



Is housing on the right path in 2017?

The cost of comfort in Europe, the USA and Australia

ING International Survey Homes and Mortgages – Home Costs and Prices September 2017

thinkforward



This survey was conducted by Ipsos on behalf of ING



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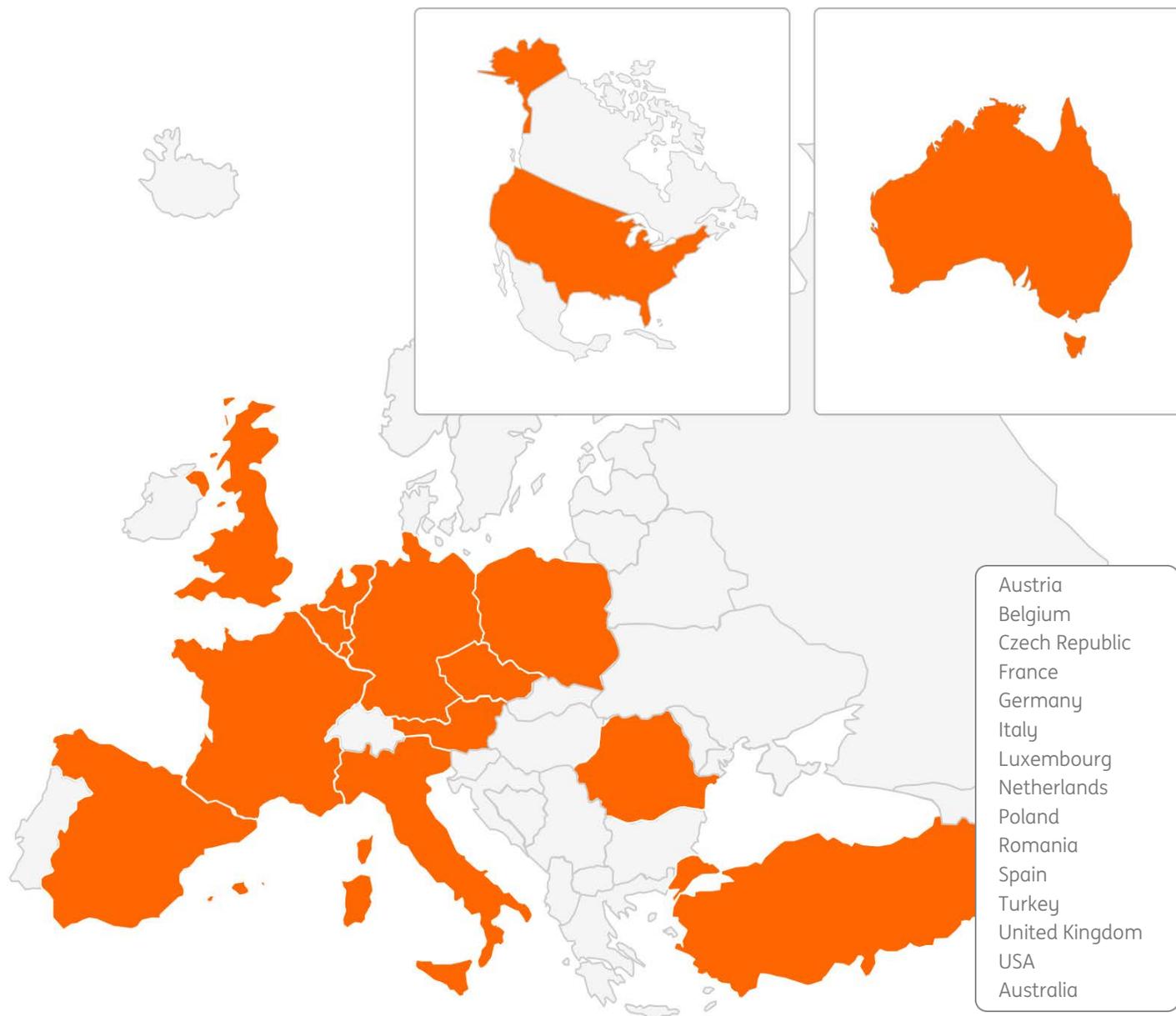
The ING International Survey aims to learn how people around the globe spend, save, invest and feel about money. It is conducted online several times a year, with reports hosted at www.economics.com/iis.

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 adults over 18 were surveyed in each, apart from Luxembourg, with 500.

14,811
is the total sample size of this report.



Almost half say their country is on the wrong road with housing

People also say homes are expensive where they live – meanwhile predicting further price rises in coming months

The ING International Survey Homes and Mortgages 2017 reveals that many people who live in Europe (45%), the US, or Australia feel their countries are on the wrong track when it comes to housing.

In Spain 58% say this. Next are Turkey (52%), Germany and Australia (50%), the UK, and Luxembourg (49%).

Why might this be? In the following pages we chart people's sentiments in response to questions on price expectations, cost and payment difficulty.

Results from our 2017 report, as in our 2016 report, underline that many believe current house prices are expensive where they live. Across Europe, 61% say houses in their area are expensive – just seven percent say they are inexpensive.

Expectations for further price rises

And the situation may be worsening in the eyes of many: looking to the next 12 months, most people in most countries expect house prices to rise. The exceptions are the UK and Italy, where less than half of those polled predict increasing house prices.

Only in the UK and Belgium has there been a significant year-on-year reduction in the shares who expect house prices to rise in the next 12 months.

Meanwhile, a third of people in Europe continue to believe “house prices never fall” – which suggests many may feel unjustifiably secure about the potential return on any property investments.

About one in five say paying rent or mortgage is either “difficult” or “very difficult” for them in 2017. This is a similar share to previous years.

Paying rent is typically more likely to be perceived as difficult; the smallest percentage who say this is in Germany. Higher shares in the Netherlands say mortgage payments are easy.

“And the situation may be worsening in the eyes of many: looking to the next 12 months, most people in most countries expect house prices to rise.”

House prices not the only factor

We find that 12% of those in Europe who included specific costs in their original estimate ended up choosing a current home that cost more than the price range they initially set themselves.

Of this group, three in ten (29%) say their home was at the top end of what they had wanted to pay; 45% say the cost of their house was “somewhere in the middle” or lower than their original budget.

Nearly half (48%) of both owners and non-owners in Europe say regular expenses for their current home are about the same as they had expected. For 23%, however, running costs exceed original estimates.

We find that many also suggest they may remain in their current home – perhaps even forever. This share tends to increase with age.

A home is both a financial decision and our shelter, and we can become emotionally attached to our homes even if we recognise they aren't perfect. Furthermore, people adapt to their homes – and the hassle or difficulty of moving might outweigh the expected benefits.

Overall, the picture painted is one of expensive housing, with a significant share spending at the top of their budget, and some finding it difficult to keep up with finances. And stretched budgets can leave people more vulnerable to unexpected events.

Fleur Doidge, editor

Nathalie Spencer, behavioural scientist



Cost of comfort is high – while prices keep rising

In the ING International Survey Homes and Mortgages 2017, 45% of people in Europe indicate their country is on the wrong track when it comes to housing. We also asked many questions on affordability and housing costs – some find it tough in 2017 to pay for their home, whether they rent or pay a mortgage.

61%

say houses are expensive in their area

61% say houses are expensive where they live; 59% say prices will increase further.

41%

say their home cost a lot

41% say their house price exceeded or was at the top of their budget; 20% say paying is difficult.

23%

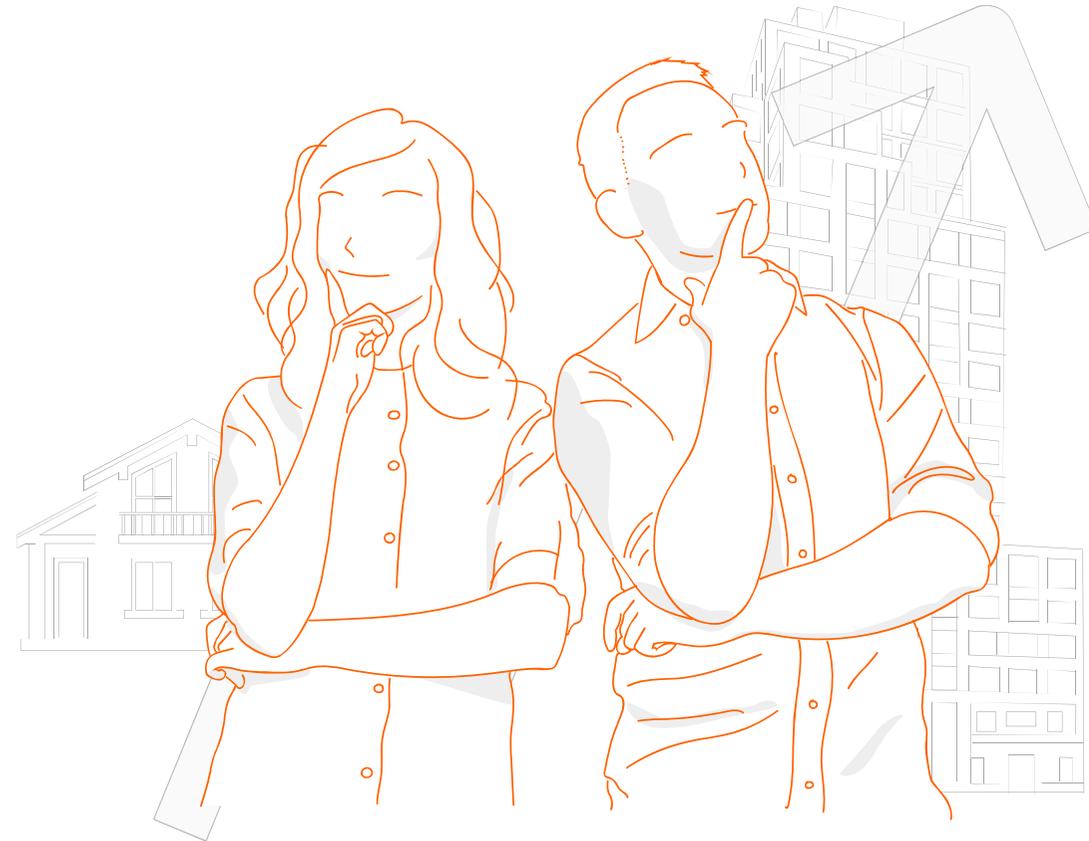
say running costs are higher

23% say running costs are higher than expected; only seven percent say home expenses are low.

33% say house prices never fall, with the share rising to 59% in Turkey.

33%

say house prices never fall



How people feel about housing in their country

Are Europe, the USA and Australia on the right track on housing? The ING International Survey Homes and Mortgages 2017 asks this question in the broadest possible sense – and large shares (45% on average across Europe) feel their countries are on the wrong road.

In Spain 58% say this. Next are Turkey (52%), Germany and Australia (50%), Luxembourg and the UK (49%).

Smaller proportions, overall, say their country is doing well on housing issues – with the Netherlands and Poland the most positive.

In Romania, equal shares (35%) choose each option.

More than one in four (26%) across Europe answer “don’t know”.

Women are slightly less likely (26%) than men (33%) to say their country is on the right track on housing.

In the following pages we chart people’s sentiments in response to a series of questions on price expectations, costs and payment difficulty.

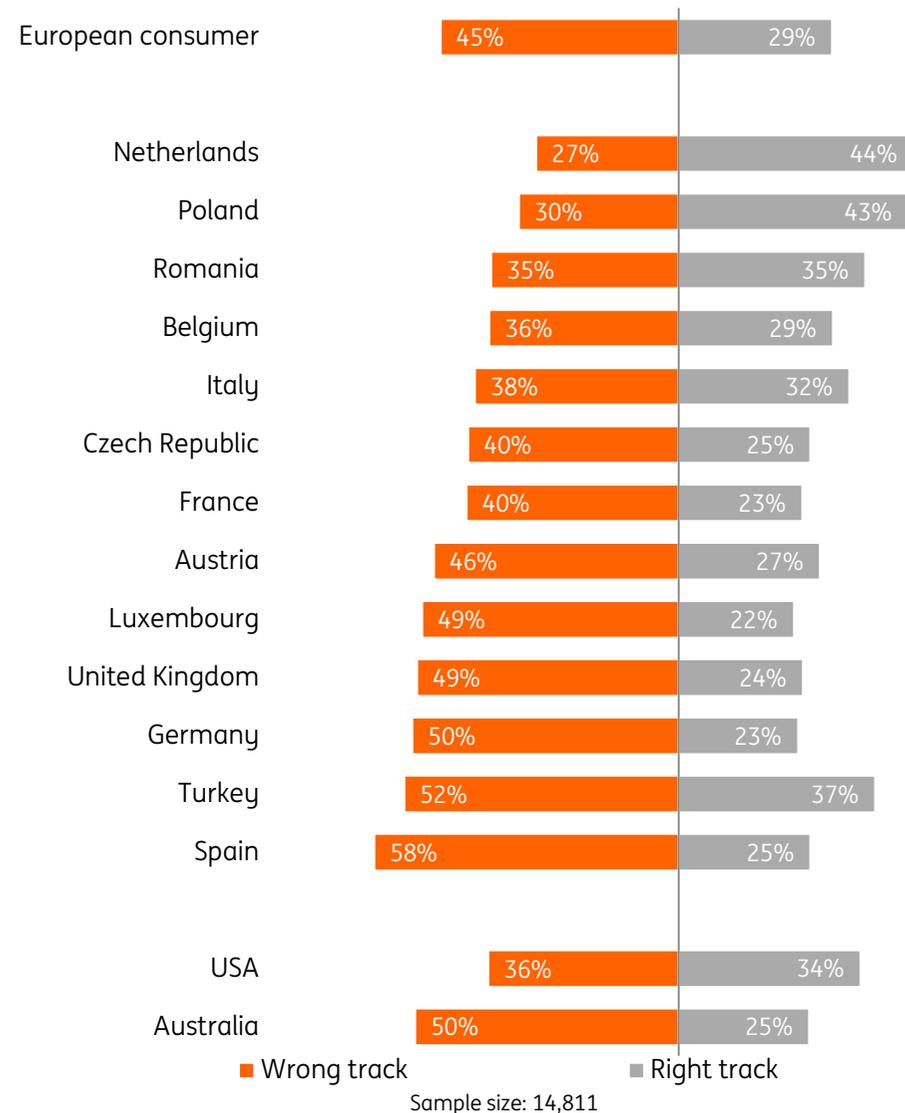
Why is your country on the wrong road?

We are careful when interpreting the answers to this question, as we did not also ask why people say their country is on the wrong track. Yet our full dataset reveals people who say this are also more likely than those who see their country on the right track to say paying for housing is difficult (26%; 13%), be unhappy with their housing (11%; 5%) or agree they’ll never afford to buy a home (30%; 18%).

The question

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

Asked to everyone. People could also reply “don’t know”.



Is everywhere expensive? Evidence from 15 countries

Our 2017 report, like our 2016 report, confirms that many people feel current house prices are expensive in their area. Is this one reason why high shares indicate their country is on the wrong track when it comes to housing?

Across Europe this year 61% say houses where they live are expensive – just seven percent say they are inexpensive. Almost no one in Luxembourg says local house prices are inexpensive – the high is in Italy (13%).

Perhaps this is not surprising, given that figures published by the IMF reveal that house prices increased relative to incomes in a number of OECD countries in Q1 2017, including in Europe. House prices also increased relative to rents, in more than half of 36 OECD countries surveyed.

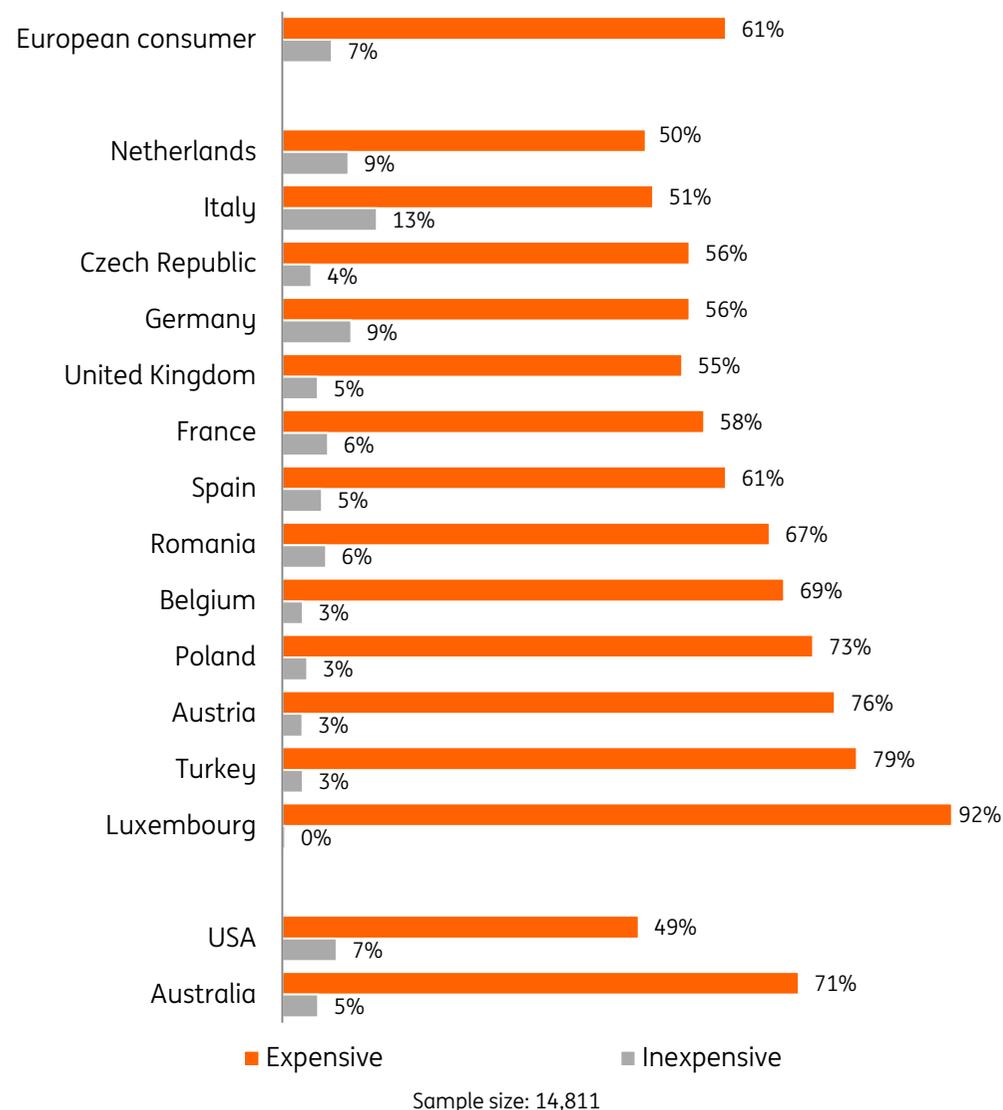
About three percent in Europe replied “I don’t know” to our question.

Expensive housing is one factor that can squeeze household budgets, leaving less to save or invest. We know from the ING International Survey Savings 2017 that many people in 15 countries studied are saving very little, or even nothing at all.

The question

What is your opinion regarding current housing prices where you live?

Asked to everyone. People could also reply “about the correct level” or “I don’t know”.



And in a year? House prices still expected to rise

Looking to the next 12 months, most people in all countries expect house prices to rise – except in the UK and Italy, where less than half predict increasing house prices.

The share who expect house prices to rise has fallen noticeably in the UK now for two consecutive years.

In Romania, Spain and the Czech Republic this year, much higher shares expect house prices to rise than in previous annual surveys.

Romania stands out – the proportion who expect rising house prices where they live in the next 12 months has jumped from 52% in 2016 to 72% this year.

No doubt local conditions play a role. In the UK, for example, uncertainty about Brexit – the country’s vote in June 2016 to leave the European Union – may be part of the reason a smaller share predict rising house prices in the next 12 months.

What changed in Romania and Spain?

House price expectations seem to have shifted most dramatically in Romania, where prices have reportedly risen throughout the year so far. However, of the Romanians who say prices will rise, most say they will only rise slightly. In Spain, an economic recovery may be key: getting mortgages had been harder during the crisis but now rents have risen while mortgages (and jobs) are easier to secure.

The question

Do you think house prices will rise or fall over the next 12 months where you live?

Table shows those who said “rise sharply” or “rise slightly”. Other possible answers included “stay the same”; “fall slightly”, “fall sharply” and “I don’t know”.

Rank		2014	2015	2016	2017	Change (2017-16)
	European consumer	53%	56%	56%	59%	+3
1	Romania	46%	53%	52%	72%	+20
2	Spain	35%	49%	52%	66%	+14
3	Czech Republic	47%	50%	52%	65%	+13
4=	Poland	44%	43%	43%	51%	+8
4=	France	42%	41%	46%	54%	+8
4=	Luxembourg	72%	76%	78%	86%	+8
7	Austria	71%	69%	71%	78%	+7
8	Australia	n/a	63%	50%	56%	+6
9	Germany	60%	61%	61%	64%	+3
10	Netherlands	57%	70%	69%	72%	+3
11	United States	56%	60%	57%	59%	+2
12	Italy	30%	33%	37%	38%	+1
13	Turkey	72%	82%	81%	77%	-4
14	Belgium	60%	55%	65%	59%	-6
15	United Kingdom	72%	70%	57%	44%	-13

A third still believe that house prices never fall

From 2014-2017, we have asked whether people agree or disagree that “house prices never fall”. This year, the share across Europe who agree that “house prices never fall” is 33%.

This is a smaller change from last year than the figures opposite suggest, due to a change in this year’s answer categories.

One in three (33%) “neither agree nor disagree” – a new answer category for 2017. In 2016, 10% of respondents selected “don’t know” as their response; this choice was not offered in the survey this year.

Turkey (59%) and Luxembourg (56%) have the highest proportions in 2017 who agree with the statement.

It remains clear that a large number of people in all countries continue to believe that “house prices never fall”. House prices may rarely fall – but those who assume they “never” fall may be tempted into financial difficulty when investing in a home.

History – doomed to repeat?

Many continue to believe house prices don’t ever fall – but this does not match reality. Studies have shown that people typically rely on recent experience of rising markets – ignoring times in the past where house prices have fallen, such as the 1970s in some countries. This year, slightly higher shares in all countries may be adopting a more realistic or perhaps risk-averse perspective.

The question

“House prices never fall”

Shares who “agree” or “strongly agree” in 2014, 2015, 2016, and 2017. Answer categories differ in 2017, when “don’t know” (present in 2014, 2015 and 2016) was replaced with “neither agree nor disagree”.

	2014	2015	2016	2017	Change (2016-17)
European consumer	41%	40%	42%	33%	-9
Italy	46%	37%	47%	28%	-19
Netherlands	11%	19%	30%	13%	-17
Austria	38%	39%	44%	28%	-16
Luxembourg	75%	68%	69%	56%	-13
Turkey	67%	71%	72%	59%	-13
USA	19%	21%	26%	14%	-12
Romania	31%	33%	42%	30%	-12
United Kingdom	27%	29%	31%	22%	-9
Belgium	65%	60%	54%	45%	-9
France	55%	44%	43%	35%	-8
Germany	29%	30%	30%	25%	-5
Australia	n/a	31%	33%	28%	-5
Spain	31%	35%	35%	30%	-5
Poland	38%	33%	37%	34%	-3
Czech Republic	45%	41%	40%	37%	-3

Note: Changes to the answer categories in 2017 mean people will to some extent reply to the question differently this year.

Managing housing payments – many find it difficult

For three years in a row, we have asked people if they find paying for their home easy or difficult. About 20% of people in Europe feel it is “difficult” or even “very difficult” to keep up with payments.

The figures have been roughly similar for both renters and mortgagees over all years, with paying typically slightly tougher for those who rent their home.

Higher shares in Italy, Turkey and Poland say it’s hard to pay the rent; larger proportions of Turks and Romanians indicate difficulty in meeting mortgage payments.

Luxembourg has the largest gap between mortgagee and renter perceptions of payment difficulty: 18 percentage points. The next largest gap is in the UK.

Among the 15 countries surveyed, people in Germany are least likely to say paying rent is difficult, with the Netherlands next. The Netherlands has the smallest share who say mortgage paying is hard.

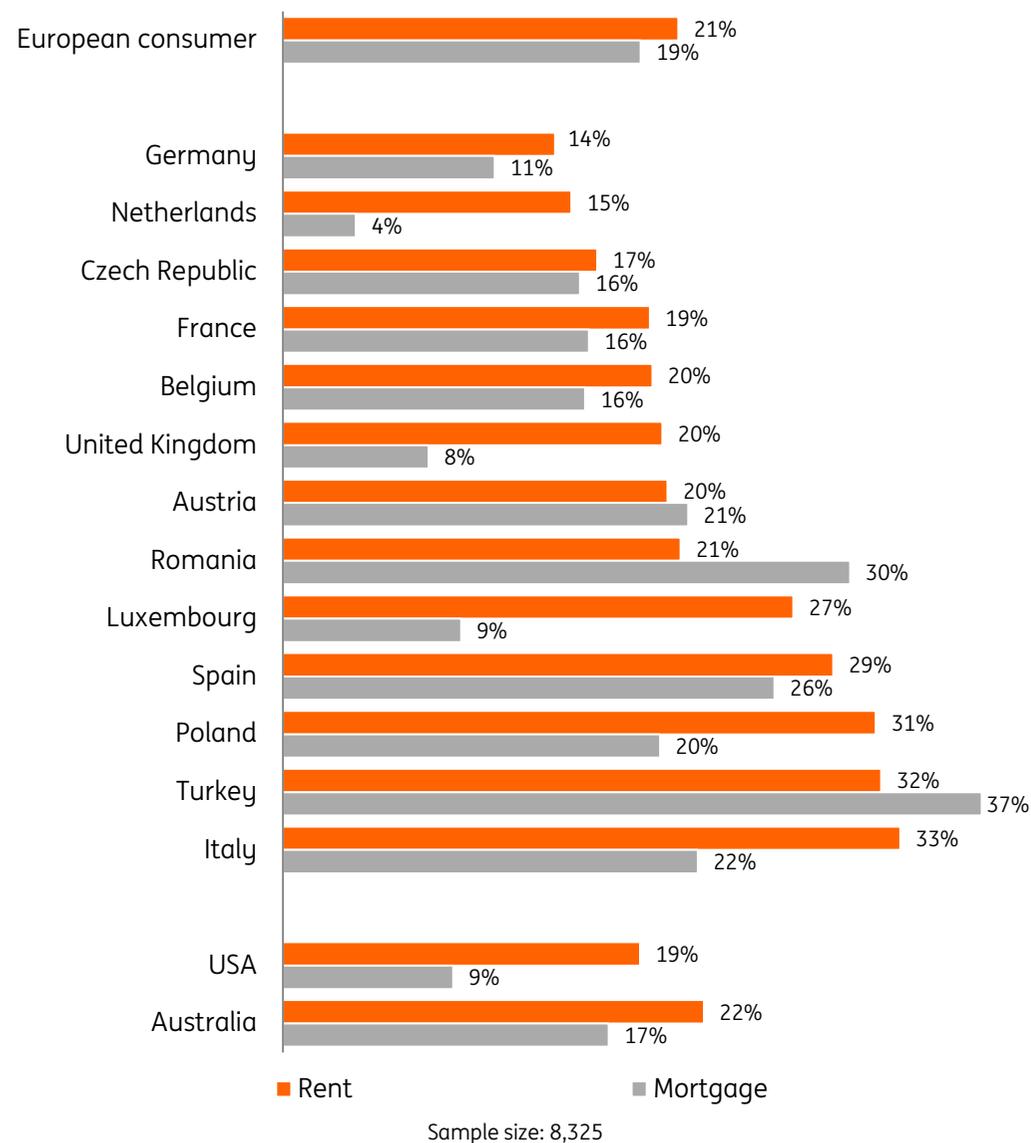
Any gender or age differences?

Among 18-24s, 22% say paying is difficult, dropping away to 15% at age 25-34, then rising slowly to a peak of 25% for the 55-64s. For the 65+ group, the share falls again to 19%. The pattern differs for those who say paying is easy; the 18-34s are slightly more likely to say this, with the proportion falling gradually as people age. Men are more likely (38%) than women (30%) to say paying is easy.

The question

How easy or difficult do you find it to pay your mortgage or rent each month?

Shares who pay either rent or a mortgage who answered “difficult” or “very difficult” in 2017



Some end up paying more even if they set a budget

Do people stay within a total budget, whether owning or renting, that includes all the costs? Related expenses typically include commuting, maintenance, utilities, furniture, insurance, moving costs, community charges and more, on top of mortgage or rent payments.

Forty-five percent of those in Europe who were able to say which specific costs they had thought about, when setting a price range in the search for their current home, ended up paying a sum either “somewhere in the middle”, at the low end, or lower than their chosen price range.

But we find that 12% of this group ended up paying more than the price range they originally set, with another three in ten (29%) paying at the top end of their initial estimate.

Are people overconfident about finding a suitable home within a certain price range? Perhaps suitable homes aren't even available. Are some persuaded to pay “just a little more” for the home they want, hoping for a future pay rise?

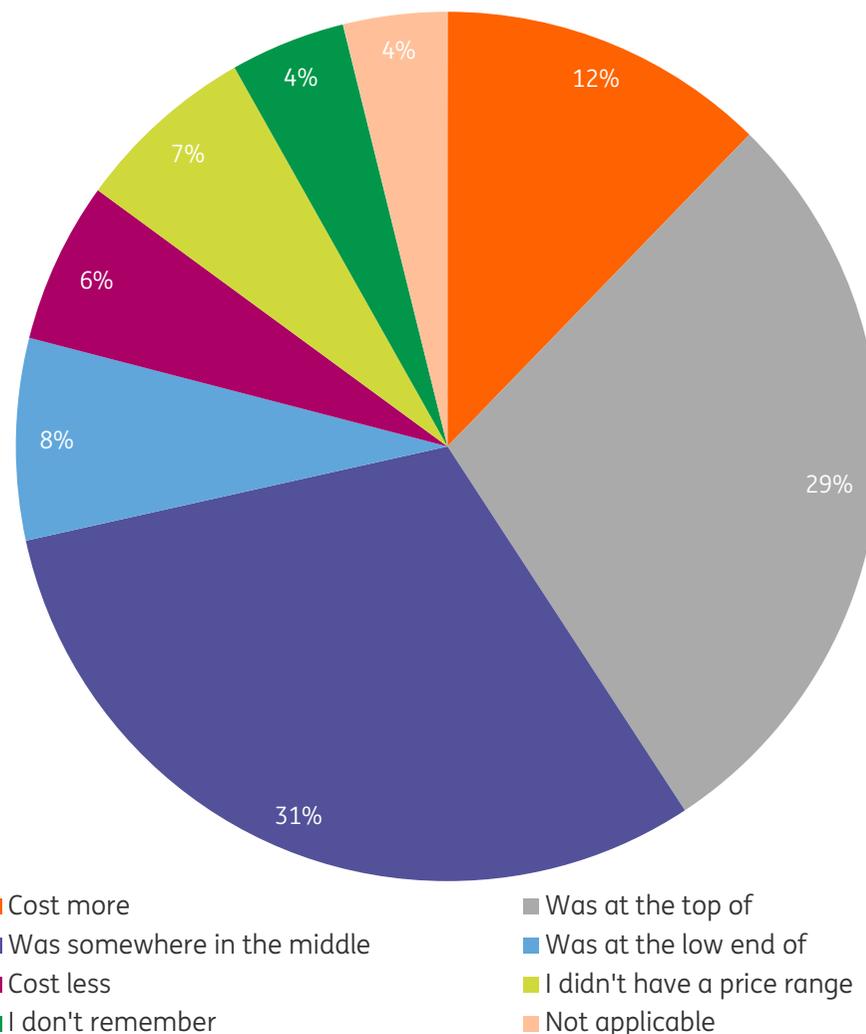
Who might be breaking the budget?

Our full database shows that Turks (57%) and Luxembourgers (53%) are more likely to have paid more or at the top end of their budget. Italians (17%) and Czechs (16%) are more likely to have paid less or at the low end of a price range. Home owners and people planning to move are more likely to say they paid more or at the top of their price range than non-owners or those not planning a move.

The question

Did you end up selecting a home that...

Not asked to those in Europe who replied “I did not have a price range in mind”, “I don't remember” or “not applicable” when asked which costs had been included in the price range when choosing their current home.



Sample size: 9,160

Counting the other costs that add to rent or a mortgage

Beyond the cost of paying rent or a mortgage, the expenses involved with running a home can vary vastly – and the total amount to be paid isn't always clear.

For this question, the costs of running a house included utilities such as water, electricity and heating but not rent or mortgage payments.

Nearly half (48%) of people in Europe are finding home expenses work out about the same as expected.

About a quarter (23%) however could be feeling the pinch – this share admit their expenses are higher than they had predicted.

Looking at our full database, we can see that Turkey has the highest share who say this (39%). The smallest shares whose expenses exceed their original estimates are in the Netherlands (15%), Czech Republic (16%) and UK (17%): did they simply plan well?

Eleven percent say they didn't have any expectations about expenses.

Only a few (seven percent) in Europe indicate their home running costs are actually lower than they thought they would be. In Austria (11%) and the Czech Republic (10%), slightly larger shares say this.

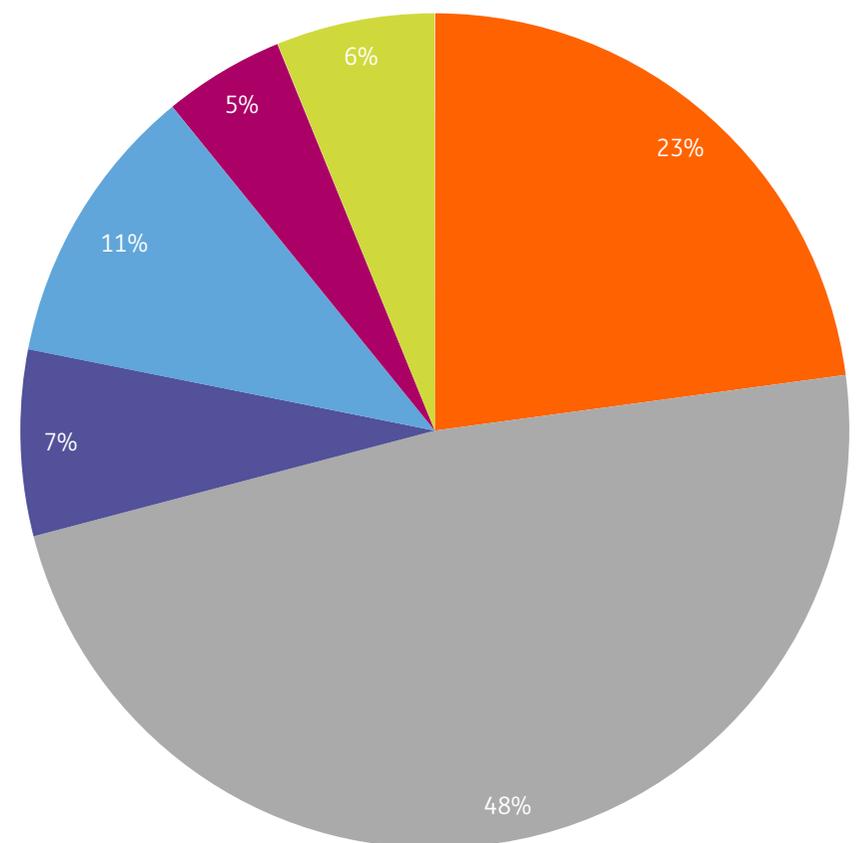
The full data set also reveals that, among those who say they plan to move, 28% say their expenses are higher than expected – compared with 18% of those who do not plan to do so.

Results are broadly similar in the USA and Australia.

The question

“My actual expenses are ... “

Shares in Europe who chose each option.



- Higher than I expected
- Lower than I expected
- I don't know
- About the same as I expected
- I didn't have any expectations
- Not applicable

Sample size: 12,796

“I may be here forever” – by choice or by necessity

Despite the negative sentiments expressed in replies to some questions, a large share agree their current home is their “forever” home. Older folk are more likely to agree their current home is “forever” – as the chart opposite shows.

Our full data set shows that 43% in Europe across all age brackets agree with the statement, including 54% of home owners and 29% of non-owners. Even 37% of those who say it’s difficult to pay for their housing view their current house as a “forever” home.

We don’t know if people choose to stay where they are – or are forced to do so. Is moving too much hassle, or too expensive?

Those who say their country is on the right track on housing are more likely to agree their current home is their “forever home” (51%). Thirty-nine percent of those who say their country is on the wrong track agree with the statement.

Americans and Australians are likelier to disagree that their current home is their “forever home” than Europeans.

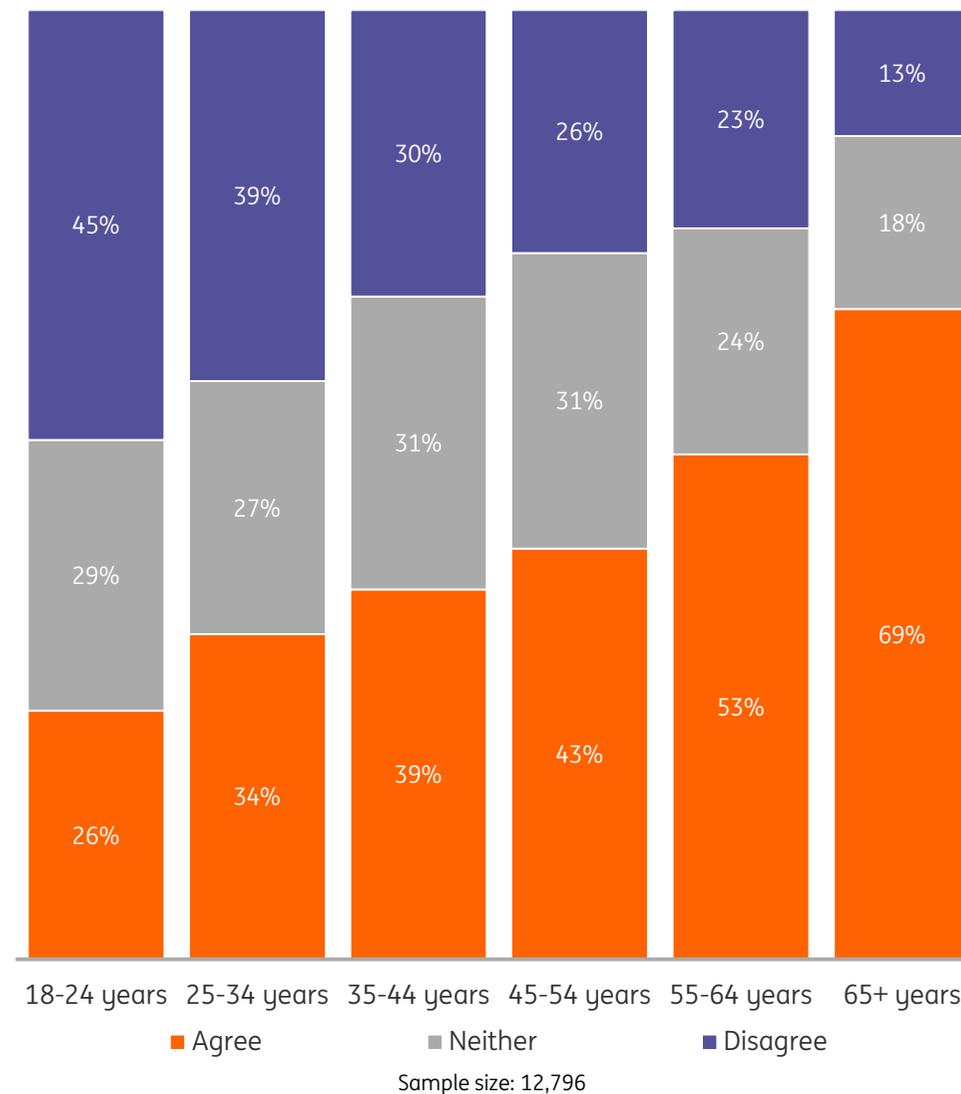
Stay where you are, don’t change a thing?

People may have many reasons for saying they don’t plan to move house – including inertia or adaptation. It takes time, energy and money to move, potentially outweighing expected benefits. Many people may become emotionally attached to their homes, even if their house is not perfect, or may adapt to their home over time.

The question

To what extent do you agree or disagree that “I view my current home as my forever home”?

Chart shows totals in European countries only.



Contact details

Country	Name	Phone number	Email
Australia	David Breen	+61 2 9028 4347	david.breen@ingdirect.com.au
Austria	Magdalena Racieski	+43 1 68000 50181	magdalena.racieski@ing-diba.at
Belgium	Tiziana Rizzo	+32 2 738 28 96	tiziana.rizzo@ing.be
Czech Republic	Martin Tuček	+420 2 5747 4364	martin.tucek@ing.cz
France	Florence Hovsepian	+33 1 57 22 55 34	florence.hovsepian@ing.fr
Germany	Zsófia Köhler	+49 69 27 222 65167	zsofia.koehler@ing-diba.de
Italy	Silvia Colombo Lucio Rondinelli	+39 02 5522 6645 +39 02 5522 6783	silvia.colombo@ingdirect.it lucio.flavio.rondinelli@ing.it
Luxembourg	Yves Denasi	+352 44 99 9632	yves.denasi@ing.lu
The Netherlands	Senne Janssen	+31 6 57 87 53 32	senne.janssen@ing.nl
Poland	Miłosz Gromski	+48 22 820 4093	milosz.gromski@ingbank.pl
Romania	Diana Pincescu	+40 21 222 1600	diana.pincescu@ing.ro
Spain	Luis Alfonso Guerricagoitia Tortajada	+34 91 206 79 82	luis.alfonso.guerricagoitia.tortajada@ing.com
Turkey	Buket Okumus	+90 21 2335 1079	buket.okumus@ingbank.com.tr
UK	Nathalie Spencer	+44 20 7767 6324	nathalie.spencer@ing.com
Editor	Fleur Doidge	+44 20 7767 5567	fleur.doidge@uk.ing.com
Ipsos	Nieko Sluis	+31 20 607 0707	nieko.sluis@ipsos.com

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