

Owning the future

First-time buyers and the health of the nation

Foreword by Marc Vlessing Founder of Pocket Living

First-time buyers have suffered in silence during the COVID-19 pandemic. Many of them are city makers: the young doctors, nurses and teachers who have kept vital services running in the face of unprecedented disruption since March 2020. Many are in the private sector, working from home in the technology or media industries in less-than-ideal conditions, sharing kitchen tables with flatmates while trying to drown out their friends' Zoom calls and missing out on mentoring from senior colleagues. But almost all of them maintain a desire to own their own homes in London despite being thwarted by a range of obstacles, from affordability to instability of work.

What shines through in polling carried out by FTI Consulting is the Londoners' love of the capital. While 2020 was dominated by premature stories of a flight to the country – as if hundreds of years of urbanisation would be reversed over an 18-month period – the second half of 2021, and I predict the whole of next year, will see a new embrace of London itself.

At Pocket Living we cater almost exclusively to first-time buyers in London, providing affordable (defined as 80% of market value) new housing. Most Pocket buyers come from the large pool of young employed single person households. The demand is huge.

We are already seeing people who decamped to the country and regional towns being summoned back to the capital, with the expense of a long commute now added to their costs. We also need to remember that there are millions of Londoners who are in no position to move out of the capital or enjoy the luxury of working from home. A nurse, doctor or teacher cannot work from home and they also want to enjoy all the benefits of owning their own property – we need to create an environment through which they can achieve their dream. Traditionally, 'quality of life' in London would have been equated with theatres, music venues and architecture. Today's city makers have more practical concerns, with Wi-Fi having rocketed to the top of their priorities.

I am intrigued that our research doesn't just show that owning a home is convenient for these people. Owning a home also creates a multiplier effect, creating a long-term improvement in their lives. For example, our research tells us that people who get on the housing ladder in London with a first home go on to move into their next home with a high average of 2.6 bedrooms. That's progress. It's clear from our research that helping people get on the housing ladder is absolutely key to the social and economic health of the nation: from short-term well-being, to supporting people in their careers to enhancing their future well-being.

Executive summary

'Owning a home is a key aspiration in life' said 73% of the renters we polled in our August 2021 research. It is a firm reminder that home ownership is a key goal for many people in London despite the hurdles placed in their way, before, during and after the COVID-19 pandemic.

Our research was conducted online from 9th to 19th August with 1008 respondents, representative of those aged 25 to 45 years old and living in Greater London. The results were weighted to ensure a representative opinion was collected by each London borough, age, gender and general election behaviour.

Among first-time buyers we polled there was a frustration with the obstacles placed in their way, with just 28% claiming to be saving every month, 21% unable to raise a deposit an average gross income of less than £40,000.

Assuming a 10% deposit on a £490,000 home a first-time buyer would have to borrow at least 10 times their salary to afford their first home in London without Help to Buy. The biggest obstacles to buying in London are prices being too high, with 51% of the people polled agreeing with this. These people are torn – 71% are extremely satisfied or very satisfied living in London and three out of four respondents (75%) agree that London is a special place to live in.

This threatens to generate a resentment among the people London needs most – the 25 to 45 year-olds who have made the city their home and who form the key workforce of most of the capital's companies and public sector agencies. There is strong support for affordable housing and a desire to remain in London: 76% of our respondents agreed that there is a greater need for affordable housing to ensure the vibrancy of London. Almost two thirds (62%) agreed with the statement: "I really don't want to move outside London to afford a home because I would have to sacrifice too much to do so".

This is a city of haves and have nots, with the Bank of Mum & Dad having gained huge prominence in the last 10 years. So much so that 11% of our respondents currently own their properties outright (i.e. without a mortgage), with the most likely explanation being a gift from parents or grandparents to fund a purchase. As well as showing the restrictions on home ownership in London, our polling also shows people's preferences when they do manage to get into a position to buy a home.

Having their own space was the most important criteria for 69% of respondents. Given many people have been living in homes of multiple occupation during the pandemic and were restricted in doing anything other than exercising and shopping for food, this shows the impact of lockdowns. Less than half of those polled (47%) said their current rental situation provides them with adequate space, giving an impression of Londoners pressed almost to breaking point by the conditions of the last 18 months.

More than anything, the research shows how homeowners have benefited from buying their own property. While renters look on enviously, 72% of the 25 to 45 year-old Londoners who have bought a home claim to have more stability, 71% a better quality of life and over half claim (56%) to be financially better off.

Post pandemic, with a population of city makers and key workers worn down by the restrictions and hard yards of the last 18 months, there has never been a greater demand for home ownership in London for a population with so many restrictions in their way. With 68% of the first-time buyers we polled going as far as to say their productivity and efficiency would be increased if they owned a home, the benefits for Government in hearing this message are also loud and clear.

London's home ownership profile

In our polling, 38% of respondents own their home and 26% do so with a mortgage (with 70% of these homeowners having a mortgage). This shows the prominence of the Bank of Mum & Dad, with equity pouring into the housing market – for those who have financial support, that is.

Unfortunately, for the city makers and key workers who do not have a financial crutch, the picture in London is very different. Just 32% in their early 20s own their own homes in London, in contrast to 45% of respondents in their late 40s who own their own property.

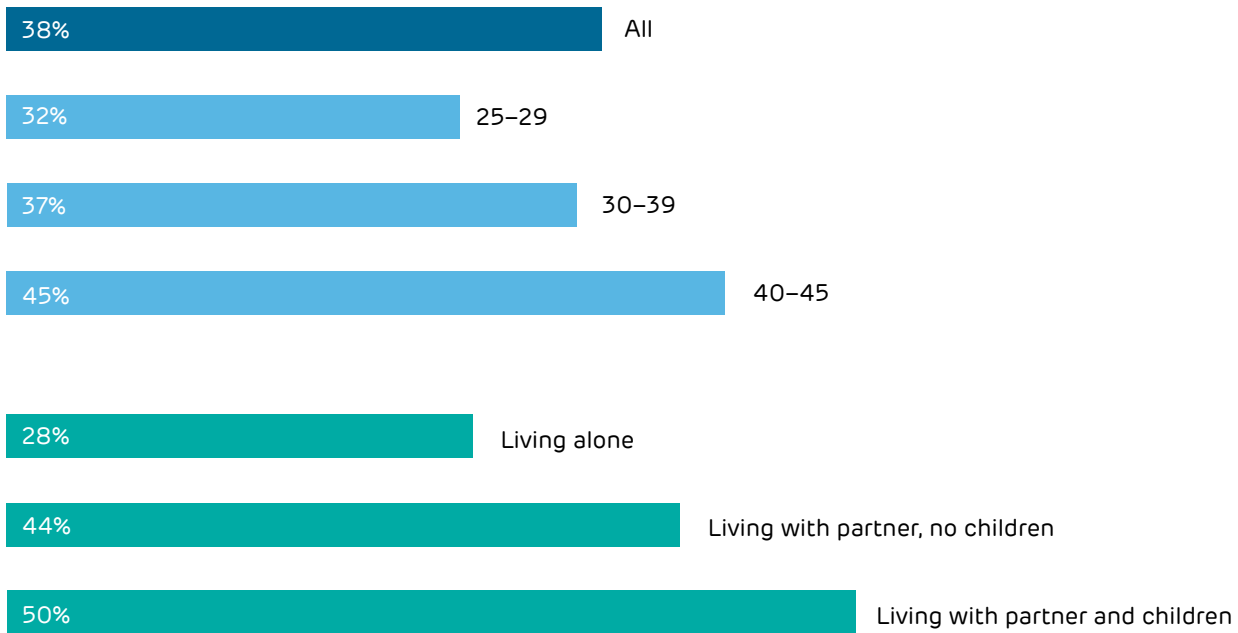
The largest proportion of people we polled rent. More than half (52%) are renting – with 34% doing so from a private owner and the balance from registered social landlords or local authorities. This translates to 1.6million people aged 25 to 45 currently renting their home in London.

Key statistics include:

- The average price paid for a first home was £490,000.
 - These people bought around five years ago on average.
 - 62% had a deposit of 20% or less (10% deposit was the mode, with 21% of buyers)
 - Over two in three had support from others for the deposit.
 - 31% had no support and 34% were helped by their parents.
- Those who currently do not own their home are earning, on average, an income of £37,000:
- This is a ratio of 1:13 compared to the average house price. This is the same for first-time buyers.
 - The ratio falls to 1:12 for those who do not own their home but are currently employed.
 - For those who own their home, that ratio is 1:5.

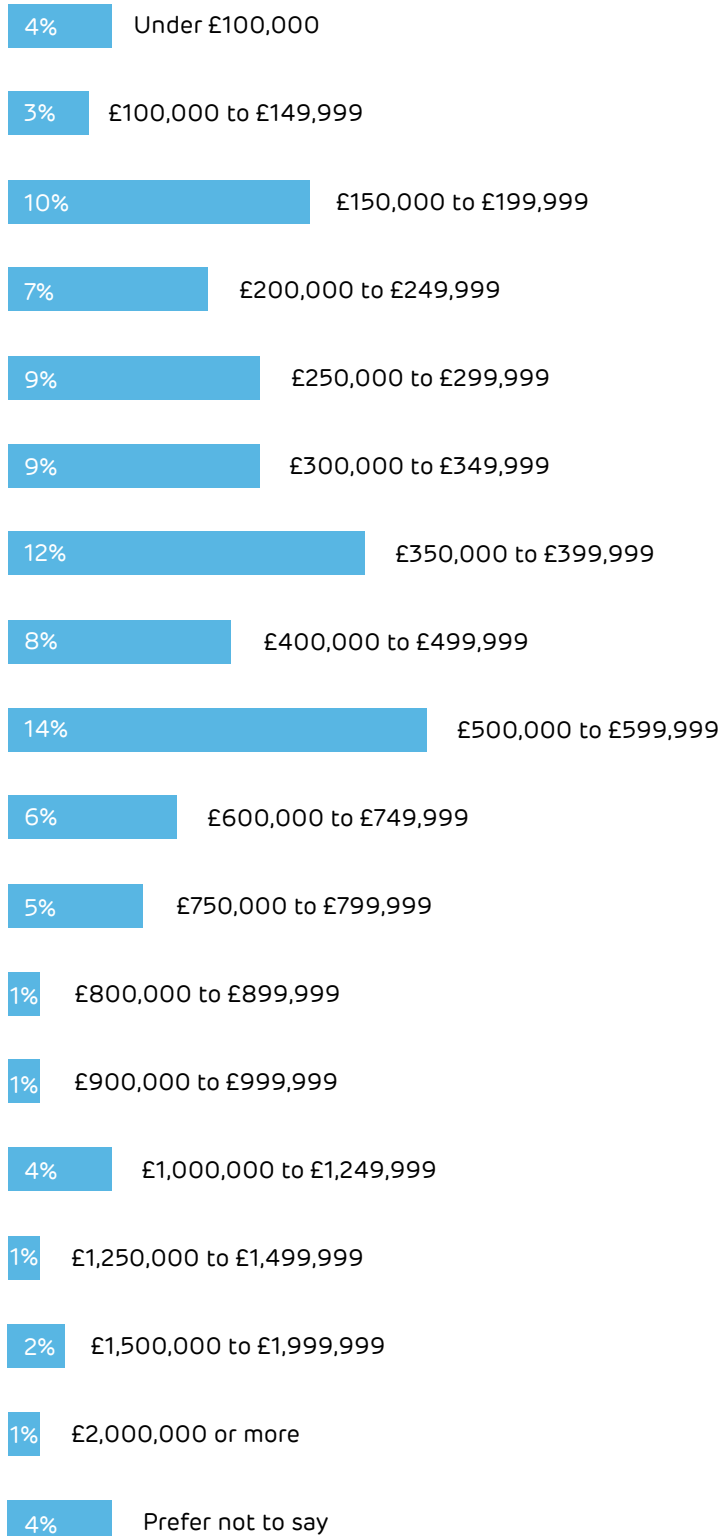
Home ownership – Own their own home

Q. Who owns the home you live in?



Purchase price of current home

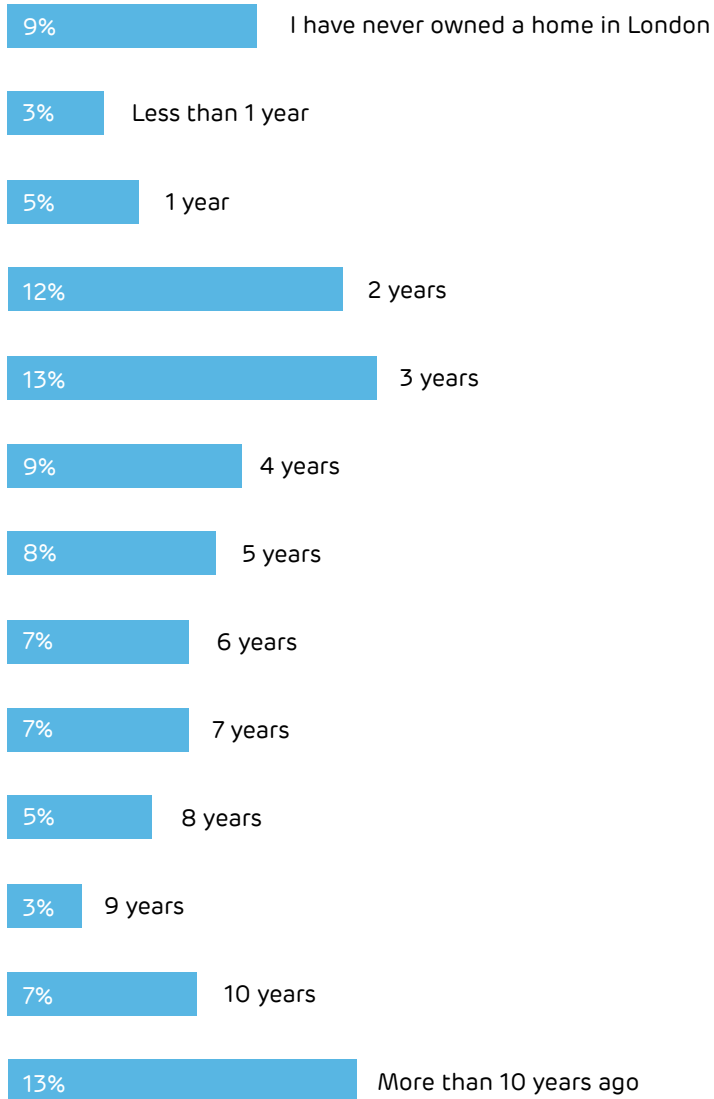
Q. What was the purchase price for the home you are living in now?



Average
£490,543

First London home owned

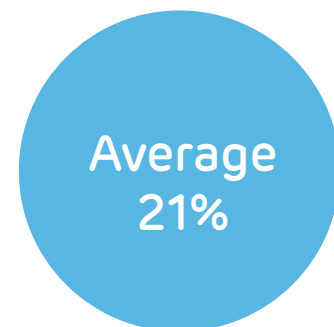
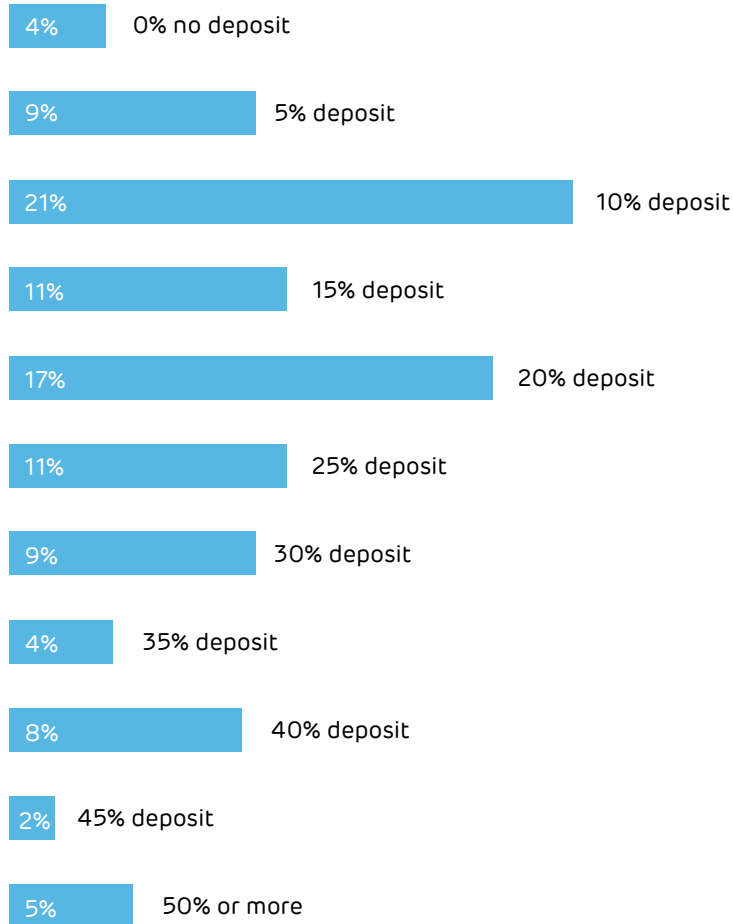
Q. How many years ago did you own your first home in London (with or without a mortgage)?



Average
5.8 years

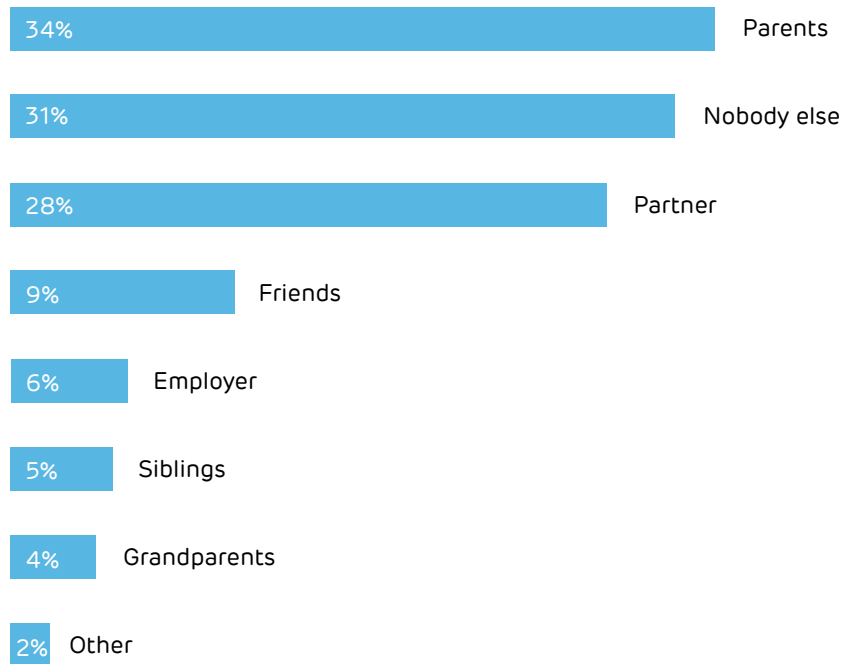
Deposit percentage

Q. What was the percentage of your deposit against the purchase value of your home for the first mortgage you had?



Source of deposit

Q. Who helped financially with your deposit?



The threat to London

London can never be complacent about population growth or the loyalty of its residents. In the decades after the Second World War London emptied out, with its population falling from 8.6 million people in 1939 to 6.8 million in the 1980s,* when the capital suffered from high unemployment and was still scarred by bomb sites.

A renaissance has taken place since then, with the financial services and then the tech world booming, culminating in the global extravaganza of the 2012 London Olympics and the city's population growing to almost 9 million in 2019. But since the pandemic and Britain's departure from the European Union the picture has looked less confident, with the Economic Statistics Centre of Excellence estimating that up to 1.3 million people born abroad left the UK in 2019/20, including 700,000 who left London.**

According to estate agents Hamptons, Londoners bought 60,000 homes outside the capital in the first half of 2021 – and many of those people were first-time buyers.*** This was the highest half-year figure since Hamptons' records began in 2006 – and first-time buyers made up a quarter of those buying outside the M25.

According to our research, London could potentially lose 15% of 25 to 45 year-olds in the next 12 months, with 12% overall considering buying outside of the city.

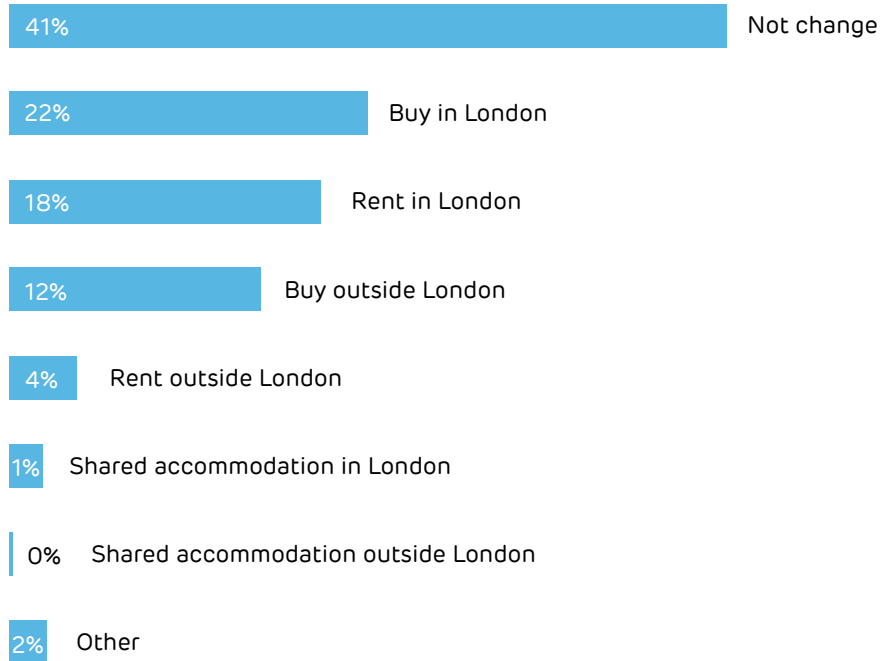
This equates to approximately half a million 25 to 45 year-olds likely to leave the city in the next year. The good news, however, is that of those who are looking to move home, the biggest preference is to buy in London, with the next preference being to rent in London. In fact, people are more than twice as likely to buy or rent in London for their next move than they are to buy or rent outside London. In the second half of 2021 this is beginning to be played out in real world data, with Rightmove data**** proving that the easing of COVID restrictions and government incentives are driving demand in London.

By April 2021 inner London had seen a 30% jump in buyer demand compared with January, with Outer London seeing a 34% rise. The situation is fragile: COVID has caused people in their 20s and 30s to reappraise their lifestyles – but their heart is drawing back to the capital after a period of doubt.

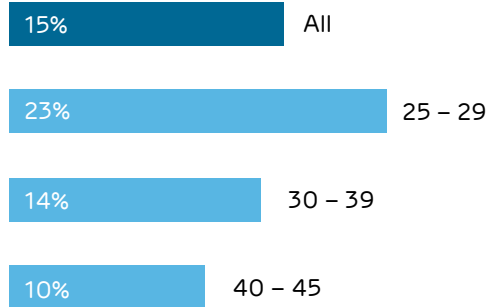
London continues to be a magnet, after all.

Housing plans in the next year

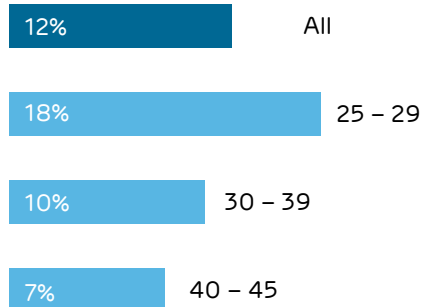
Q. What are you most likely going to do over the next 12 months for your primary place of residence?



Leave London



Buy outside London



Housing plans in the next year – Owners vs renters

Q. What are you most likely going to do over the next 12 months for your primary place of residence?

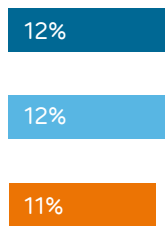
Not Change



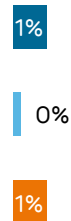
Buy in London



Buy outside London



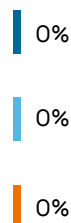
Shared accommodation in London



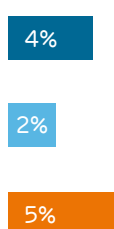
Rent in London



Shared accommodation outside London



Rent outside London



Other



Financial frustration

Buying a home in London has rarely been more difficult, with house prices dramatically out of sync with most people's earning power, capacity to raise a deposit and cost of living.

Our polling showed that the biggest obstacle to non-home owners is 'house prices being too high' at 51%, 30% claim they can't afford a mortgage and 27% are struggling to raise a deposit. Only 4% of those we polled claim nothing is stopping them from buying a home.

As background on the deposit issue, only 22% of renters claim to be saving money (compared to 34% for owners) and, on average, 26% of their income is spent on 'rent or service fees', showing them to be on a treadmill they must feel they might never escape.

At the turn of the Millennium a typical professional couple needed to raise a £20,000 deposit to buy a home in London. According to the Halifax,* in the 12 months to February 2020, the average deposit put down by first-time buyers in the capital was calculated at £111,321, but in the 12 months to February 2021 the amount needed for a deposit in London was shown to have risen by £20,000 to £132,685.

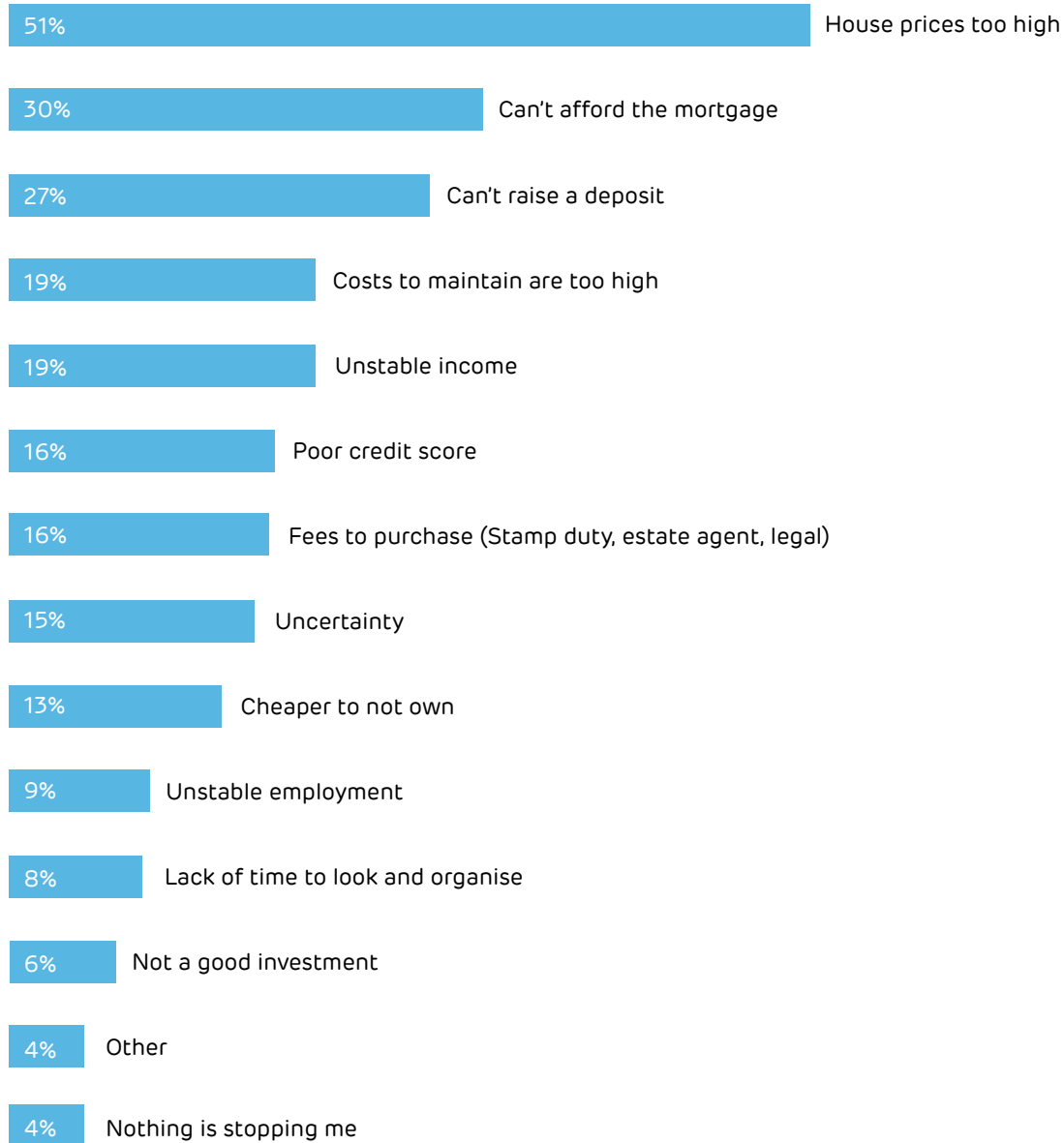
The Halifax research showed that the average London house price in the 12 months to February 2021 was £462,617, with the average deposit as a percentage of the total house price being 24%. According to Zoopla** research released in August 2021, the average cost of a house increased by 7.3% in the last year, with demand stoked by the Stamp Duty holiday and people reassessing their lives post-lockdown.

Another factor has also emerged to haunt first-time buyers: instability of job prospects and income. While unemployment has fallen since the depths of the lockdown at the end of 2020, with an increase of 0.5% in the UK employment rate to 75.2% and a decrease in the unemployment rate to 4.6% there is still the spectre of uncertainty over COVID variants, inflation and interest rate rises. It is clear that London's housing market is broken.

While cities and towns outside the South-East maintain a broad equilibrium between demand and supply and affordability remains at a reasonable ratio, buying a home in London has become beyond the means of far too many people. The barriers are almost exclusively financial, dwarfing the obstacles caused by other issues.

Barriers to owning a home in London

Q. What is stopping you from owning a home in London?



The benefits of buying

Comparing the experience of London homeowners and renters has proved a fascinating exercise. While there has been an increase in organisations extolling the virtues of renting, the 1000 Londoners we polled were in no doubt that owning your own home is a life-changing and wholly beneficial experience.

Increasingly it has been claimed that people in their 20s in particular are living a transient lifestyle. Their home is somewhere they pass through temporarily and their investment portfolios range from bitcoin to vinyl records to modern art.

But the homeowners we surveyed demonstrated a number of benefits of a home of their own:

- 72% claim their stability in life is better
- Quality of life is better for 71%
- 70% say their relationship or family life is better (particularly those living with a partner and children, of whom 77% say their family life is better)
- 66% are more content with or proud of their home
- 68% have had better productiveness or efficiency
- And cost of living is better for 56%

An increase in productivity derived from owning a home is an intriguing prospect, which can potentially be attributed to the benefits London homeowners have felt during lockdown. With shared flats notorious for hampering productivity and many homeowners enjoying more space and the freedom to make their own decisions over treats like buying a family pet. According to Rightmove,* demand from tenants looking for pet friendly properties increased by 120% over the year to August 2021 – a level that cannot hope to be satisfied given the restrictions that most landlords impose. Even renters believe that owning a home would be better for them, explaining that this would improve their quality of life and the stability of their lives.

This may explain figures released by the Ministry of Housing, Communities & Local Government in December 2020** which showed that under-occupation – having two or more spare bedrooms – has increased for owner occupiers. Between 1999-00 and 2019-20 the proportion of owner occupiers living in underoccupied accommodation increased from 43% to 52%. The reason is clear: people love living in their own homes, even when they become too big for them.

Impact of home ownership

Q. Overall, how has owning a home changed the following?

Q. Overall, how do you think owning a home in London would change the following for you?

Owning a home in London does / will be significantly / slightly better for the following factors:

Value of home



Stability in life



Quality of life



Relationship / family life



Productiveness / efficiency



Contentedness / pride



Cost of living



What buyers want from their home

London has some important lessons to learn, according to our polling of 1,008 25 to 45 year-olds in the Capital. Levels of crime and personal security are 'important' to 47% of those we polled, but are currently rated 'good' by only 33% of those we polled.

The crime rate in London was 83 crime offences per 1000 people between April 2020 and March 2021 – a drop from 102 per 1000 people in 2019-20.* However, this can be attributed to a fall in crime during the COVID lockdown, with offences at 102 per 1000 people in 2019-20.

The other drawback highlighted by most people was 'upkeep and cleanliness', with 36% rating this as 'important' and 27% rating standards as 'good'. Much of this can be attributed to local authorities scaling back street cleaning and rubbish collection with the excuse of COVID-19. On the brighter side, transport links were rated as 'important' by 63% of those polled and 'good' by 66%. The London Overground is growing in importance and recognised by Londoners, with under-35s among its busiest users traversing from north to south.

Parks and green spaces have soared in importance to Londoners during the pandemic in reaction to millions of people being told to stay in their homes other than for exercise and food shopping. Of those who wanted to move, the Committee's survey found that while 34% want their new home to be out of London, 54% want to remain in the city.

The Centre for London's 'London Intelligence' research, published in partnership with Savanta in June 2021,** also paints a generally happy picture despite three lockdowns over the last year, with 65% happy to be living in London and 79% expecting to be living in the city in a year. In addition, 42% of Londoners told Centre for London there is a strong sense of community in their area, with younger people more likely to be 'positive' about this at 47% compared to 33% of over-55s.

Positive and important features in local area – Top 5 positive location features

Q. Which of the following location features are particularly good for where you live?

Q. Which of the following are particularly important when selecting a location to live in?

Transport links



Parks and green spaces



Cost of living



Level of crime and personal security



High street / shopping malls



Bottom 5 positive location features

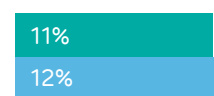
Q. Which of the following location features are particularly good for where you live?

Q. Which of the following are particularly important when selecting a location to live in?

Outdoor markets and events



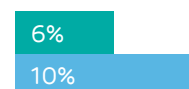
Theatres and music venues



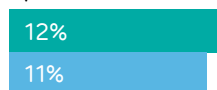
Overall look and architecture



Integration of technology



Sport stadiums and venues



Wi-Fi rising

Our polling shows that the functional qualities of urban living have risen dramatically to the fore during the COVID-19 pandemic.

Wi-Fi is the third most important feature for Londoners (57%), ranking behind access to transport and space, but ahead of storage and daylight. Clearly 18 months of wrestling with erratic Zoom and Teams connections have left their mark, particularly on younger Londoners.

With regards to which factors have increased in importance since the start of the pandemic, Wi-Fi has especially increased in importance for those working (43%, compared to 34% for those unemployed and 34% for those studying). This increased to 48% of those in their 20s). While public parks and green spaces are important to Londoners, private green space does not appear to be as important.

Nor does amenity space, which is ranked as the tenth most important feature for those we polled, which should be noted by the build-to-rent community which sets great store by this. Anecdotally we hear of build-to-rent developments which start

out with the best intentions of driving busy events programmes comparable to those in the United States, but which fall by the wayside as the different social habits of Londoners come into play.

Transport continues to be important, which is borne out by Arup's November 2020 City Living Barometer,* which surveyed more than 5,000 residents in London, Paris, Madrid, Berlin and Milan. This showed that the concept of the '15-minute city', where city dwellers enjoy a better quality of life when essential facilities are within 15 minutes walking or cycling distance from their home.

While people may in some cases be less keen to commute, they still see transport to their home location as crucial, even if they are spending more time there after work or at the weekends.

We also saw a disparity in our polling between people who believe their current ability to work from home is adequate, and those who believe this will need to be improved in the future.

Comparison of current home features and important features

Q. Which of the following home features are particularly good about your current home?

Q. Which of the following features would be particularly important if you were buying a home to live in?

Access to transport



Wi-Fi



Daylight



Space



Storage



Community



Space to work from home



Home technology



Maintenance



Amenity spaces



Cycle storage



None of the above



Comparison of current home features and important features – Renters and owners comparison

Q. Which of the following home features are particularly good about your current home?

Q. Which of the following features would be particularly important if you were buying a home to live in?

Access to transport



Space



Daylight



Wi-Fi



Community



Space to work from home



Comparison of current home features and important features – Renters and owners comparison – continued

Q. Which of the following home features are particularly good about your current home?

Q. Which of the following features would be particularly important if you were buying a home to live in?

Storage



Amenity spaces



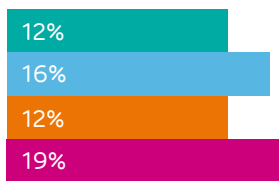
Maintenance



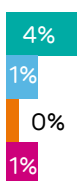
Home technology



Cycle storage

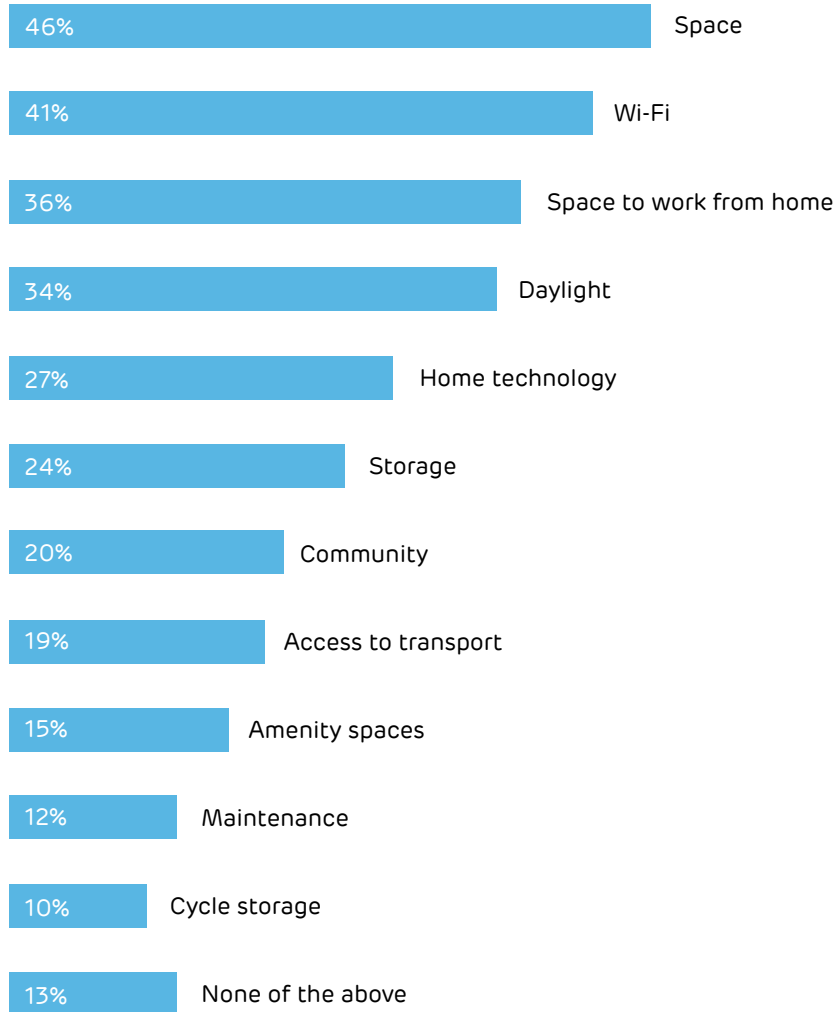


None of the above



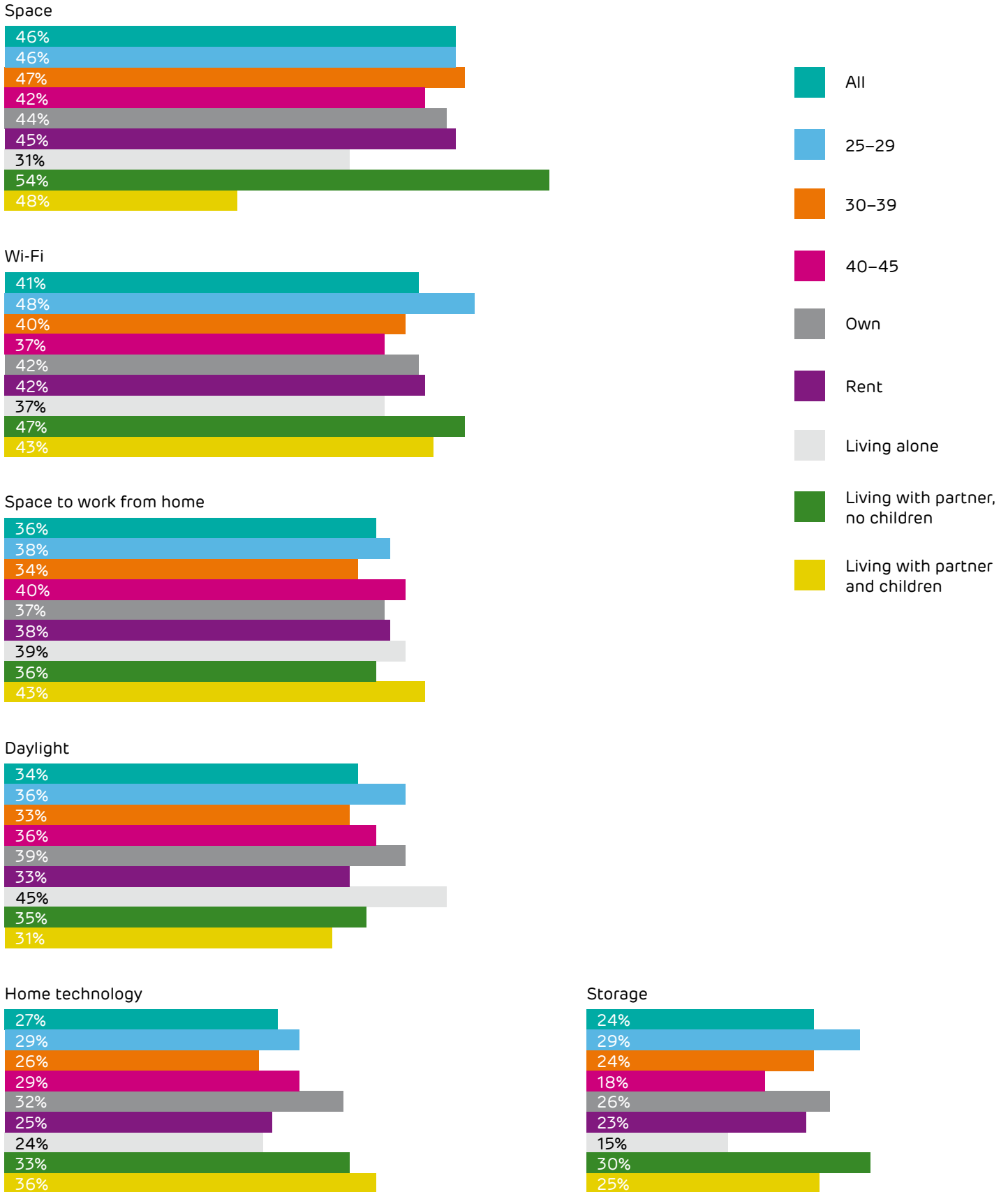
Change in importance of home features as a result of the pandemic

Q. Which of the following have increased in importance for you since the beginning of the COVID-19 pandemic?



Change in importance of home features as a result of the pandemic - Comparisons

Q. Which of the following have increased in importance for you since the beginning of the COVID-19 pandemic?



Change in importance of home features as a result of the pandemic – continued

Q. Which of the following have increased in importance for you since the beginning of the COVID-19 pandemic?

Community



Access to transport



Amenity spaces



Maintenance



Cycle storage



None of the above



What London needs

The 'new normal' of people leaving the capital in droves to head to the countryside is now proving to be a temporary phenomenon, with people being summoned back to their workplaces two to three days a week, making a long commute as difficult as ever.

In response to these changes, our poll reveals strong views amongst Londoners on the need for affordable housing, combined with their desire to remain in the capital.

Our survey reveals:

- 'There is a greater need for affordable housing to accommodate new norms and ensure the vibrancy of London', with 76% agreeing with this statement
- 'New housing in London should consider new hybrid working and lifestyle balances', said 79% (and 81% for those working)
- 'I really don't want to move outside of London to afford a home because I would have to sacrifice too much to do so', was a statement that 62% of those polled agreed with

There is no exodus bias out of London, and if anything, the trend in sentiment back towards the Capital will accelerate as people begin to enjoy Central London, from both a work and social perspective, once more. The 'new normal' is most emphatically

now over. Our audience loves London, with 71% either extremely satisfied or very satisfied living in London and three out of four respondents (75%) agreeing that London is a special place to live in.

At the launch of the London Assembly 2021 Housing Survey, the then chair of the London Assembly's Housing Committee, Murad Qureshi AM, said: "More Londoners want to stay in London's city limits if they move in the next 12 months.

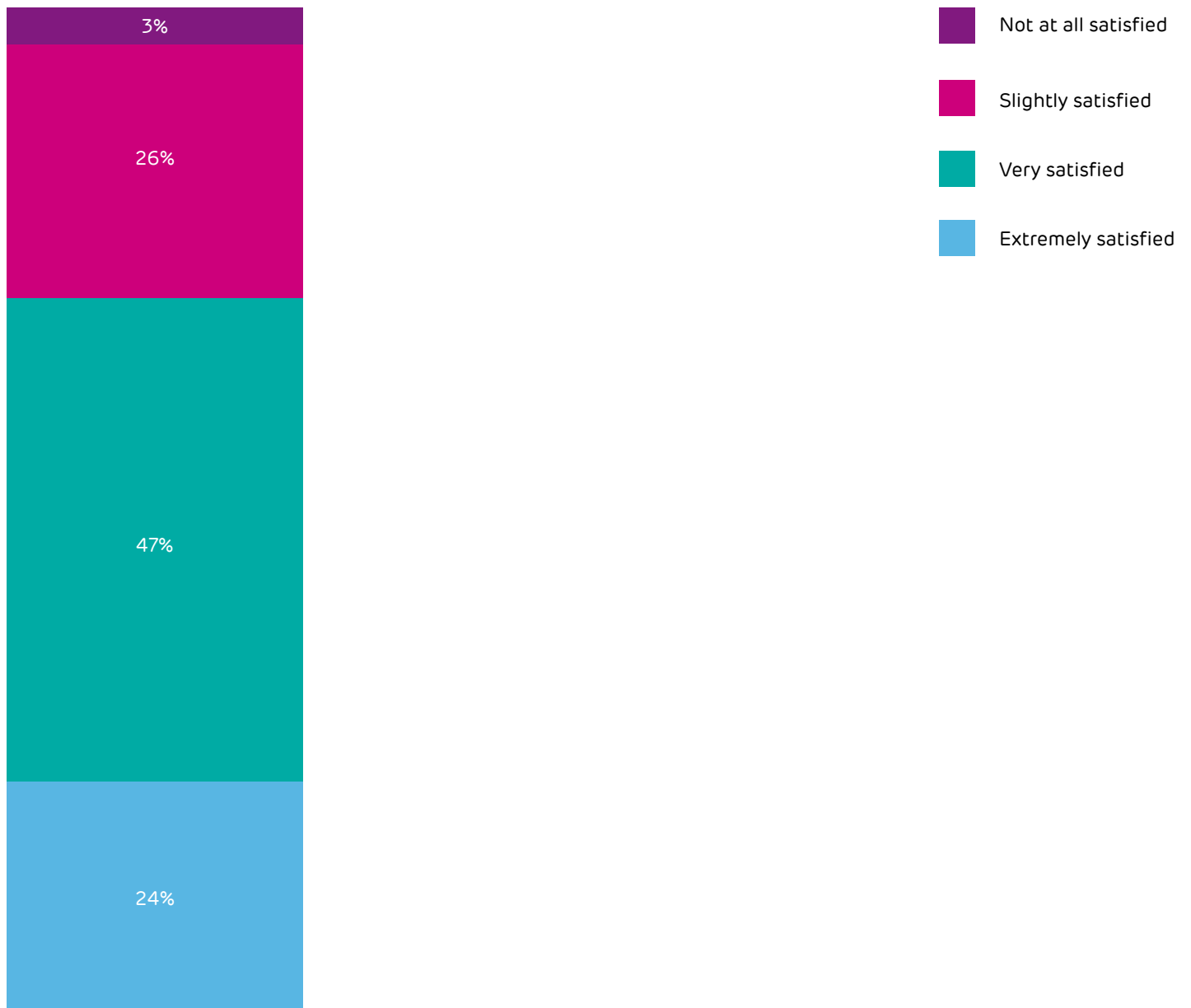
"The optimism around society reopening has caused a shift in desire to stay in the city a year after the pandemic began.

"Many respondents shared how their living situation affected their mental health. It is unsurprising that many Londoners want to move somewhere new."*

Almost six in ten (59%) respondents polled for our research say they are most likely going to change their primary place of residence over the next 12 months, with more than half (54%) of those in their 40s least likely to change. This increased to 66% for those in their 20s. This is equivalent to over 1.8million 25 to 45 year-old Londoners planning on changing their place of residence.

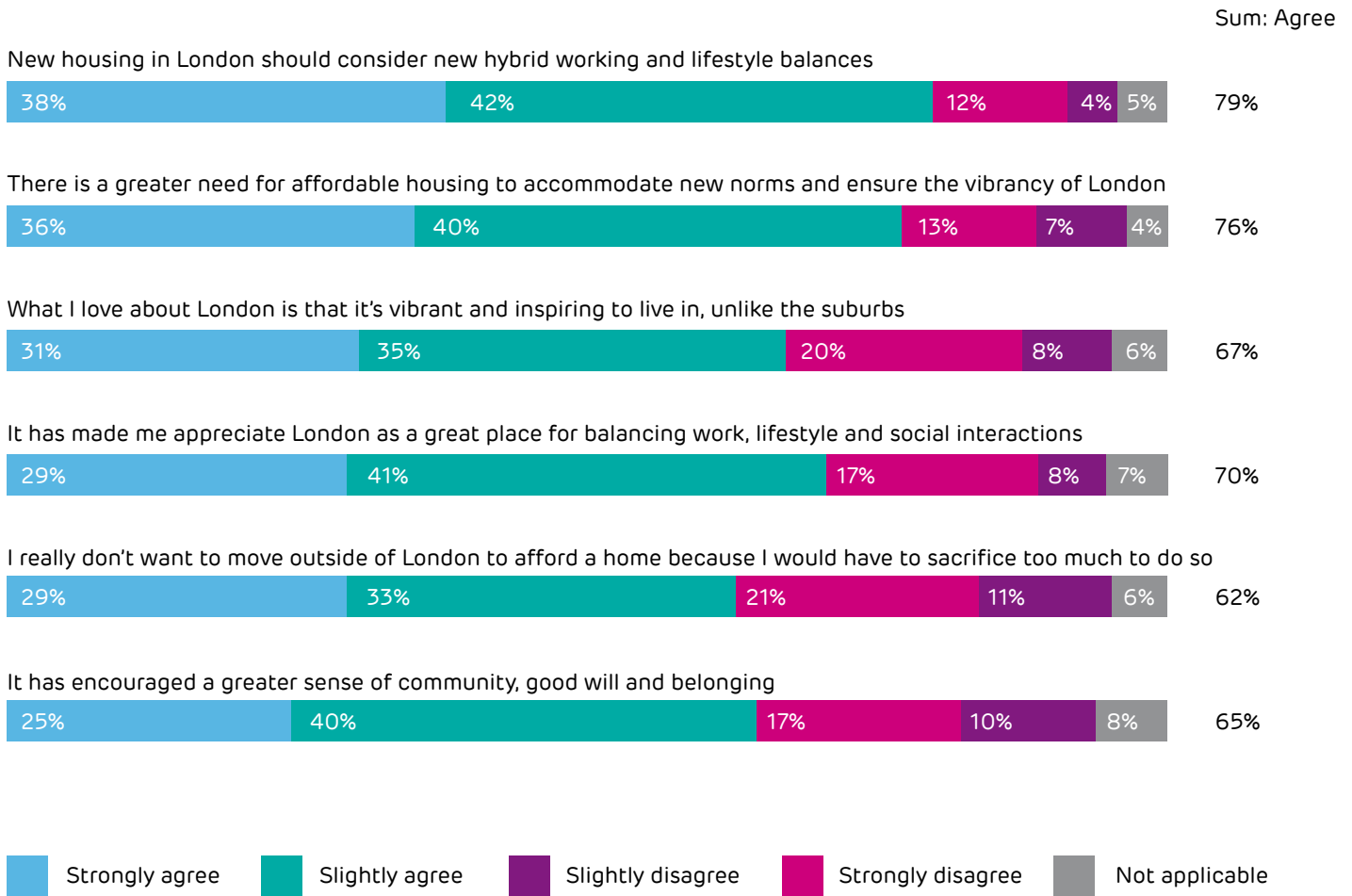
Level of satisfaction about living in London

Q. How would you rate your overall level of satisfaction about living in London?



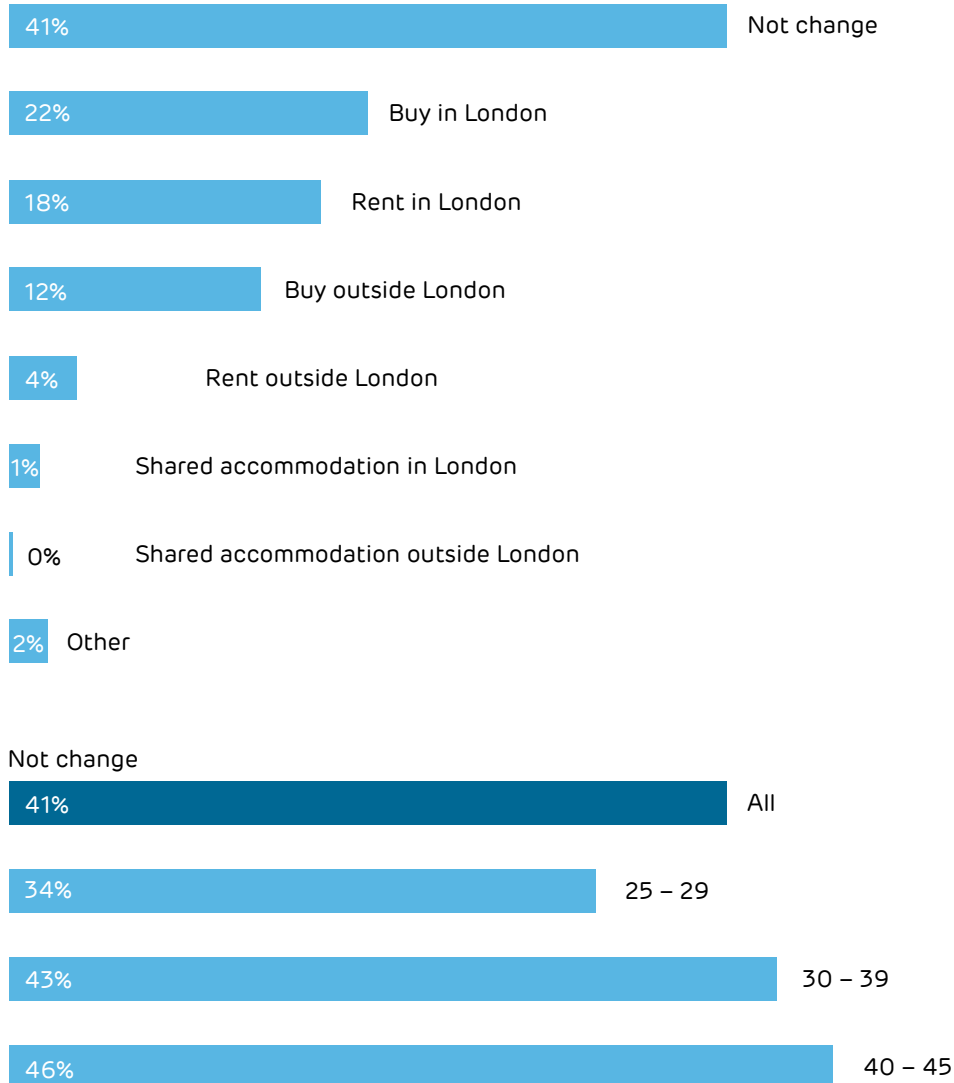
Opinions on current London housing situation

Q. How strongly do you agree or disagree with the following statements about the COVID-19 pandemic?



Housing plans in the next year

Q. What are you most likely going to do over the next 12 months for your primary place of residence?



Why renters want to own

The pandemic has changed people's perception of their home and what they want for their local area. While many found their home environment challenging or cramped, others found that their pride in their home was reinforced, as was the importance to them of where they live. This sentiment is borne out by research by the Adam Smith Institute published in September 2021* that showed that people were increasingly in favour of new housing delivery if they felt it would deliver positive outcomes for their local area.

This shows that:

- 67% back housebuilding if it would bring benefits to their family
- 68% back housebuilding if it meant local services would see an improvement
- 64% back housebuilding if it would help protect their local high street
- 64% back housebuilding if it led to people living closer to better paying jobs, reducing income inequality and boosting wages

This research cements the importance in housebuilders across the board prioritising the needs of the local communities in

which they are building. It is not about simply delivering more homes – they need to be built in the right place for the right people at a price that is affordable and, in turn, will help stimulate the local economy.

The most obvious and desirable route to anchor people in their community is to enable them to own their own home. In London alone we've found that many of the city makers we speak to feel priced out of the capital. To combat this there needs to be a greater acceleration in housing delivery to bring forward supply more quickly to allow prices to remain manageable for first-time buyers.

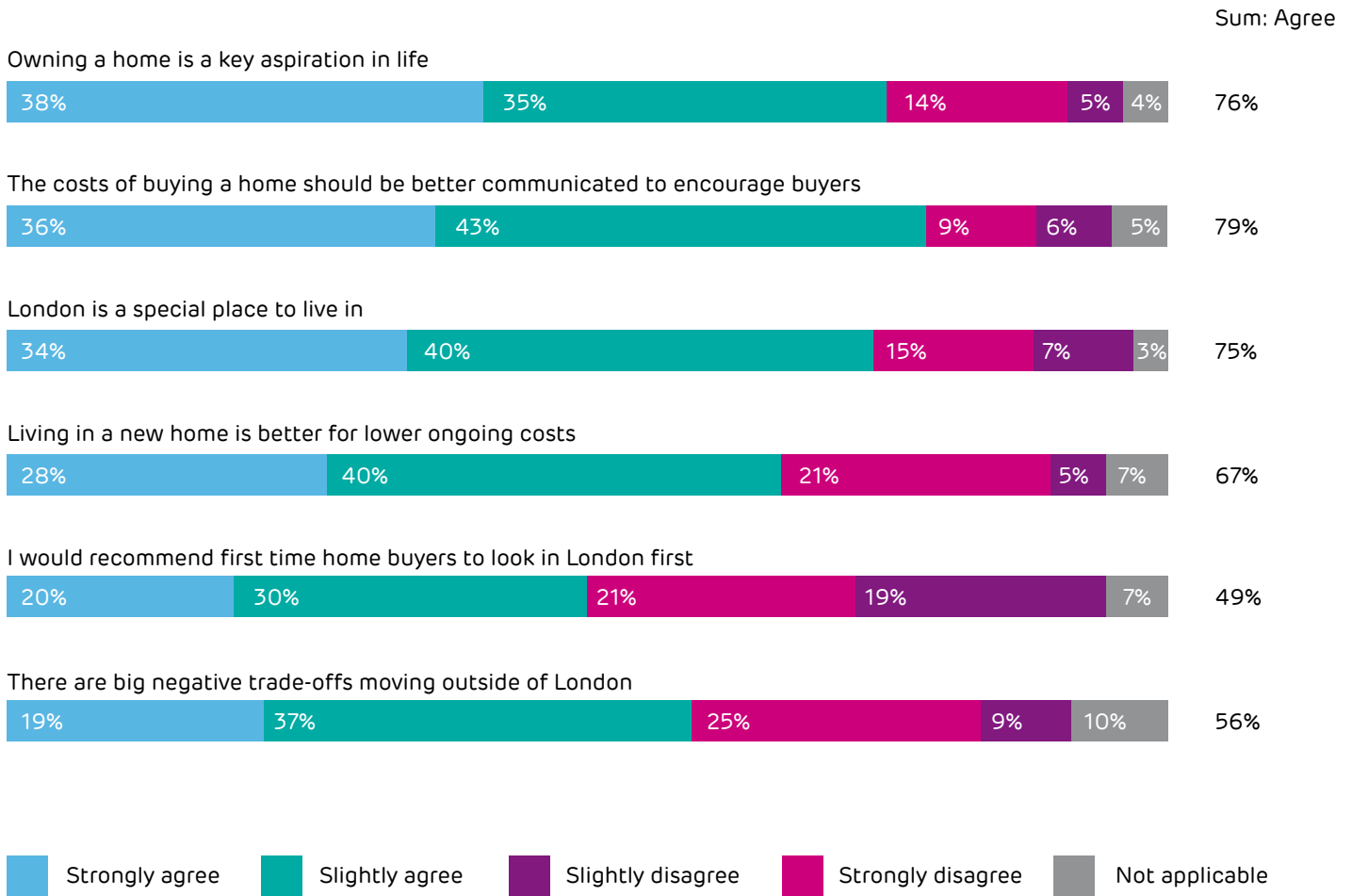
Homeownership is readily endorsed by those who already own in London. Pocket Living and FTI Consulting's polling shows that when presented with the statement:

- 'I would recommend first-time home buyers to look in London first', 56% of owners agree
- 'Living in a new home is better for lower ongoing costs', 69% of owners agree
- 'The costs of buying a home should be better communicated to encourage buyers', 77% of owners agree'

*Build Me Up, Level Up: CJT Local and Adam Smith Institute, September 2021

Current feelings towards London and owning a home

Q. How strongly do you agree or disagree with the following statements about buying a property and renting?



Current feelings towards London and owning a home – Renters vs owners

Q. How strongly do you agree or disagree with the following statements about buying a property and renting?

Owning a home is a key aspiration in life



The costs of buying a home should be better communicated to encourage buyers



London is a special place to live in



Living in a new home is better for lower ongoing costs



There are big negative trade-offs moving outside of London



I would recommend first time home buyers to look in London first



Methodology

Pocket Living's research was conducted online from 9th to 19th August 2021 with 1008 respondents, representative of those aged 25 to 45 years-old and living in Greater London.

The results were weighted to ensure a representative opinion was collected by each London borough, age, gender and general election behaviour.

FTI Consulting's Research team conducted the polling on behalf of Pocket Living.

Please note: As a consequence of rounding up percentage results, the answers to some questions might not always add up to 100%.

Owning the future

First-time buyers and the health of the nation