



# The Last Time Buyers Market

**Downsizing preferences amongst older homeowners in England, Scotland and Wales**

A report for L&G

December 2014

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London, December 2014

# Executive summary

# Executive Summary

The aim of this study is to understand the **size of the Last Time Buyers market in Great Britain** – the number of older homeowners who live in homes that may now be too large for their needs and who would like to downsize.

## The Last Time Buyers Market

- The research found that in 2012 there were 5.3 million under-occupied homes in Great Britain (GB) held by age 55+ homeowners. Using a survey carried out by YouGov, the analysis found that 3.3 million (equivalent to 63%) of this group have a preference to downsize in the future – the last time buyers (LTBs).
- Almost a third of older homeowners age 55+ considered downsizing in the last five years; only 7% actually did.
- The estimated average value of an home with residence over 55 was around £250,000 in 2012 (according to the WAS).
- The combined value of homes held by Last Time Buyers in GB is estimated at £820 billion for 2012 – which is 18% of the aggregate household property wealth in GB (£4.5 trillion).
- If all LTB homeowners were able to downsize to appropriate smaller properties, this would free up a total of around 7.7 million bedrooms in GB.
- For comparison, in 2013 a total of 130,000 new homes were built in GB. Freeing up even a small fraction of the 5.3 million under-occupied LTB homes could help relieve housing pressures in Great Britain and improve affordability for first time buyers.

\*Based on three bedroom properties – the most common number of bedrooms in a property.

# Executive Summary

## Forecasts for the Last Time Buyers market up to 2020

- Based on current trends and demographic projections, it is forecast that there will be **3.8 million** Last Time Buyer households in Great Britain by 2020, an increase of **454,000** households compared to 2012
- Using Cebr's in-house property price forecasts, it is projected that the value of Last Time Buyers homes in Great Britain will **grow by 51% up to 2020** to reach a value of **£1.2 trillion**
- In 2020 the number of LTBs properties will be equivalent to: **2.6 million three-bedroom properties\*** in England, **146,000 three-bedroom properties** in Wales and **158,000 three-bedroom properties** in Scotland.

## Preferences for downsizing in Great Britain

- Over the past five years, 32% of GB homeowners age 55+ have considered moving to a smaller home, but only 7% actually downsized in the last five years.
- Top three reasons for homeowners over 55 **not wanting to downsize**: house is already small enough (31%), too stressful (24%), and not wanting to give up the “family home” (22%).
- The **main motive for downsizing** for homeowners over 55 was that the property was no longer suitable (45%). Other reasons included: the property being too large for the needs of the occupier (33%) and the occupier needing more support and care –which could only be provided elsewhere (29%)
- The **ideal size for a downsize property** according to the LTBs is two bedrooms (61%)
- The majority (58%) of LTBs believe that the **optimal age to downsize** is 70 and above.

\*the average property size in Great Britain

# Introduction

# Introduction

## Why does the Last Time Buyers market matter?

- The UK is in the midst of a housing crisis – particularly in the South East and London.
- Governor of the Bank of England has warned of "deep structural problems" in the British housing market stemming from a shortage of new homes.
- One in four children in London live in overcrowded homes, according to the English Housing Survey.
- A large share of housing stock in Great Britain is under-occupied – the majority of which is occupied by persons age 55+ who may require a smaller property now or in the future.
- Encouraging more downsizing may provide one part of the solution to increasing housing supply by freeing up larger properties and helping a new generation of first-time buyers get on the property ladder

# Introduction

## What defines a last-time buyer?

A Last-time buyer is:

- A household which owns the property in which they live
- Where the head of the household (household reference person) is age 55+
- Where the household is under-occupying (has two or more unoccupied bedrooms)
- Where the household has a preference to downsize their property at some time in the future

## Key research questions:

- What is the current stock and value of housing occupied by households that meet the 'Last-time buyer' criteria?
- What are preferences for downsizing among homeowners age 55+?
- What is the projected size of the Last Time Buyer market in 2020?
- Would a reduction in stamp duty make older homeowners with spare bedrooms more likely to downsize?

# The Last Time Buyers Market

# 3.3 million Last Time Buyer households in Great Britain in 2012

In Great Britain 63% of over 55 households with two or more spare bedrooms are LTBs. LTBs make up 29% of the total number of households aged 55 and over.

## England:

- LTBs are 65% of the homeowners aged 55 and over with spare bedrooms.
- LTBs make up 30% of the total number of households aged 55 and over.

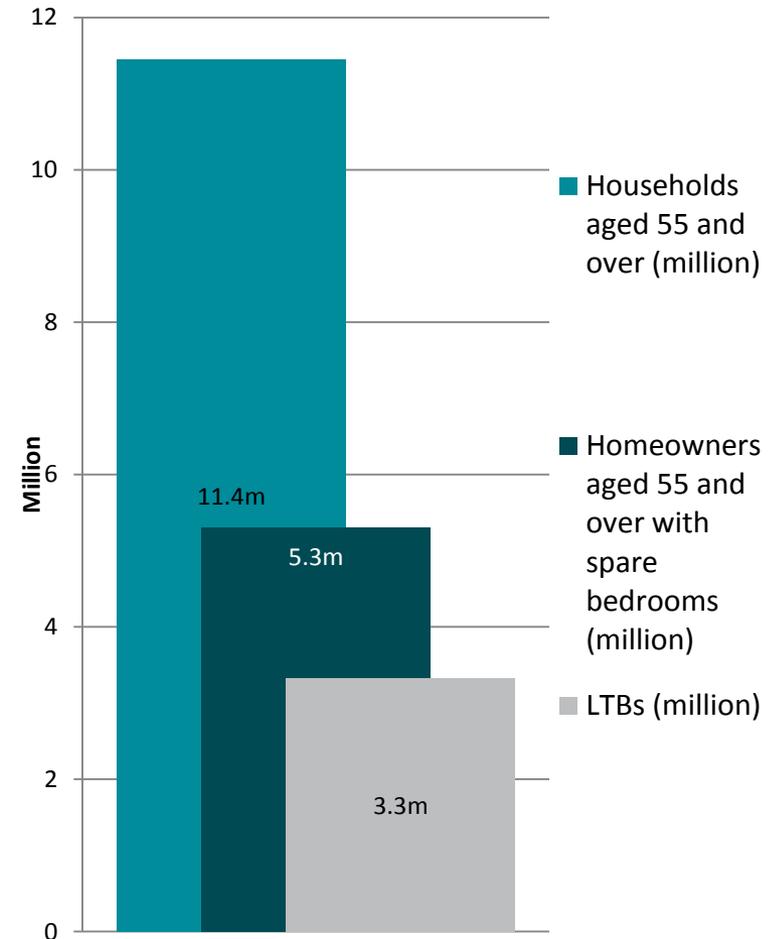
## Wales:

- LTBs are 55% of the homeowners aged 55 and over with spare bedrooms.
- LTBs make up 30% of the total number of households aged 55 and over.

## Scotland:

- LTBs are 49% of the homeowners aged 55 and over with spare bedrooms.
- LTBs make up 17% of the total number of households aged 55 and over.

## Housing stock in GB, 2012

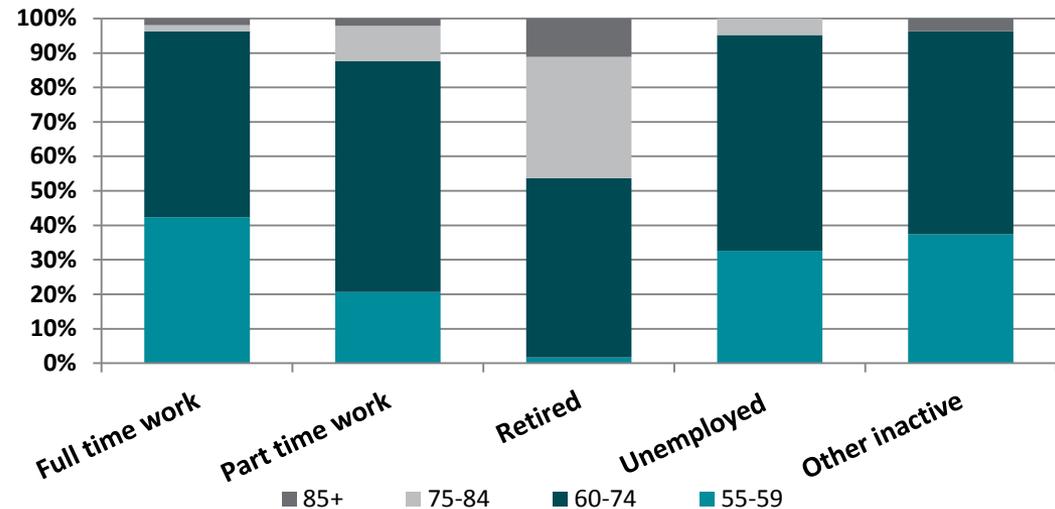


# Key statistics - Last Time Buyer households

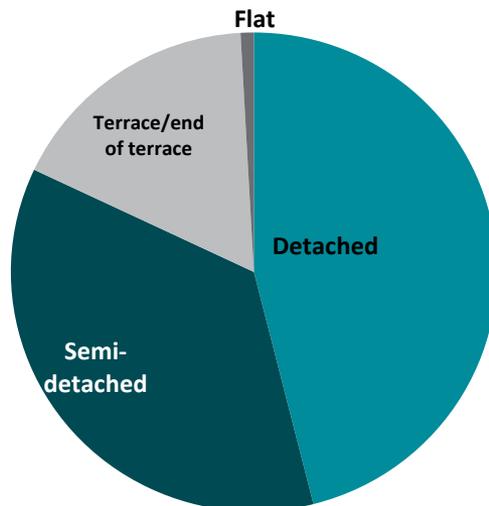
## Employment status

- 32% were still in full or part time work.
- Majority of older homeowners with spare bedrooms over 60 are in retirement with just 24% still in full or part time work.

## LTBs by age and employment



## LTBs by type of accommodation



## Housing types

- The typical Last Time Buyer lives in a 4 bed home and has on average 2.3 spare bedrooms.
- 46% of Last Time Buyers live in a detached home, 36% a semi-detached property, 17% own a terraced house; 1% own a flat.

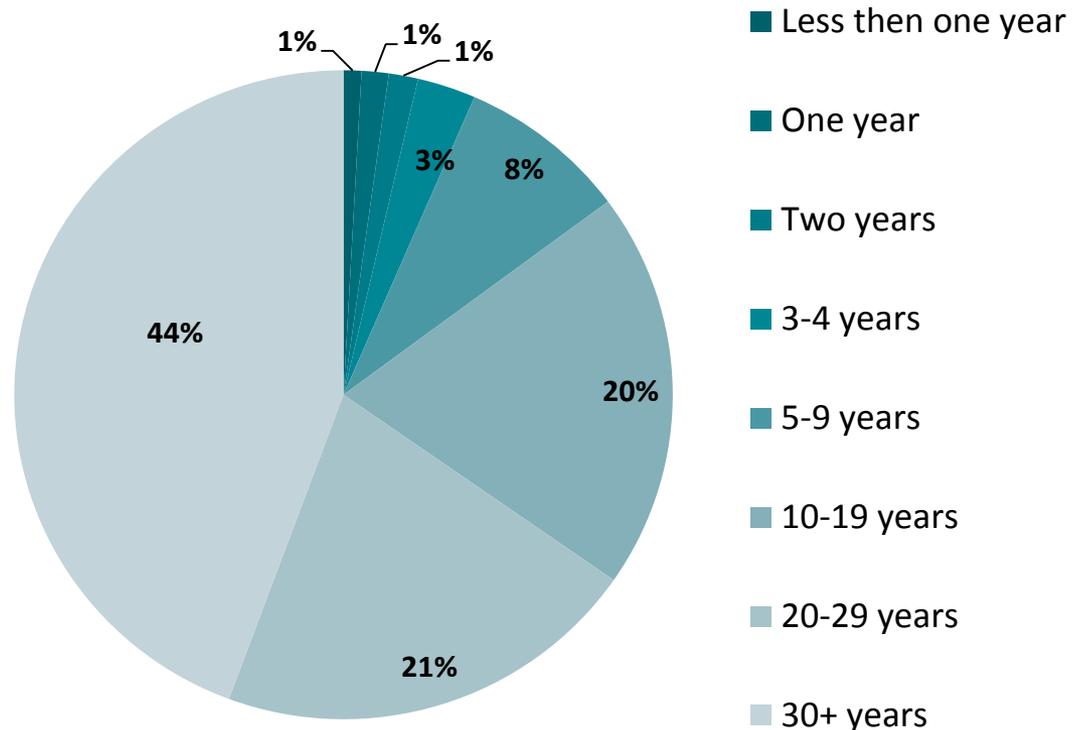
\* Results outlined here are only for England.

# Key statistics - Last Time Buyer households

## Ownership history

- About one third of homeowners aged 55 and over with spare bedrooms are currently living in the first property they ever bought.
- 44% of older homeowners with spare bedrooms have been living at their current residency for 30 years or more.
- 99% of respondents in older homeowners with spare bedrooms have no dependent children living with them in the household.

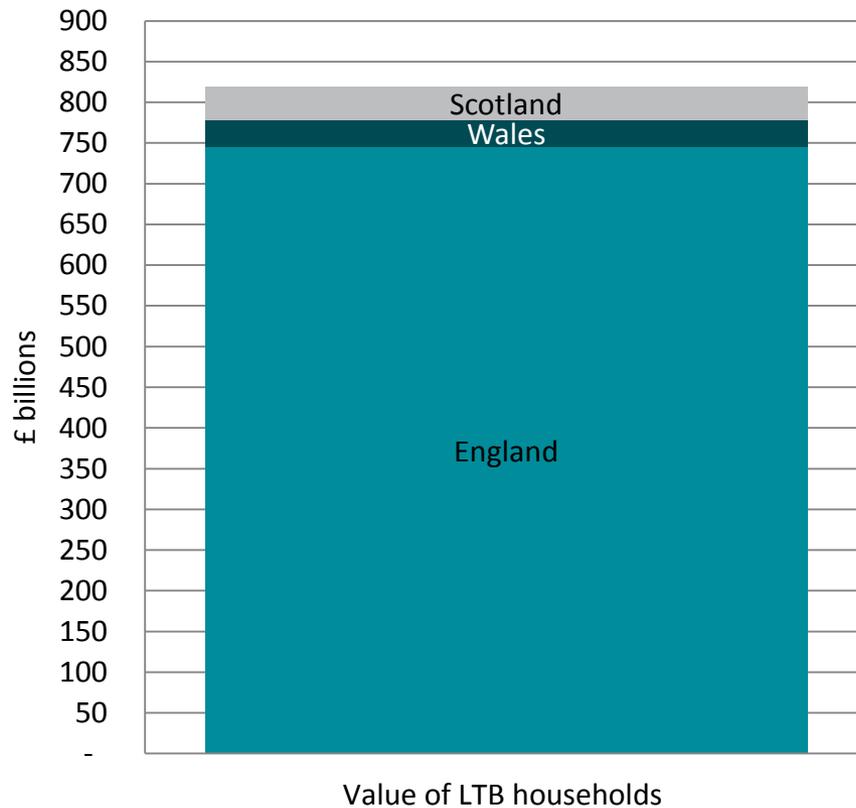
## Last time buyers and length of residence



\* Results outlined here are only for England.

# Value of the LBT housing stock in Great Britain exceeds £820 billion in 2012

## Value of the housing stock occupied by LTBs in 2012 across all three countries (in £ billion)



\* using average expected current value of main residence (taken from the Wealth and Asset Survey)

The value of the LTB housing stock in Great Britain in 2012 was 18% of aggregated household property wealth (according to the wealth and asset survey).

Value of LTB housing by country:

- England: £745 billion
- Wales: £34 billion
- Scotland: £41 billion

# Forecasts for the Last Time Buyers market up to 2020

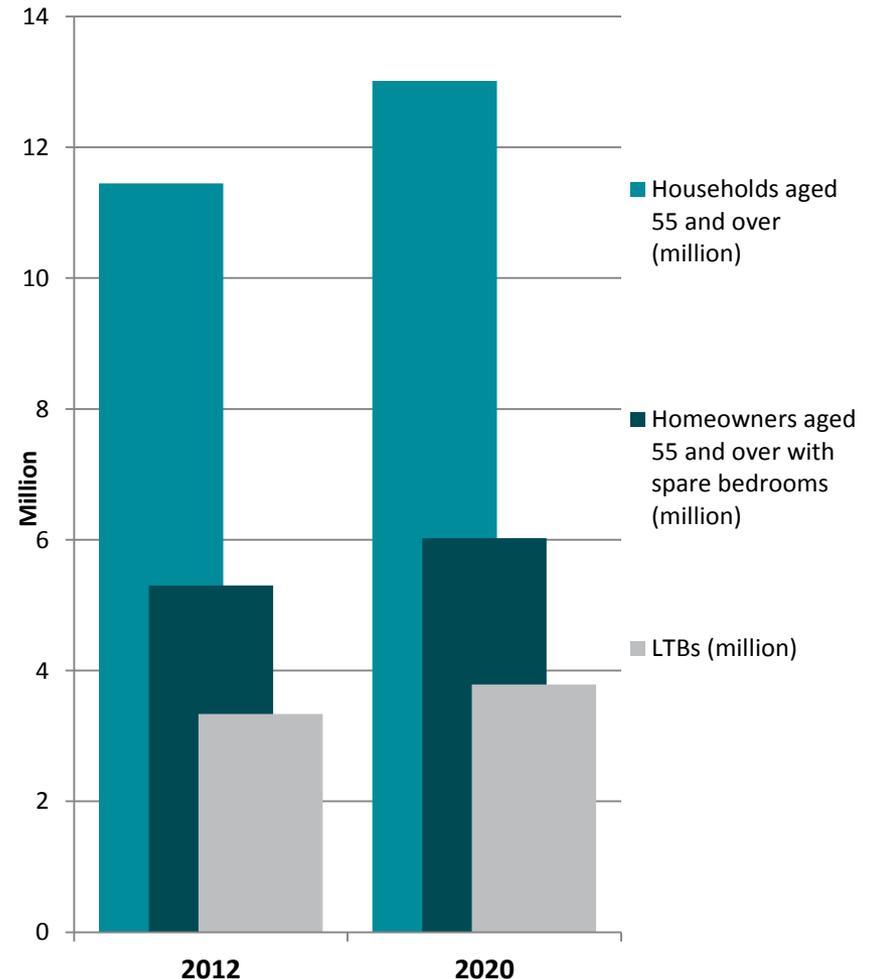
# LTB Housing Stock

In Great Britain the housing stock owned by the LTBs increased by 14% from 2012 to 2020.

LTB housing stock by countries:

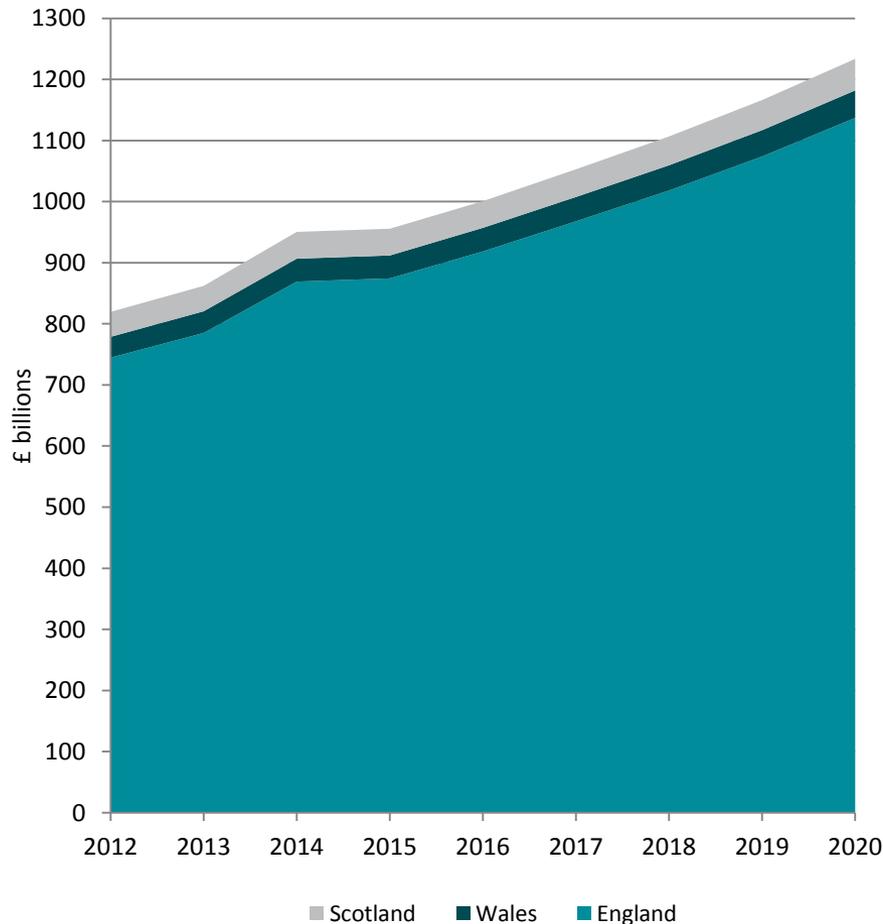
- England's LTB housing stock increased from around 2.9 million to 3.4 million (a 14% increase) from 2012 to 2020.
- Welsh LTB housing stock increased by 14% (from around 168,000 to 189,000) from 2012 to 2020.
- From the three countries Scotland had the largest increase (14%) in the LTB housing stock from 2012 to 2020.

Housing stock in GB 2012 and 2020



# By 2020 the value of the LBT housing stock in Great Britain is projected to exceed £1.2 trillion

## Value of LTBs by country, 2012 -2020



**The projected value of LTB housing in GB for 2020 was over £1.2 trillion (a 51% increase from 2012).**

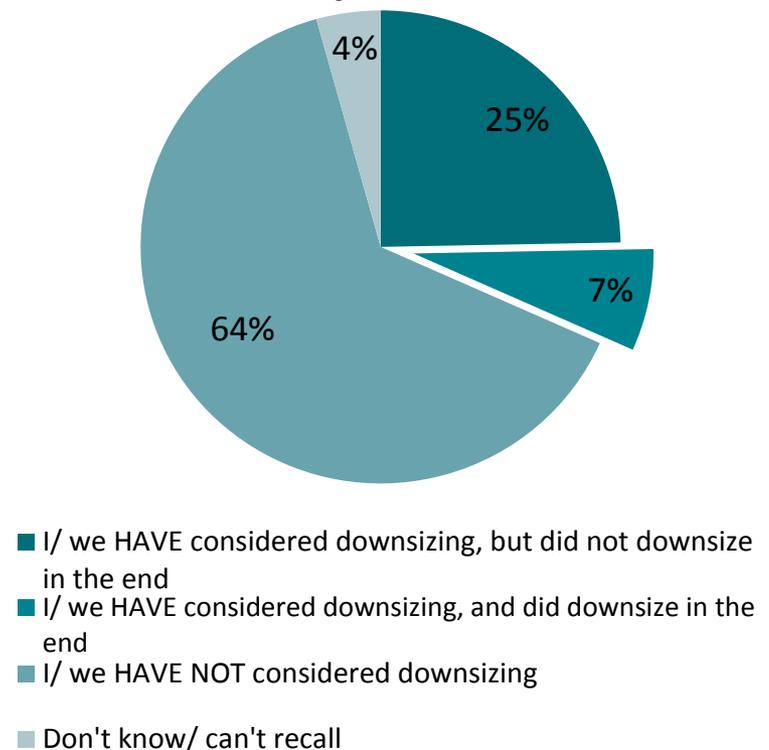
- **In England: £1.1 trillion – a 53% increase from 2012**
- **In Wales: £45 billion – a 32% increase from 2012**
- **In Scotland: £52 billion – a 26% increase from 2012**

# Preferences for downsizing

# Almost a third of homeowners age 55+ considered downsizing in the last five years – only 7% actually did

- Only 7% of GB homeowners age 55+ downsized in the last five years – even though 32% considered it.
- GB homeowners age 75+ were the most *likely to consider* downsizing (39%), however, this group were the *least likely to have actually downsized* over the past five years (only 6%).
- In Scotland, a much smaller proportion of homeowners age 55+ (16%) have *considered downsizing* relative to England where 34% considered it. In Scotland only 5% of homeowners age 55+ *actually downsized* compared to 7% in England.
- The next section gives the findings on why homeowners age 55+ are reluctant to downsize.

GB homeowners age 55+ views on downsizing in last five years\*



\*All GB homeowners aged 55+ answers to “Thinking about the last 5 years - Have you ever considered downsizing your property (i.e. moving into a smaller home)?”

# Why some homeowners aged 55 and over don't want to downsize

**GB:** Top three reasons for **not wanting to downsize**: house is already small enough (31%), too stressful (24%), and not wanting to give up the “family home” (22%).

## Top reasons for not downsizing in England

- Their current residence was small enough (34%)
- Moving would be too stressful (24%)
- Not wanting to give up “family home” (22%)

## Top reasons for not downsizing in Wales

- Too stressful (33%)
- Don't want to give up "family home" (29%)
- Current home close to family and friends (29%)

## Top reasons for not downsizing in Scotland

- Don't want to give up my "family home" (21%)
- House is already small enough (18%)
- Want to leave current home as inheritance (18%)

# Why some households choose to downsize

**GB:** main motive for homeowners aged 55 and over to downsize was that the property was no longer suitable (45%), other reasons included: the property being too large for the needs of the occupier (33%) and the occupier needing more support and care –which could only be provided elsewhere (29%)

## Top reasons for downsizing in England

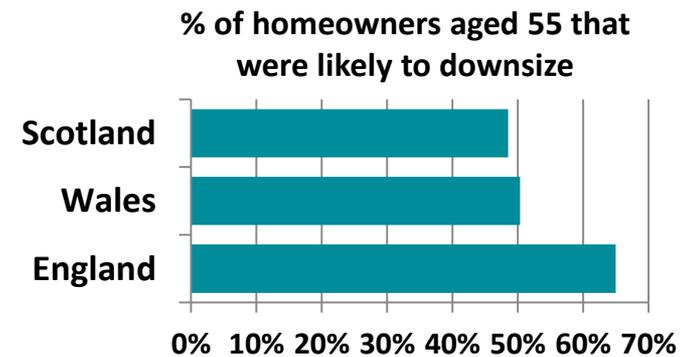
- Property becoming unsuitable (stairs, large garden, etc.) (45%)
- Home too large for needs (35%)
- Need more support/care, which couldn't be provided in current home (30%)

## Top reasons for downsizing in Wales

- Property becoming unsuitable (stairs, large garden, etc.) (53%)
- Home too large for needs (25%)
- Free up money for retirement (22%)

## Top reasons for downsizing in Scotland

- Property becoming unsuitable (stairs, large garden, etc.) (36%)
- Need more support/care, which couldn't be in current home (29%)
- Home too large for needs (21%)



# 58% of LTBs in GB thought the optimal age to downsize was 70 and over

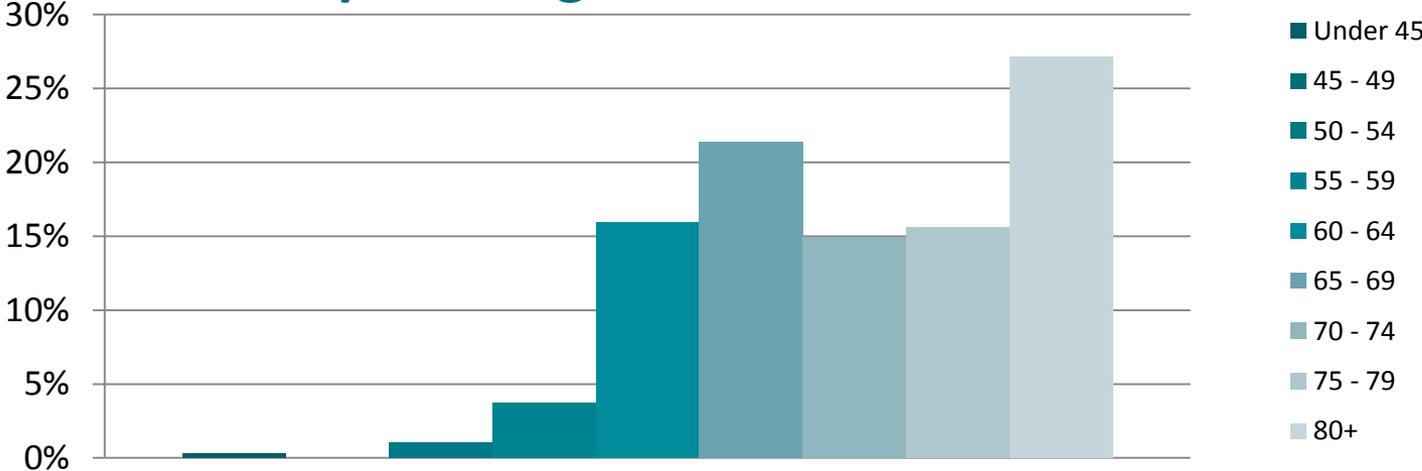
**GB:** 27% of LTBs in Britain thought that the optimal age to downsize at was at 80 or older

In **England:** The majority (57% )of LTBs thought the optimal age was 70 or older; only 6% though it would be optimal to downsize before age 60.

In **Wales:** 31% of LTBs thought age 60 -64 was the optimal age to downsize

In **Scotland:** 55% of LTBs thought the optimal age to downsize is before the age of 70; Scottish LTBs think it is optimal to downsize earlier – no LTBs thought it is optimal to downsize past the age of 79.

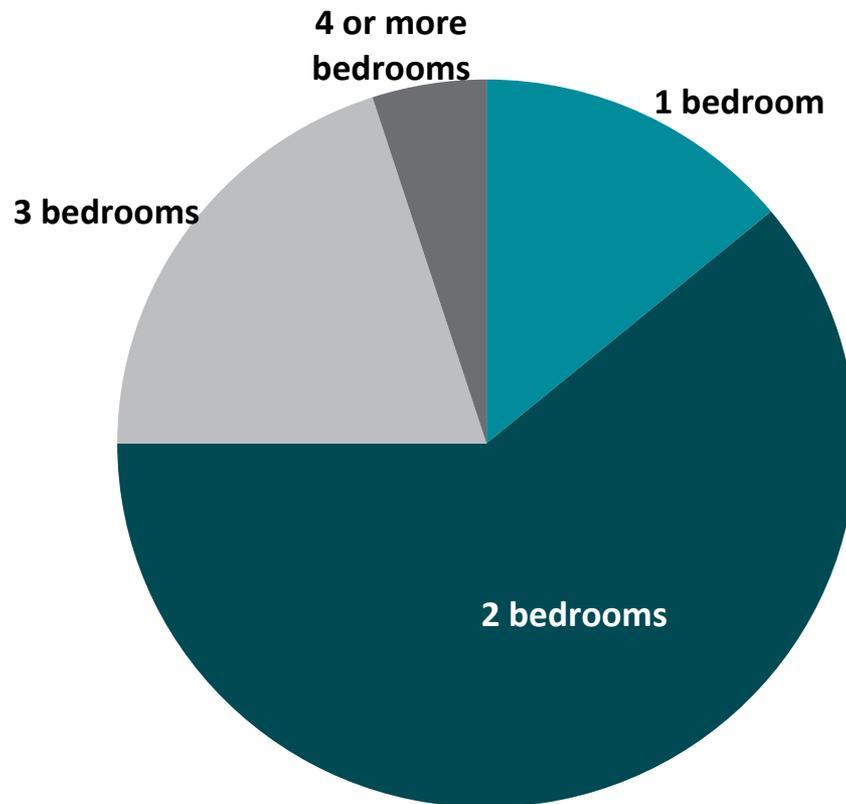
## Optimal age to downsize in GB



\* % don't add up to 100 since multiple responses were possible to this question.

# Ideal number of bedrooms after downsizing

## Ideal number of bedrooms after downsizing in GB\*



**GB: Most Last time buyers in Britain would prefer to downsize to a two bedroom property**

In **England**: 62% of LTBs want to downsize to two bedrooms and 18% to three bedrooms.

In **Wales**: 62% of LTBs want to downsize to two bedrooms and 26% to three bedrooms.

In **Scotland**: Just as many LTBs want to downsize to two bedrooms as three bedrooms (46%).

\* % don't add up to 100 since multiple responses were possible to this question.

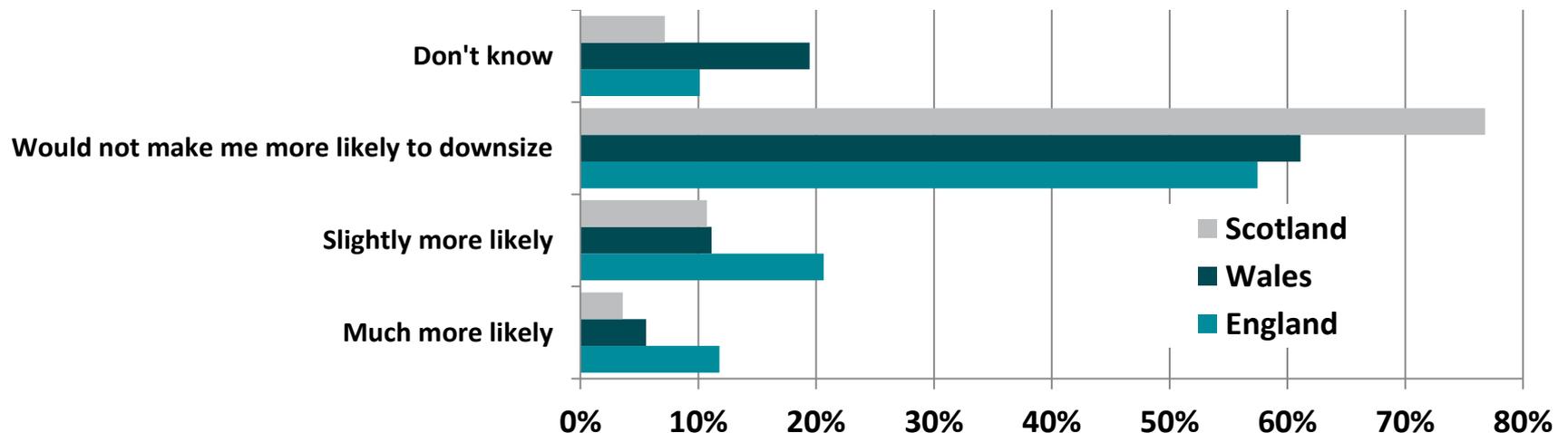
# Relief in stamp duty is most likely to be effective in England

Relief in stamp duty is most likely to be effective in England - 32% of older homeowners with spare bedrooms would be much (or slightly) more likely to downsize.

The majority of older homeowners with spare bedrooms do not think a reduction of stamp duty would make them more likely to downsize (or they don't know how it would affect them):

- 84% in Scotland
- 81% in Wales
- 68% in England

## Would a relief on stamp duties make you more likely to downsize?



\* Based on sample of all homeowners aged 55 plus

# Appendix

# Data sources

The aim of this study is to understand the size of the Last Time Buyers market. For the analyses the following data sources were used:

## Data for England and Wales

Nomis: official labour market statistics:

- Tenure by occupation by sex by age - Household Reference Persons (regional)
- Tenure by occupancy rating (rooms) by household composition

Office for National Statistics:

- Wealth and Assets Survey 2012 micro dataset – End User Licence (UK Data Service)

Department for Communities and Local Government:

- English housing survey 2013 micro dataset – End User Licence (UK Data Service)

## Data for Scotland

Scotland's Census 2011 - National Records of Scotland:

- Tenure by occupancy rating (rooms) (1) by household composition

## Survey

YouGov

# Data Analysis Methodology

## Data requirements

- Housing statistics for England: Department for Communities and Local Government (DCLG): English Housing Survey (EHS) 2013 micro dataset – End User Licence
- Housing statistics for Scotland and Wales: data on “Tenure by occupancy rating by household composition” from the Scottish Census 2011 and ONS Census 2011
- Average property value by age and tenure: ONS Wealth and Assets Survey 2012 micro dataset – End User Licence
- YouGov survey of 621 homeowners in Great Britain age 55+. Respondents were asked question “Previously, you said that you have NOT downsized in the last 5 years (i.e. since November 2009)...How likely, if at all, do you think you would be to downsize from your current property in the future? (Please select the option that best applies)”

## Calculation of the size and value of current housing stock occupied by older homeowners with spare bedrooms

- Estimation of the housing stock in England, Scotland and Wales occupied by older homeowners with spare bedrooms
- Calculation of LTB group – those homeowners ages 55 and over with spare bedrooms who want to downsize.
- Estimation of the total number of spare bedrooms using the average number of unused bedrooms
- Estimation of the estimated current value of property owned by Last Time Buyers using the “expected current value of main residence” variable from The ONS Wealth and Assets Survey 2012

# YouGov Survey

- Methodology: The survey has been conducted using an online interview administered to members of the YouGov Plc GB panel of 350,000+ individuals who have agreed to take part in surveys. Emails are sent to panellists selected at random from the base sample. The e-mail invites them to take part in a survey and provides a generic survey link. Once a panel member clicks on the link they are sent to the survey that they are most required for, according to the sample definition and quotas. (The sample definition could be "GB adult population" or a subset such as "GB adult females"). Invitations to surveys don't expire and respondents can be sent to any available survey. The responding sample is weighted to the profile of the sample definition to provide a representative reporting sample. The profile is normally derived from census data or, if not available from the census, from industry accepted data.
- Total sample size was 621 GB homeowners (either outright or with a mortgage) aged 55 and over. Fieldwork was undertaken between 21st - 24th November 2014. The survey was carried out online. The figures have been weighted and are representative of all GB adults aged 55 and over.
- YouGov plc make every effort to provide representative information. All results are based on a sample and are therefore subject to statistical errors normally associated with sample-based information. Any percentages calculated on bases fewer than 50 respondents must not be reported as they do not represent a wide enough cross-section of the target population to be considered statistically reliable. These have been italicised.
- For further information about the results in this spreadsheet, please contact YouGov Plc (+44)(0)207 012 6231 or email omnibus@yougov.com quoting the survey details

# Forecast Methodology

## Data requirements

- Household projections for England, Scotland and Wales by age groups (age 55+)
- Wealth and Asset survey results
- Cebr property price forecasting model (November 2014)
- Using Cebr's designed survey – conducted together with YouGov

## **Projecting trends in the size and value of housing stock occupied by older homeowners with spare bedrooms up to 2020**

Insights into the benefits to older homeowners with spare bedrooms to downsize; barriers that are preventing older homeowners with spare bedrooms from downsizing.



## Contact

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