rental market in London continues to grow and is increasingly important for residential developers like EcoWorld London.

"Homebuyers now need, based on average house prices, a multiple of 12 times average salary and that is just not achievable for many," says Simon. "But that is not the only story. People choose to rent due to the flexibility that renting offers, a quality rental product with predictable and manageable costs. That will include co-living options and a range of rental options as personal situations change. We want to keep renters throughout their property journey, whether they continue to rent or choose to buy, and our schemes can do that."

Successful developments will bring different tenures together, where homebuyers and renters, both young and old, create sustainable communities. The lure of a place with high-quality homes is changing London's housing market. And that has to be a good thing.

ecoworldlondon.com

CONCLUDING THOUGHTS

The housing market in London and the South East remains complex and multi-layered. Our own research suggests increased pessimism amongst those looking to buy a home in the next five years, yet data from UK Finance, a trade body representing lenders, released in the autumn of 2019 reports the highest levels of lending to first time buyers since the 2008 crash.

For those looking to move up the ladder, the supply has all but stalled, with Brexit and wider economic uncertainty largely to blame, but the market remains encouraging for first time buyers and international investors.

Residential developers are increasingly delivering innovative and creative products to appeal to buyers at different stages of the housing journey.

Whilst the international investor continues to play an important role in supporting schemes across London and the South East, developers are looking more to creating vibrant and mixed communities – a placemaking ethos underpins many new developments.

Developers no longer want schemes with empty flats owned by overseas investors, focusing instead on creating a premium product supported by an inclusive programme of events and on-site community managers. It is now common to see residential schemes boast monthly markets, regular meet-ups and events designed to foster a greater sense of community.

And the mix of tenures also plays an important role too. Schemes will increasingly feature a Build to Rent offer, a co-living element, affordable homes, alongside units sold to private buyers. Developers are not just creating homes, but communities and a place to live.

Co-living, whilst remaining a niche housing product, is gaining momentum. Typically consisting of a number of small bedrooms alongside high-quality communal areas and a managed programme of events, they are squarely aimed at younger people. A fixed monthly fee without being tied to a long lease, they offer the flexibility wanted by those that are starting out on their careers and who are not yet ready to 'settle down'.

This blending of tenures, alongside a managed environment is helping residential developers create a distinctive product. The dream of owning a home remains alive for most of us and the market is responding to make this dream achievable.

ALEX O'CONNOR

Partner, Commercial Real Estate

Source:

- www.thisismoney.co.uk/money/mortgageshome/article-7575121/First-time-buyers-hit-highest-just-financial-crash.html

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