

# Housing market polarises opinion between the haves and have-nots

Those scrambling to get onto the property ladder see risk where homeowners see reward



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More than half (55%) of Europeans think their country's housing market is on the wrong track. This group has grown year-on-year since 2017, when 45% considered this to be the case.

These people share concerns that the housing market is unaffordable for most and more expensive than in other countries (although this cannot be true of everywhere). A third also think the market is ineffectively regulated, meaning that policies do not address the supply and demand of housing in a way that makes the market accessible for new entrants.

In this environment, those yet to buy a house are predominantly put off by high house prices, a fear or discomfort of taking on a lot of debt, and likely interest rate hikes over the life of their loan. While at record, or near record lows, any increase in interest rates will drastically impact repayment plans and periods for first-home buyers.

This is one way to look at the housing market.

## Two views

The opposing view sees about a third of Europeans say the housing market in their country is on the right track. These people tend to focus on financial returns and future prospects in explaining why the housing market in their country is on the right track.

Most commonly, those in the right track camp say there are investment opportunities within housing and that they can make a good return. In addition, they are more likely to suggest that housing is affordable for most people. That in fact, there isn't a pricing problem for those trying to get onto the ladder for the first time.

Two very different pictures are painted by both groups. One, a market full of opportunity, or at least providing opportunity for most people. The other, prospects for a select club. So, which is it?

Overwhelmingly, the majority of Europeans are in agreement that it is increasingly difficult for first home buyers to get onto the property ladder. In addition, many agree that house prices will continue to rise in the next 12 months, which would make buying harder still.

## Late bloomers

The data also show that lots of people are buying their first home later in life, taking longer to save up their deposit and repaying their loan over longer periods.

So, how are first-home buyers approaching such a challenging market? Well, most still want to buy houses, but they accept this will likely happen later in life. As a consequence, people are going about funding their future home in a way that reflects this. We are more likely to have multiple financial priorities to consider, which has impacted how we spend and save. We want to buy a house, but we also want to travel, have kids, repay our education debt and have a bit of fun along the way.

Housing is one of the most expensive things we will buy. Changing how we perceive the market being on the wrong track will arguably be a macroeconomic and political feat. Governments that have for many years incentivised home ownership, for example, may have to rethink their housing market design. Supply of housing and zoning restrictions may need reconsidering.

## Creative cohabiting

What we think of as a 'home' - somewhere we can raise a family and invest time, effort and money, may naturally adapt. To achieve this, we may need to be more creative by cohabiting with relative strangers or living with our in-laws for longer periods, in order to save, for example.

Many of our opinions reflect experience. What's easy to remember, front of mind and meaningful to us, will tend to influence perceptions. With so many feeling they are priced out of the housing market - 38% of renters who have never owned now say they aren't sure whether they will be able to afford a house - the number who think their housing market is on the wrong track may further rise. Similarly, our own experiences can often prevent us from changing such embedded opinions in the face of contrasting evidence. House prices have on the whole been steadily rising for the past 10 years, which may explain why almost half (44%) in Europe say that house prices never fall.

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