

Smashed avocado on toast and the housing market

As house prices continue to rise, the next generation of home buyers have been greeted with an uphill task getting themselves on the property ladder. ING Research Managing Director, Ian Bright, explores the situation and smashes a few myths along the way



Source: istock

Fact and fiction in financial priorities

Smashed avocado on toast. The words have morphed from a pricey item on a breakfast menu to a form of insult; usually one directed at a younger generation by those in an older group. The gist of the put-down is a nod towards those aged roughly under 35 for not having enough financial discipline to save for a house deposit, and instead squandering their money on expensive treats. In 2017, the BBC even calculated [an avocado on toast index](#) comparing how many of the breakfast delicacies people in various countries would need to forego to save a 20% deposit on a typical property.

1 Young people do own property

The young are not necessarily feckless. By the age of 35, 24% across Europe own a property with a

mortgage. That's essentially equal to the 25% of those aged 35 or older in the same situation.

Surprisingly, 19% of under-35s responding to the online survey say they own without a mortgage. Less surprising is that this rises to 41% for those over 35, largely due to many having paid off their mortgage by the age of 55.

2 Younger people want to buy

Despite property being expensive, younger people have not given up hope of buying a house. Only 5% of those in Europe aged under 35 who have never owned a property and are renting don't want to buy. Fourteen percent say they don't expect to be able to buy and 12% don't know if they will buy. Together, that's almost a third of people (31%) who are seemingly unlikely to own a house in their lifetime.

Those older than 35, who have never bought a property and are renting, have different attitudes and expectations. Twenty-two percent don't want to buy; 50% don't expect to be able to buy and 14% do not know. Together, that's 86%.

While the older of both groups may be more realistic about their prospects, the young still dream of owning a house.

3 Younger generation have more choices than those that came before

Over the past few decades, house prices have risen faster than wages, inflation and other consumer goods in many countries, and crucially in many their key cities. The IMF's global housing watch provides plenty of [evidence of this](#). A standard response to changes in relative prices is to buy more of the less expensive product.

Travel is one such example. The Economist magazine in 2018 noted that [airfares have halved in real terms](#) between 1995 and 2014, according to the International Air Transport Association. Long haul air flights dropped further still between 2014 and 2018. As such, travel is no longer the preserve of the well-heeled and retired.

This hasn't gone unnoticed by the young. Only 2% separated those aged under 35, who said saving to travel was more important than saving to buy a home (48% - 50% respectively).

However, the picture becomes even more nuanced. Of those likely to never have owned a house, irrespective of age, 81% in Europe prioritise saving for something other than a house. These include not only travel but paying off education debt, spending on hobbies and having children.

So, while owning a home is a life goal for many, it is not the only one. If the opportunity to achieve several goals is more possible now than in the past, that needs to be recognised. Even celebrated.

4 Younger expect to live longer

Life expectancy is increasing. [The 100-year life](#) may soon become a common reality. Research by Lynda Gratton and Andrew Scott argue this will change how we live and work. The current three stage approach of education, career and retirement could be replaced by one with multiple stages with greater opportunities to personalise our own individual approach.

This has important implications for the young. Buying a house is a big commitment. It will typically take decades to repay and have major implications on the way you live. If you expect to live longer, there needn't be such a rush into home ownership. The responses in the latest ING International Survey appear to reflect that realisation.

5 Many believe their country's housing markets are on the wrong track

There is one thing both the young and the old largely agree on when it comes to housing. In general, they believe their country is on the wrong track.

Across Europe, 53% of those aged under 35 and 55% of those older than 35 chose this option over being on the right track. Only a respective 31% and 26% consider their country to be on the right track. A lack of affordable housing is the main reason people consider housing on the wrong track, but regulation and congestion also feature highly.

A global and a local issue

It may be commonly thought that an issue such as housing is a local, not a national issue. But this does not appear to fit with research from various organisations.

The IMF has noticed a commonality in housing challenges across many countries for many years. In January, The Economist magazine ran a special report on housing markets under the editorial title of ["The horrible housing blunder"](#). The ING International Survey similarly shows common concerns about housing by consumers in many countries.

The seriousness of housing problems, its pervasiveness across countries and the diversity of studies and institutions that recognise this means it cannot be dismissed with a throwaway line about a culinary treat.