Home ownership – a smarter choice?

Buying out of reach for many people in Europe

ING International Survey Homes and Mortgages – Renting Versus Owning November 2017

thinkforward

Ipsos

This survey was conducted by Ipsos on behalf of ING

ING

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About the ING International Survey

The ING International Survey aims to learn how people around the globe spend, save, invest and feel about money. It is conducted online several times a year, with reports hosted at **www.ezonomics.com/iis**.

Ipsos conducted this survey between 2 June and 22 June 2017. Sampling reflects gender ratios and age distribution, selecting from pools of possible respondents furnished by panel providers in each country. European consumer figures are an average, weighted to take country population into account.

15

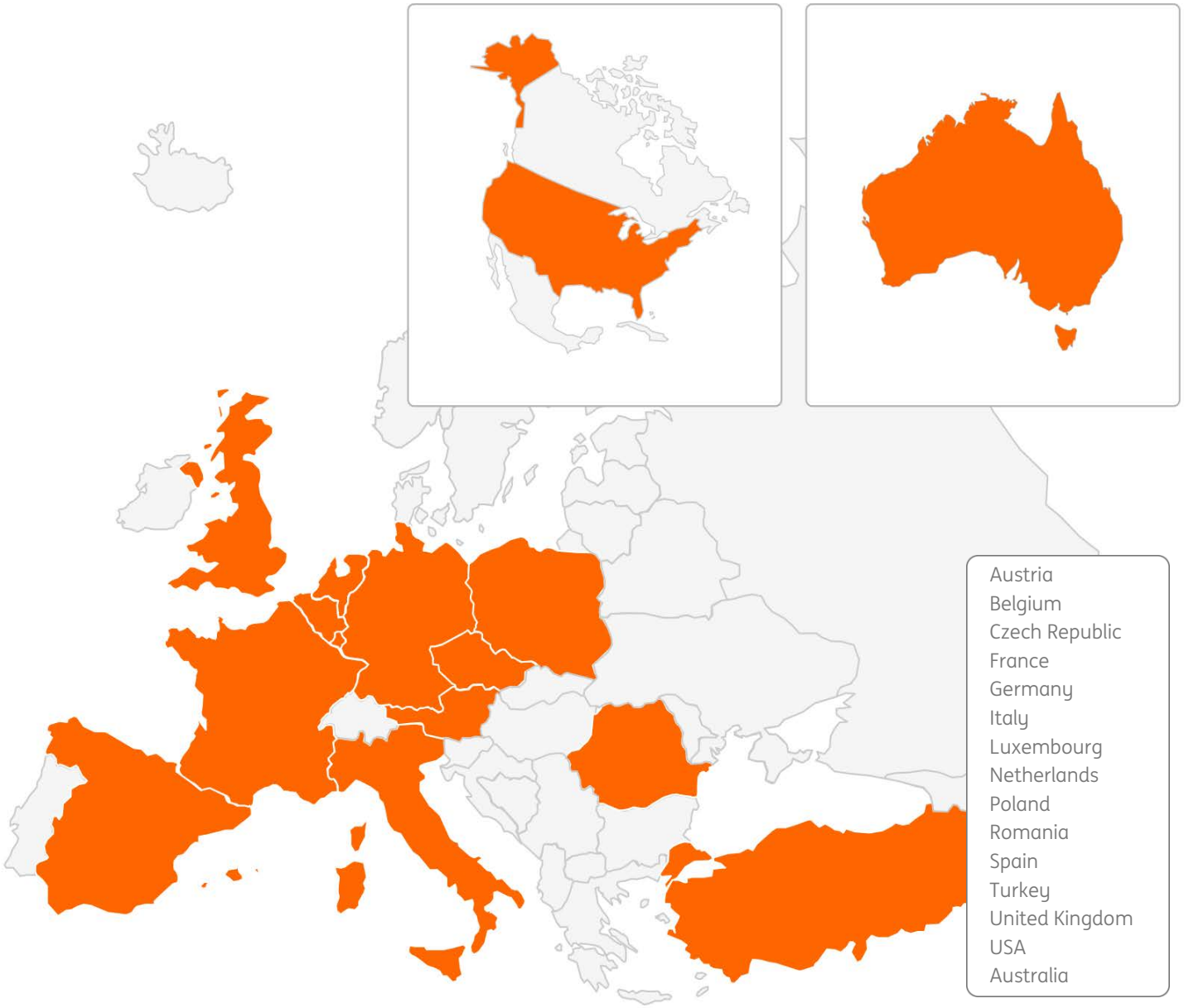
countries are compared in this report.

1,000

About 1,000 respondents were surveyed in each, apart from Luxembourg, with 500.

14,811

is the total sample size of this report.



Possessed by the dream – home ownership as realistic aspiration?

Owning your own home favoured most; buying a home a success symbol; about half say they cannot afford to buy

We found in our first homes and mortgages report for 2017 that 45% of people in Europe feel their countries are on the wrong track when it comes to housing. Could this relate to a gap between renters and home owners?

This second ING International Survey Homes and Mortgages 2017 report looks at the perspectives of renters versus owners across 13 countries in Europe as well as the USA and Australia.

We can reveal that 78% of home owners across 13 European countries say they are happy with their housing situation, versus 59% of non-owners. Responses are similar in the USA and Australia.

Those who don't own their own home are more likely (12%) than owners (5%) to say they are unhappy or even very unhappy with their current housing situation.

Exploring specific housing situations

Three in five (60%) of those who rent in Europe tell us they would like to own their home. This rises to around 70% among the 18-34s.

Just one in nine (11%) people in Europe who own would like to rent. This may be due to negative equity, financial overcommitment, or a desire for greater flexibility – for example, to move towards new work opportunities.

Renting may be preferred in certain circumstances, such as favourable regulation or if housing costs become very high.

However, 68% across Europe equate buying with a "smart money decision", with the share rising to a high of 83% in Luxembourg.

House prices have been rising in many countries.

So perhaps it's not surprising that an overall preference for owning, across the questions we ask, emerges even in countries like Germany – often characterised as a land of renters.

"Three in five (60%) of those who rent in Europe tell us they would like to own their home. This rises to around 70% among the 18-34s."

Aspirations versus affordability

But it's not just about having a place to live that you can call your own. Across Europe, 65% of the people we surveyed indicate they see buying a home as a symbol of success.

The shares who say this are largest in Poland, Turkey and Romania, with Italy and the USA next.

Sixty-six percent in Europe agree that everyone would buy if they could afford to.

Only 40% agree that renting provides more flexibility; just 27% indicate they think life is easier as a renter, compared with being a home owner.

One of the most sobering statistics, though, is that 48% of renters and other non-owners agree with the statement "I will probably never be able to afford to buy a home".

This rises to a high of 62% in Australia.

These results tally with the figures presented in our first 2017 report on homes and mortgages, released 11 September 2017.

One other finding in the earlier report was that a high share (61%) of people across Europe, the USA and Australia continue to feel housing is expensive in the area where they live.

Fleur Doidge, editor
Ian Bright, managing director of group research

“Will I ever have a place to call my own?”

While there can be advantages to renting such as flexibility to move for work or other opportunities, the ING International Survey Homes and Mortgages 2017 – Renting Versus Owning confirms that most people in Europe, the USA and Australia prefer to own their own home, if conditions allow. Yet for many, achieving this goal seems almost impossible.

60%
who rent would like to own

60% in Europe who rent would like to own. Just 16% disagree.

68%
say buying is a smart money decision

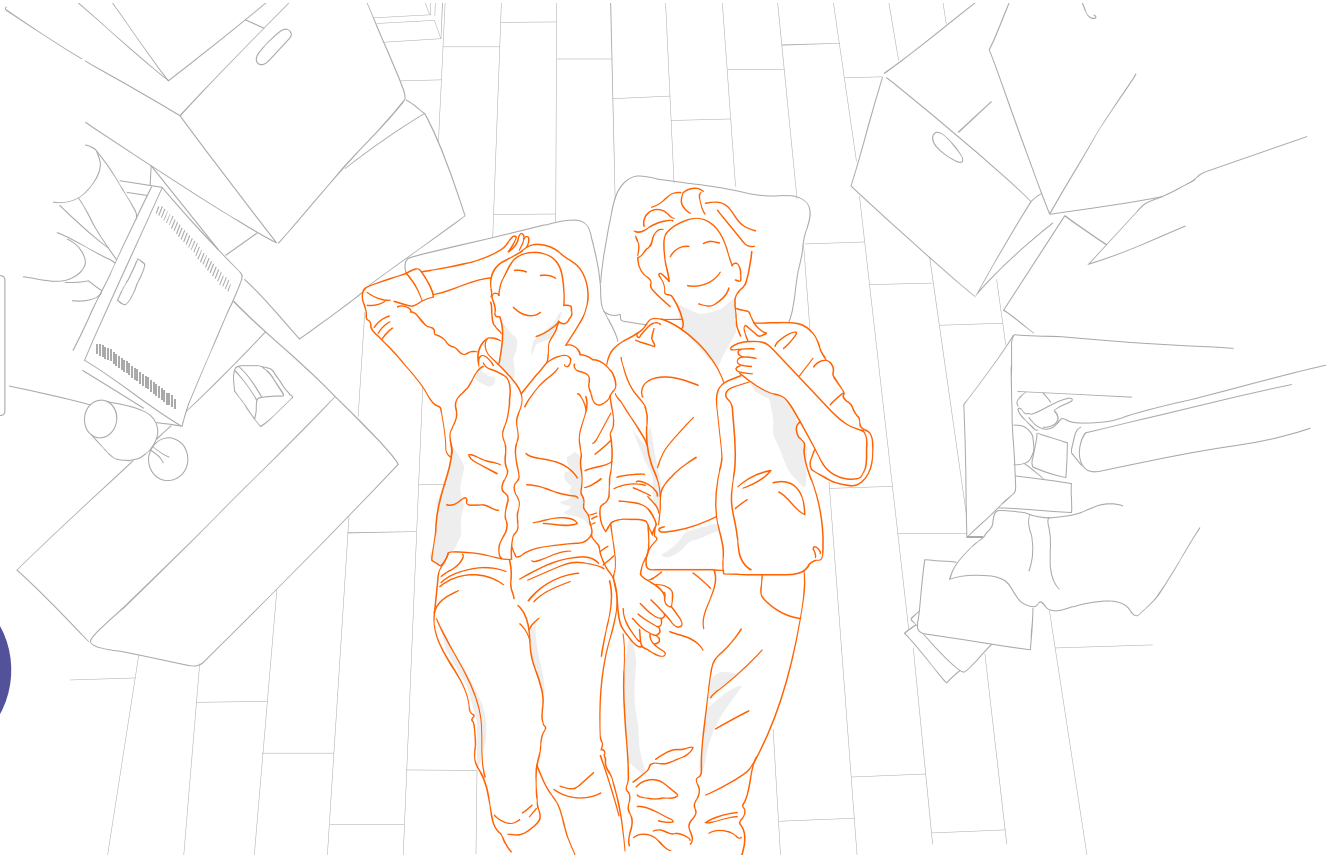
68% in Europe say buying is a smart money decision. Just 8% say the same about renting.

48%
of non-owners agree they may never buy

48% who don’t own agree they may never afford to buy a home; 62% say this in Australia.

40% say renting provides more flexibility than buying; 49% agree in Germany.

40%
say renting provides more flexibility



Most are happy with their home – but renters less so

This second ING International Survey Homes and Mortgages 2017 report looks at the perspective of renters versus home owners across 13 countries in Europe as well as the USA and Australia.

Most people indicate they are "happy" with their housing situation, with the full dataset showing a high of 78% among the over-65s, who are also more likely to own their home. The share who are happy is broadly unchanged from our 2016 survey.

And we also discover that 78% of home owners say they are happy, versus 59% of non-owners. The endowment effect may play a role – or the permanence of home owning may foster a more careful choice.

Those who don't own their own home are more likely (12%) than owners (5%) to say they are unhappy (or very unhappy) with their housing situation.

In Europe, 23% say overall they are "neither happy nor unhappy" with their housing situation.

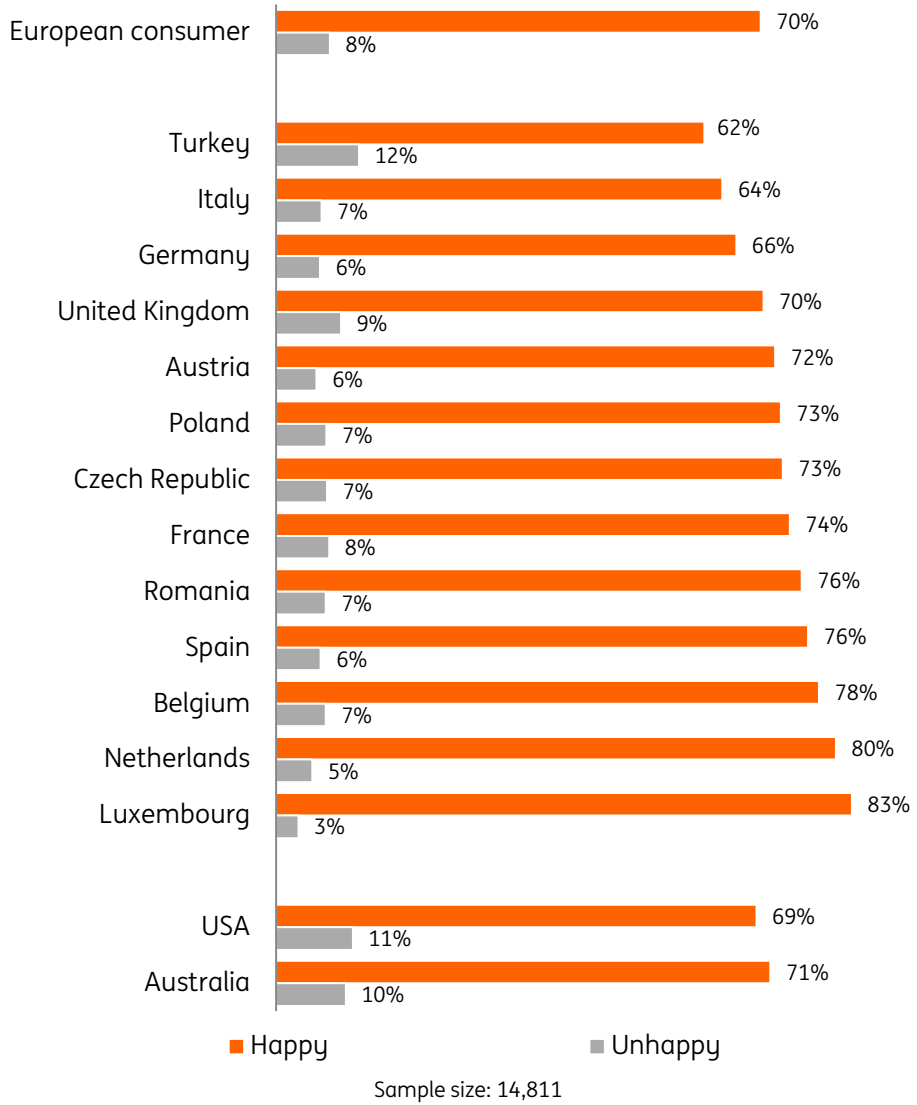
Happy – but housing is on the wrong path

Overall about half also believe their country is on the wrong track on housing – see our earlier 2017 report for more on this. Yet 65% of those who feel their country is on the wrong track say they are nevertheless happy; just 11% who say this are unhappy. Eighty-two percent of those who say their country is on the right track say they're happy; just 4% are unhappy.

The question

Overall, how happy or unhappy are you with your housing situation?

Shares across Europe who select "happy" or "very happy" versus "unhappy" or "very unhappy".



Sample size: 14,811

Few home owners would swap places with renters

On the previous page we discovered that home owners are more likely to be happy with their housing situation. The answers given to the two questions opposite indicate how many owners or renters might prefer a different set of circumstances.

Three in five (60%) of those who rent in Europe answer that they would like to own their home. This rises to around 70% among the 18-34s when we examine the full data set.

Presumably, the figure might be higher if owning a home were not as expensive. Our data from our first 2017 report confirms that 61% in Europe continue to say homes in their area are expensive.

Just one in nine (11%) people in Europe who own would like to rent. People whose homes have fallen in value, leaving them in negative equity and unable to sell up, may fall into this category.

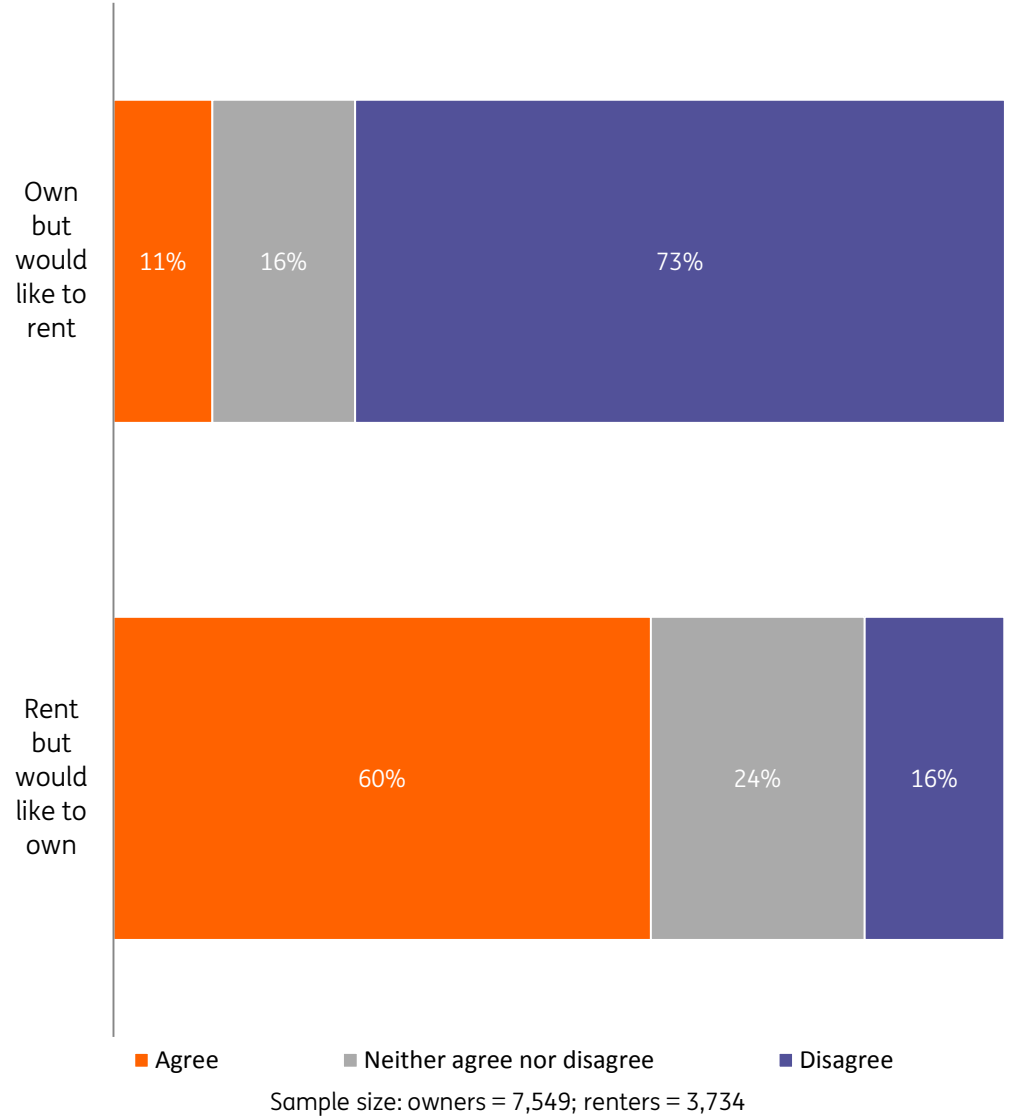
Others may have inherited their homes as a kind of heirloom; these people may feel selling their home would disappoint their relatives.

Some may perceive a greater need for flexibility in their home situation, for example to be able to move in a timely manner to a new or different job. Is this potentially related to growth in independent contracting or the "gig economy"?

The question

To what extent do you agree/disagree that "I rent but would like to own"/ "I own but would like to rent"?

Chart shows responses in Europe only.



Sample size: owners = 7,549; renters = 3,734

Nearly half of renters say they'll never afford a home

Our results confirm that many people in all 15 countries favour owning their home. Of those who rent, for example, 60% would like to own.

Sadly, as the chart opposite shows, around half of renters and other non-owners in all countries agree they "will probably never be able to afford to buy a home".

The share rises to 62% in Australia.

When a market adequately serves just half of its potential customer base, clearly there is room for improvement.

But what changes are needed? This is a difficult question to answer, especially when you consider that local conditions, politics, laws and so on play an important role.

Twenty-nine percent of non-owners in Europe neither agree nor disagree – and only 23% are confident enough in their long-term prospects to actively disagree that they'll never afford to buy.

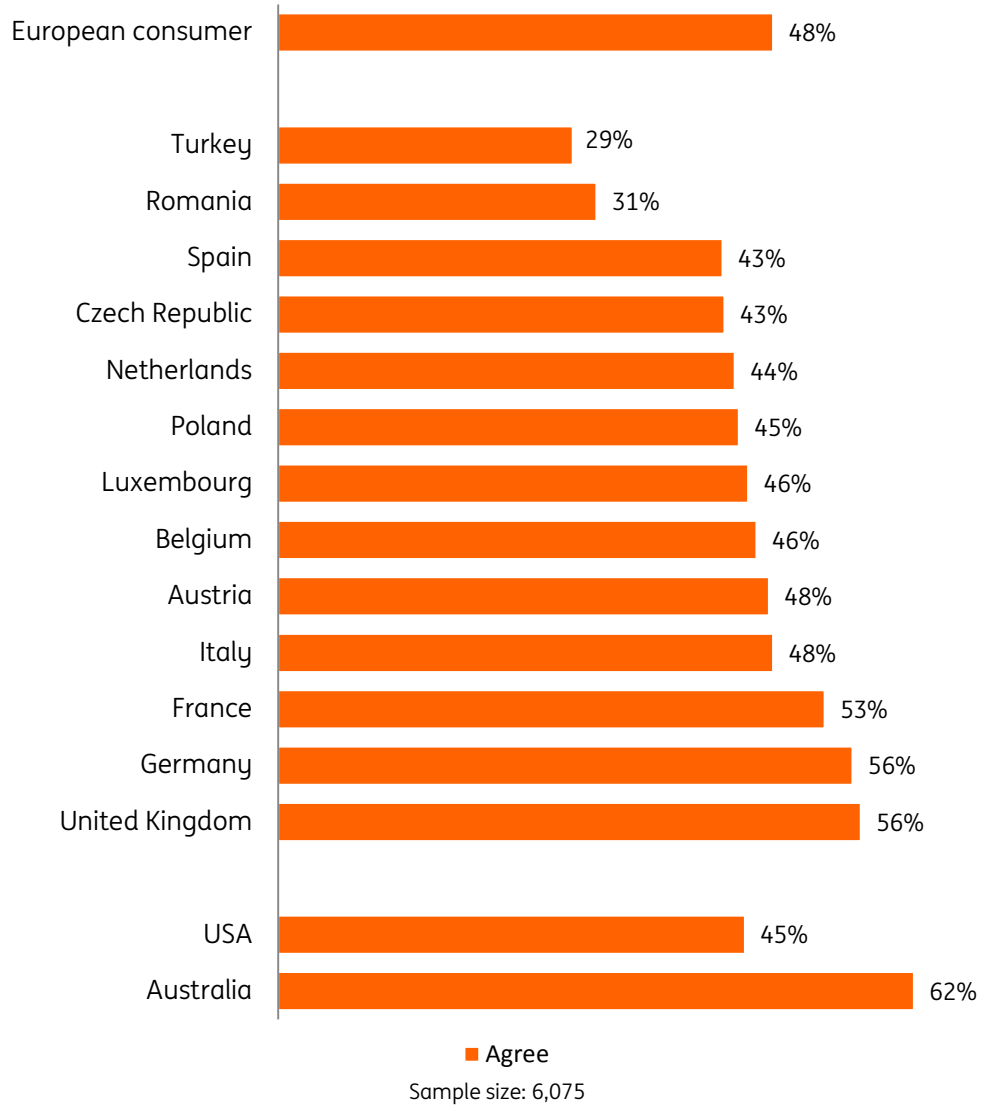
The gender and generation gap

More than half of non-owners aged 35+ agree they'll never afford a home, rising to 68% among the over-65s. The 18-24s are least likely to agree (31%), despite received wisdom that buying is harder today for younger people. With many years ahead, younger folk may remain optimistic. Men (43%) of all ages are also less likely than women (52%) to say they'll never buy.

The question

To what extent do you agree or disagree that "I will probably never be able to afford to buy a home"?

Shares who "agree" or "strongly agree". Asked only to those who indicate they do not own (or jointly own) their home, whether owned outright or being paid off via a mortgage.



Sample size: 6,075

“Everyone would buy if they could afford to”

When asked whether “everyone would buy if they could afford to”, more than half in all countries but the Netherlands (47%) agree with this statement.

Poland, Turkey and Romania have the highest shares to suggest everyone would buy if they had the money, of all 15 countries.

The USA has the largest share (20%) who actively disagree with the statement, followed by the Netherlands and the Czech Republic.

Many might expect Germany – often said to be a nation of renters, which other results in our survey do confirm – to have the largest share who disagree, but in fact Germany sits in fourth place.

Renting might be preferred perhaps in certain circumstances, such as favourable regulation or if housing costs become very high.

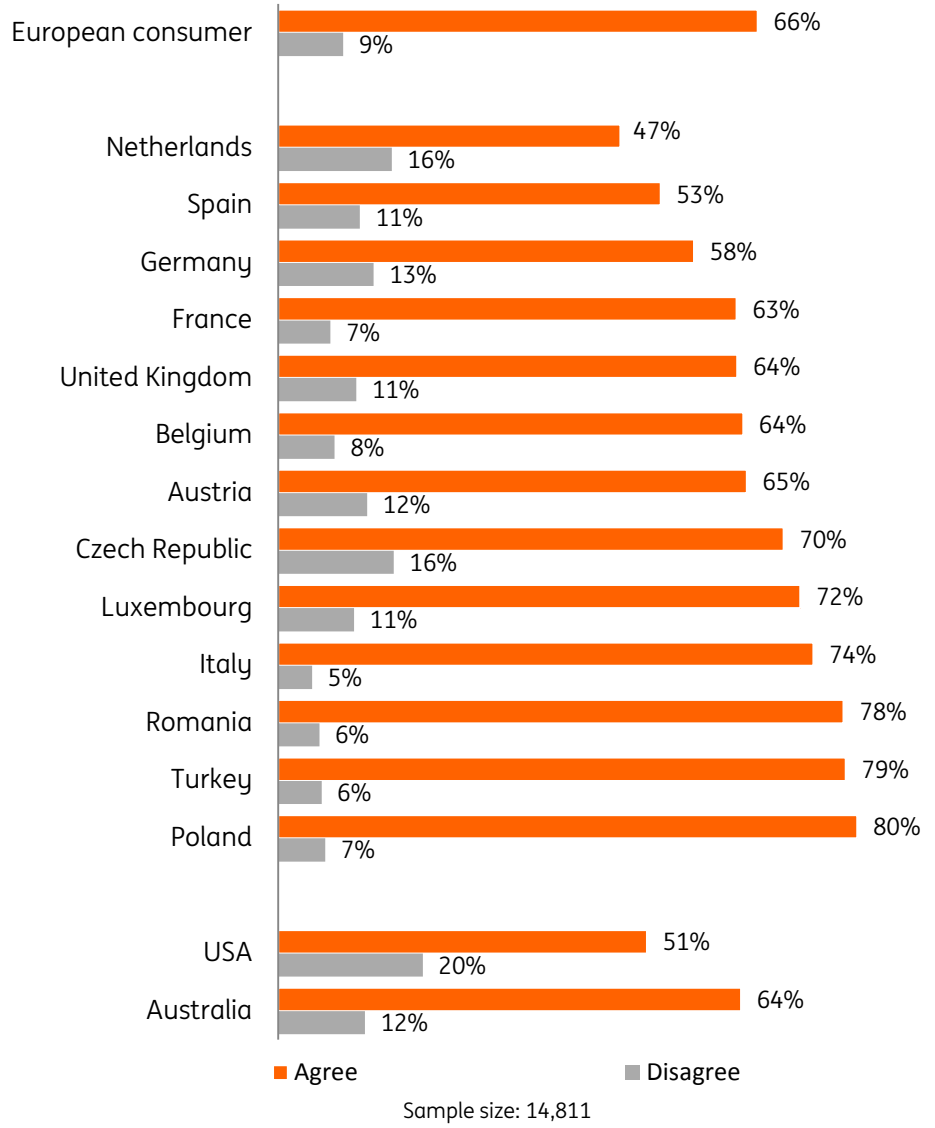
Although many in Germany give answers to many questions we asked that cast a relatively positive light on renting, the bulk of responses we received remain in line with the view that buying a home is better.

In fact, nearly three in five (58%) Germans agree that everyone would buy a home if they could afford to.

The question

To what extent do you agree or disagree that “everyone would buy if they could afford to”?

Shares who “agree” or “strongly agree” versus those who “disagree” or “strongly disagree”. Asked to everyone.



Sample size: 14,811

Buying is a smart money decision, say seven in ten

Most people in Europe, the USA and Australia equate buying a home with a smart money decision.

Just 8% in Europe plump for renting as the clever financial choice; 13% say both renting and buying can be smart. A grimly pessimistic 11% say “neither”.

Luxembourg has the largest share who say buying is a smart choice.

In Luxembourg, mortgage interest rates are partly deductible from annual personal taxes while renting is very expensive, with small studio flats easily costing €1,000 per month, with three months' rent to be paid in advance on top of high fees and other costs.

Meanwhile home prices are continuing to rise: in the city of Luxembourg alone they have gone up 50% in 10 years, with rents up 35% over the same time frame.

House prices are also increasing in the Czech Republic, and home owning has been on the rise: 80% of homes are now owned by the households who live there – up from just 25% in 1995.

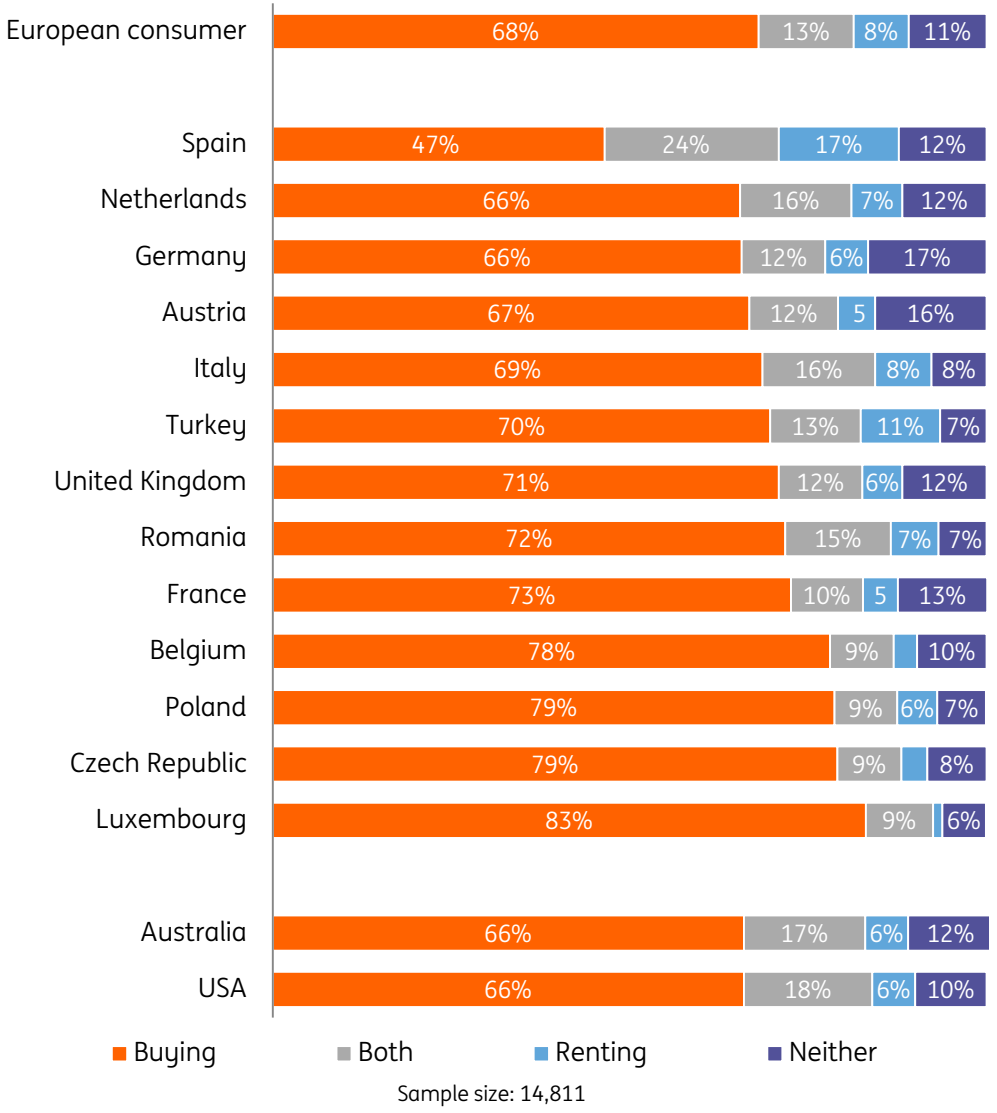
The Spanish (47%) have the smallest share who agree. In Spain, three in ten (29%) disagree that buying can be a smart decision – 17% say renting can be smart, while 12% say neither renting nor buying is a smart financial choice.

House prices have been going up in Spain too. However, local banks now only at best finance 80% of a purchase: 100% home loans are no longer offered in Spain.

The question

Thinking about the phrase “is a smart money decision”. Do you think it applies to renting, buying, both or neither?

Shares choosing each option. Asked to everyone.



Sample size: 14,811

Owning represents success although countries differ

Our results confirm that home ownership is seen in many cultures as something of a status symbol, often representing a considerable monetary achievement.

Across Europe, 65% of the people we surveyed equate buying a home with a symbol of success.

The shares who say this are largest in Poland, Turkey and Romania, with Italy and the USA next.

The Dutch are least likely to agree (45%).

The share in the Netherlands is 12 percentage points behind the next least likely country to hold this view, Austria.

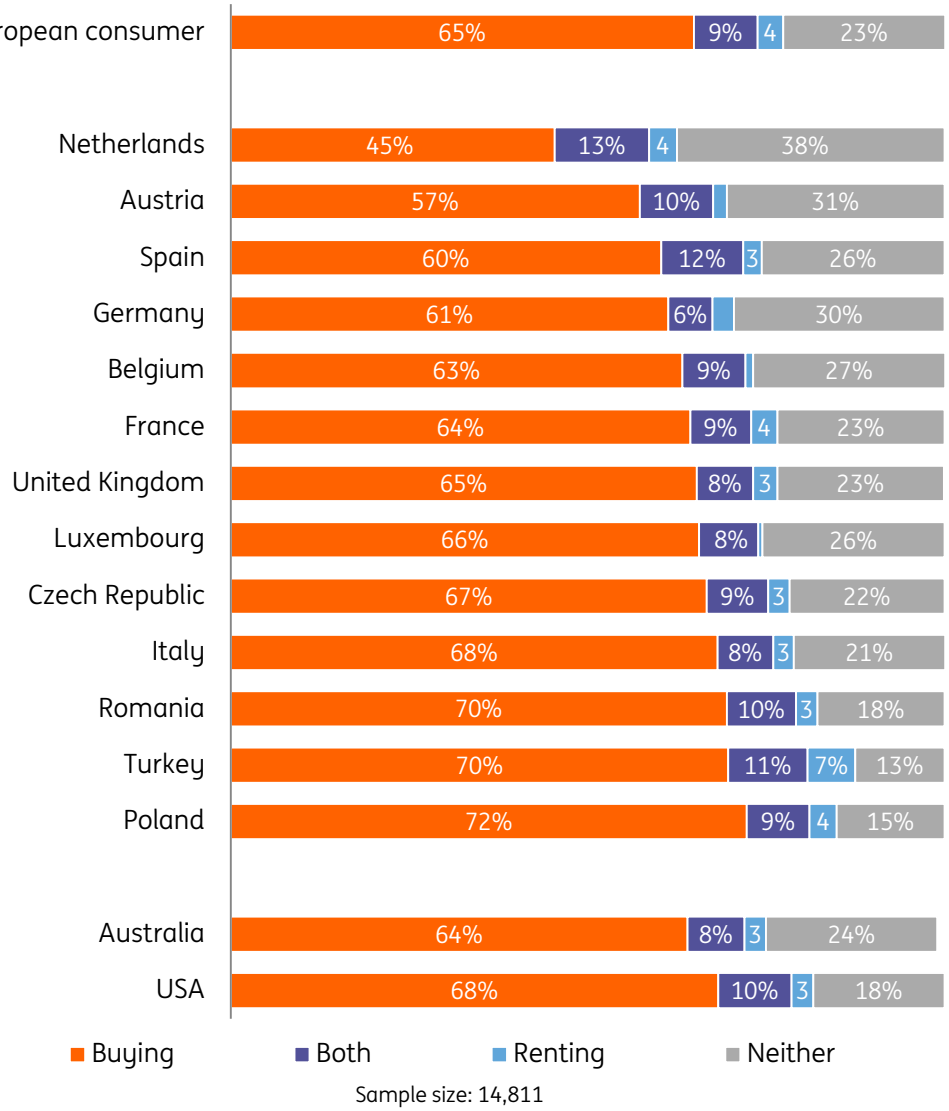
The Netherlands is 27 percentage points behind Poland, where 72% indicate buying a home symbolises success.

Across Europe, on average 23% say rather that neither renting nor buying is a symbol of success. The highest share who say this is in the Netherlands (38%).

The question

Thinking about the phrase “is a symbol of success”. Do you think it applies to renting, buying, both or neither?

Asked to everyone. Shares who choose each option.



Sample size: 14,811

But some do accept there can be positives for renters

Digging deeper into attitudes to renting versus buying, we compared people's answers to two statements, shown opposite.

Germany (49%), Spain (47%) and the USA (46%) are readiest to agree that renting offers more flexibility than buying.

In the USA (31%) and Turkey (31%), more people say that life is much easier when renting. Italy has more who agree (42%), but analysis of the translated survey question suggests Italian respondents would have interpreted it differently – and therefore answered differently.

Luxembourgers, Belgians and Romanians are least likely to agree that the renting life is easier.

However, more than a third, across all countries, select "neither agree nor disagree" when presented with either of the two statements opposite.

Many people favour owning a home over renting, but they also understand the full picture can be a complex one. There can be advantages and disadvantages, whether you rent or buy.

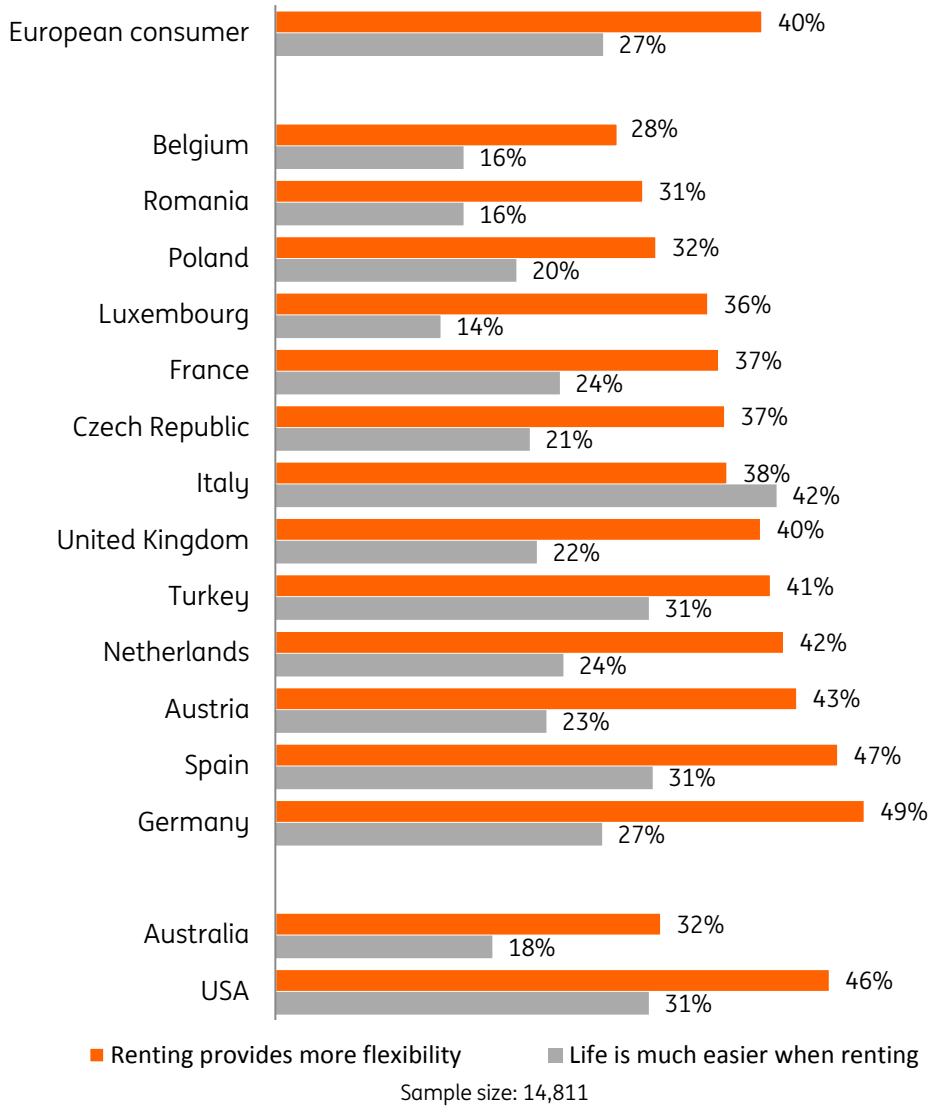
Owning is where the heart is

This survey confirms a common assumption that most people in Europe, the USA and Australia favour home ownership, compared with renting. Most countries we polled broadly agree on this no matter how the question is presented. Thirty-four percent "neither agree nor disagree" that renting provides more flexibility while 37% "neither agree nor disagree" that life is much easier when renting.

The question

To what extent do you agree or disagree that "renting a home provides more flexibility than buying"/ "life is much easier when renting (compared to buying)"?

Asked to everyone. Shares who "agree" or "strongly agree".



Sample size: 14,811

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