

Disillusion mounts in Europe's housing market

Most Europeans expect house prices to increase further over the next twelve months, reducing affordability and leaving many young people feeling shut out of the market. And the situation is expected to get even worse

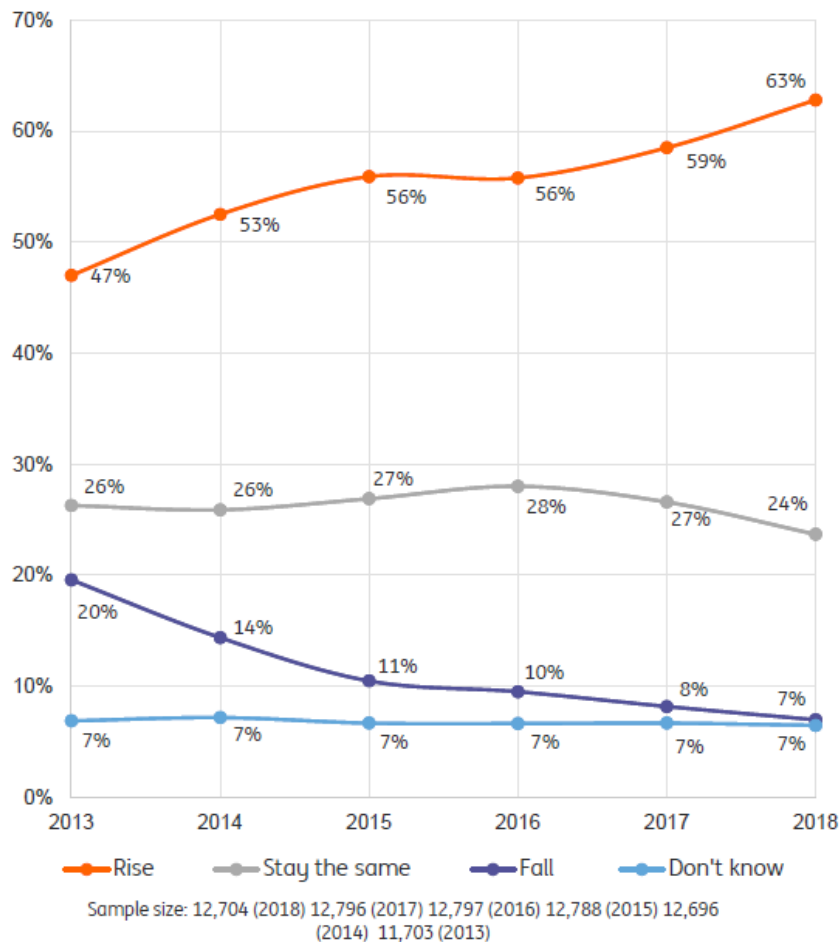


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A majority of people in Europe believe housing in their country is on the wrong track. And the main reason is because it's expensive. This is not restricted to one country, it's a common response across Europe, Australia and the US. These are key findings from the ING International Survey Homes and Mortgages September 2018 [report titled, "Are house prices too much of a stretch?"](#) the seventh annual survey of consumer attitudes to the housing market across Europe and latterly Australia and the US.

Do you think house prices will rise or fall over the next twelve months where you live?

European consumer totals only. Answer choices were "rise sharply", "rise slightly", "stay the same", "fall slightly", "fall sharply", or "don't know".



Not measuring up

Across Europe, 53% said their country was "generally on the wrong track when it comes to housing". Only 25% responded that housing was on the "right track". The remaining 22% chose "don't know". In six of 13 countries surveyed across Europe, more than half consider housing to be on the wrong track.

"In general, do you think your country is on the right track or wrong track when it comes to housing?"

There was no country in which more than half of the respondents said housing was on the right track. In all but two European countries (Austria and Italy) the situation has worsened when we compare responses to the same question in last year's survey. For Austria and Italy there was virtually no change.

The situation is better in Australia and the US with slightly fewer considering housing to be on the wrong track this year than last. Nevertheless, only 29% in Australia and 36% in the US consider it to be on the right track.

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Expensive, crowded and unfair

When asked what best characterised housing in their country, the most common response by far was “expensive” (at 57% across Europe) with “unfair” (26%) and “crowded” (22%) the next most common choices from an 11 item list. The responses are similar for both owners and renters but renters are more likely to agree with negative descriptions. Unsurprisingly, owners are more likely to characterise housing as an “investment opportunity” but even so, only 22% of owners chose this option, the same percentage as owners who chose “unfair”.

These concerns seem to be having an impact on home buying expectations. Of those who don't own, 35% across Europe said they don't expect to be able to buy. Further, of those who do expect to buy, only 9% expect to do so by the time they turn 30. Conversely, 60% of those who already own property bought before they turned 30.

Feeling out of control in your home market

When it comes to housing, people typically consider conditions in their individual nation or the local area. This is what they experience and reflects much of the information from media. While understandable, concentrating on local conditions risks missing important information.

House prices globally have “shown a growing tendency to move in the same direction at the same time” according to the [International Monetary Fund](#). This is largely due to the increasing integration of financial markets, persistent low interest rates and increasing activity by institutional investors in major cities. “House prices are starting to behave more like prices of financial assets such as stocks and bonds, which are influenced by investors elsewhere in the world,” according to the IMF.

A common error when investing is known as [home bias](#). This is the tendency to have too much of your money located in your home country, reducing the opportunities of diversification. When considering housing, it appears increasingly that individual people and possibly national governments have less control of their housing markets than in the past. As much as this is a factor driving up house prices, it will feed feelings of unfairness.

Don't stop at the hard numbers – emotions matter

What people say matters. And when lots of people across 15 countries say a similar thing multiple times, it's time to recognise the importance of the message. Hard numbers such as affordability ratios are part of the equation, but responses to clear-cut questions about where the housing market is headed and where people feel they fit within it are the other part. Together they build the view that housing is very much on the wrong track and many feel like they are being swept along without an opportunity to get on the property ladder. There is more to the story than avoiding avocado on toast.

And for many wanting to get ahead in life, housing is important personally and socially. It's not

just about prices.

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