



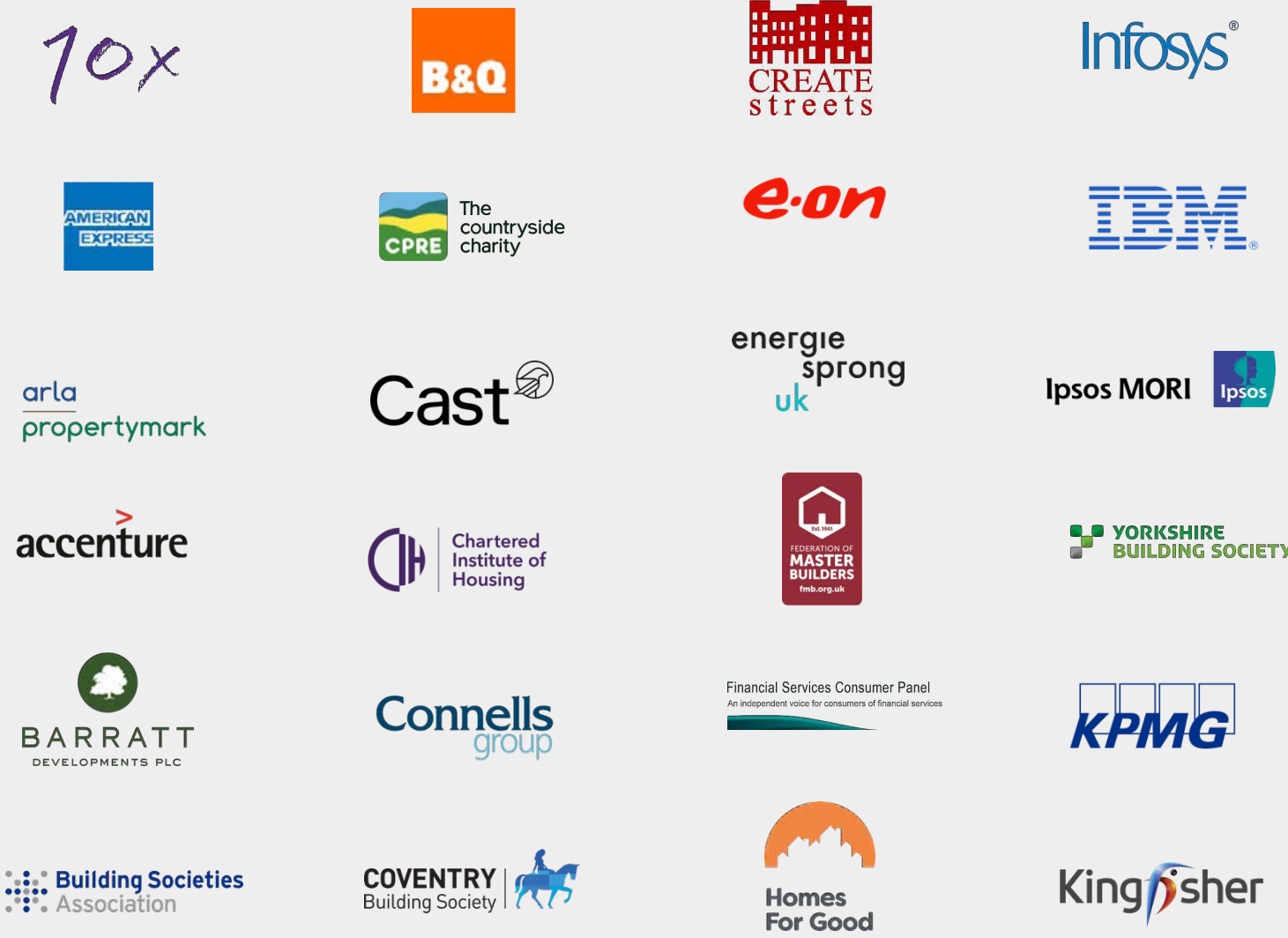
Building Society

# The future of home: a mutual approach

Ipsos MORI



**Nationwide Building Society would like to thank the following organisations for contributing to this report:**



Thank you to all the organisations who contributed their insights to our report. The content and research are the work of Ipsos MORI and Nationwide.





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# Foreword from Sara Bennison

## Chief Product & Marketing Officer, Nationwide Building Society

Home. It's always been a word which means more than its four letters. And it definitely means more than 'house' or 'flat'. The meaning of 'home' expanded ever further through the pandemic: home was not just 'where the heart is' or 'an Englishman's castle'. Home became our world.

We wanted to understand the human and other impacts of the pandemic on our homes and how we live in them. Many people enjoyed spending more time at home but, according to the research we commissioned from Ipsos MORI, people's experiences differed hugely. Homeowners generally had a better lockdown than renters. Older generations were happier with their homes than younger people. Home ownership remains a key aspiration for the majority, but seems further out of reach than ever to many.

So although much in our world has changed, fundamentally the drivers of these different experiences are the same thorny issues we have been wrestling with for years – the availability and affordability of homes people want to live in. In other words, the pandemic has magnified some of the inequalities in the housing market. On top of that, we are wrestling with a new challenge – sustainability. More specifically, how do we tackle the enormous task of reducing the carbon emissions from our homes?

Availability, affordability and sustainability. These are the three key housing challenges we face. How do we move forward from stating the challenges to solving them?

Among the many lessons of the pandemic we have seen that big problems are best solved through

collaboration. That's why we invited dozens of organisations from public, private and third sectors, to come together to discuss these problems and agitate for better answers.

The rules of the game were simple. No admiring of the age-old problems. No taking of the age-old sides. This was a time to find the silver linings from the Covid clouds.

I was astounded by the generosity of the people who took part in our conversations and the willingness to cross traditional divides to work for the mutual good. Thank you.

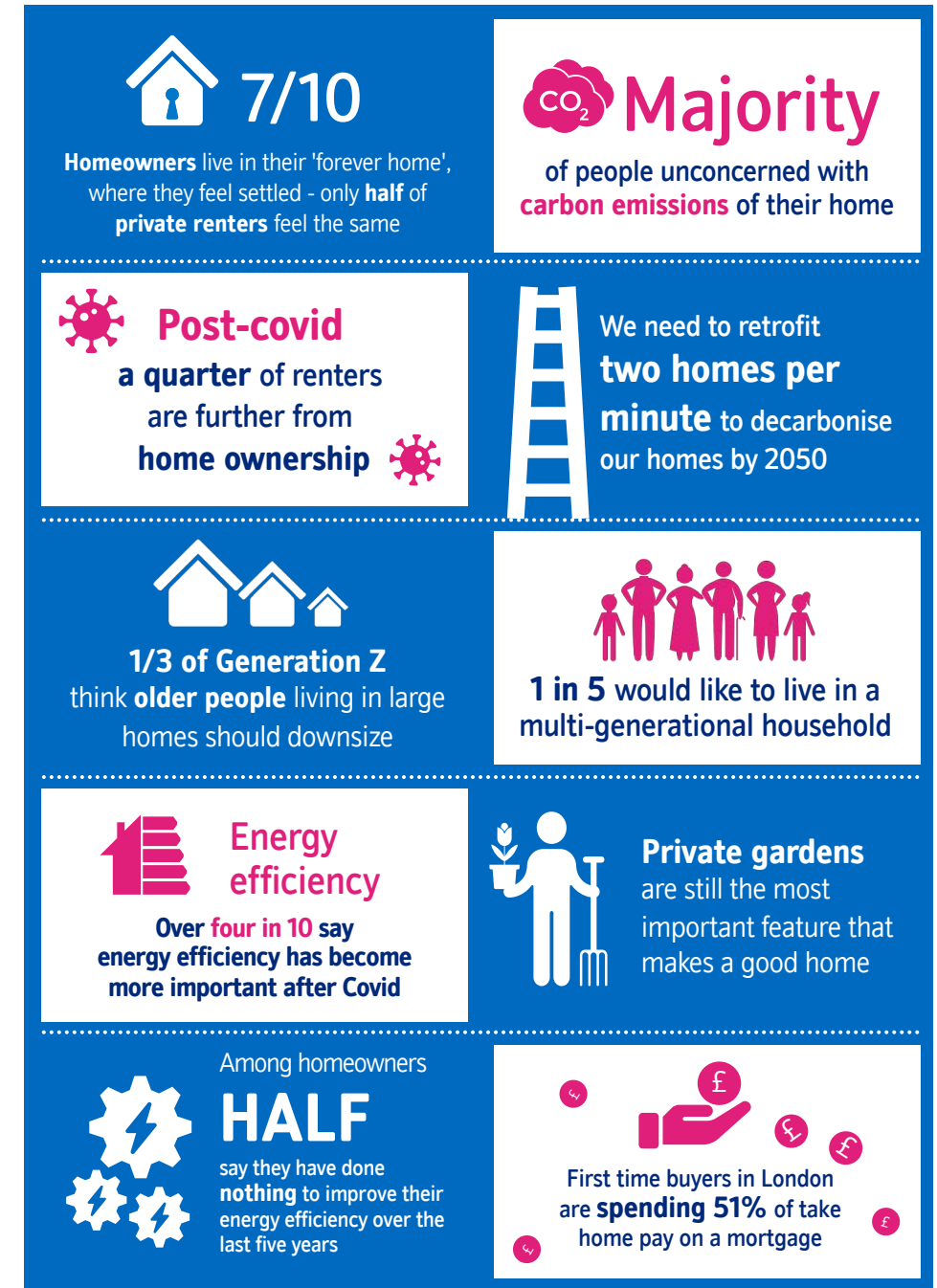
Indeed, the ideas which flowed were so rich that we didn't want them to stop with the publication of this research. It is all too easy to call on others to find solutions – the 'they' who should sort it all out. Instead, we agreed to look to 'us' which is why four cross industry groups have

committed to come back with recommendations on the actions we believe could create momentum in building more homes, the right homes for the nation's needs and greening homes.

As we recover from the pandemic and look towards a net zero future, we have a real opportunity to shape our housing market for the better. If, having read this report, you would like to join us, we would be delighted to have you aboard.

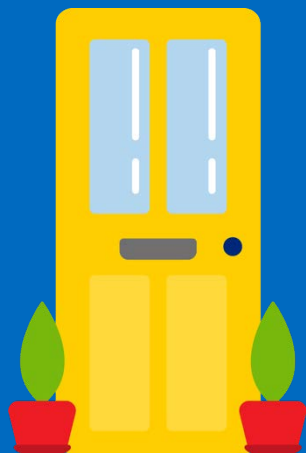
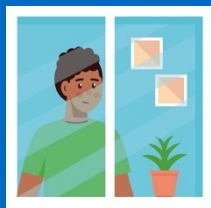
### Sara Bennison

Chief Product & Marketing Officer  
Nationwide Building Society



# Key insights:

## Doing housing differently after Covid



### Availability

**1.** We need to modernise the housebuilding process to deliver homes we need

“The planning system needs to deliver the numbers of high quality homes we need, at the pace we need them. Central and local government can have a much more proactive role in getting homes built.”

**David Thomas, Chief Executive, Barratt Developments**

“Modernising the home building process will involve bigger picture changes around resourcing, skills and competency.”

**Mark Farmer, Chief Executive, Cast Consultancy**

“We need to increase diversity in the way homes are supplied and who supplies them. Community-led housing has much unrealised potential to do housing differently.”

**Leigh Pearce, Nationwide Foundation**

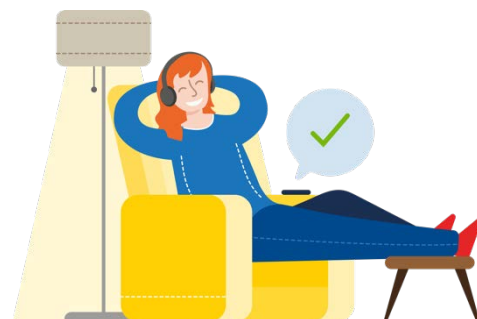
**2.** Responding to trends such as remote working, multi-generational living and smaller households could ease pressures on housing

“Building more smaller homes needs to take into account the types of household that might want to move into them e.g. a two bed flat that was big enough for someone to downsize into from a four bed house.”

**Chris Norris, Director of Policy & Practice, NRLA**

“There is a huge opportunity if in the future people are able to work from more remote rural areas, allowing young people to remain in rural communities and make a living.”

**Maddy Fitzgerald, The Prince's Countryside Fund**



**3.** We need urgently to fix inequalities between homeowners and renters that were magnified by Covid

“Aspirationally, 80% of people want to buy. Be careful about the claim that Gen Z don't want to own things. The reality is that they are poorer at their age than previous generations.”

**Ben Page, CEO, Ipsos MORI**

“We can reduce pressure on the market by building more social housing. We also need to ensure people can downsize so that there's more flow in the private market.”

**Charlie Trew, Head of Policy, Shelter**

### Affordability

**4.** Smarter taxes/ incentives could make the housing market work better

“We need to avoid demand side measures like help to buy and introduce a progressive property tax replacing stamp duty and council tax.”

**Anya Martin, Director, PricedOut**

“As well as building more social housing surely we need to at least suspend the right to buy? If we need to increase availability then we need to stop social housing being lost.”

**Fiona Howie, Chief Executive, TCPA**

“Is there a smart way to address the need for more social housing by local authorities and housing associations taking on the repurposing of void retail and office space.”

**Robin Fieth, CEO, BSA**

**5.** Home ownership further away after Covid as buyers struggle to raise deposits

“We need to make home ownership more accessible. People want to own their own home.”

**David Renard, LGA Housing Board Chair and Conservative Leader Swindon Borough Council**

“The problem is that people simply aren't able to save because of the giant cost of housing, and the fact that wages haven't risen in line with rents or prices.”

**Charlie Trew, Head of Policy, Shelter**



# Key insights:

Continued

## Affordability

**6.** Reform of the PRS could deliver better availability and affordability

“We need to get the PRS back to what it does well, including providing flexible accommodation for those that need it and a place for young people to live.”

**Lord Best, Chair of the Affordable Housing Commission**

“We can’t forget the workers who keep cities alive through our thinking – they have to have affordable housing options.”

**Paul Broadhead, Head of Mortgages & Housing, BSA**



## Sustainability

**7.** Consumers need convincing of the need to green homes

“Most people don’t recognise that greening their home is one of the top six ways to reduce their carbon footprint. There is a mismatch between support for climate change and people’s perceptions of their homes.”

**Julie Hirigoyen, Chief Executive, UKGBC**

“We cannot new-build our way to decarbonising the housing stock. New-build does not provide a route to net zero.”

**Darach Ó Braonáin, Group Vice President, Publicis Sapient**

“For too long, conversations about leading a green lifestyle has been about giving things up, but in reality better homes help us to lead lives that are cleaner, cheaper and healthier. Surely that is something everybody wants.”

**Michael Lewis, Chief Executive, E.ON UK**

**8.** Eco-complexity standing in the way of sustainable homes

“Awareness of the need to green homes is increasing – but when people do renovations or improvements, they are overwhelmed by the scale and complexity.”

**Cécile Troquart, Customer Insight Director, Kingfisher**

“We need to introduce a ‘building renovation passport’ that sets out clearly what needs to be done on each home to make energy efficiency improvements.”

**Jessica Levy, Federation of Master Builders**

“A PAS 2035 retrofit process could provide the roadmap for the progressive decarbonation of an existing property. Couple this with a financial payback plan to assist owners with what makes the difference, the sequence in which it needs to be addressed and which types of accredited organisations to use and we have a scalable solution.”

**AJ Eaton, Divisional Director, Mi-Space**

**9.** Fair and affordable green funding formula urgently needed

“Customers are understandably concerned about saving money, and our challenge is to demonstrate that energy efficient homes are also the cost effective choice.”

**Bukky Bird, Group Sustainability Director, Barratt Developments**

“Without investing in supply side development, we cannot make enough retrofits and never get the mass market engaged as prices will be too high.”

**Soren Nellegaard, Business Development Manager, RetrofitWorks**

“Green changes could be incentivised through, say, stamp duty reform.”

**Julie Hirigoyen, Chief Executive, UKGBC**

**10.** Better together: public-private sector collaboration essential to net zero

“The retrofit construction sector needs a set of long-term policies to incentivise innovation and investment in the industry to create systemic change.”

**Emily Braham, Strategy and Operations Director, Energiesprong UK**

“There needs to be better cooperation, facilitated by government, to allow people and companies to talk cooperatively without fear of breaching competition rules.”

**Claire Tracey, Chief Strategy and Sustainability Officer, Nationwide**



# Creating a better future for homes



Availability



Affordability



Sustainability

These were the themes coming out of our consumer research and the cross-industry roundtable discussions.

## If that's what we need, what does it take to get there?

That's the question which the organisations involved in this project want to tackle together with a brief to find practical solutions to some age-old challenges. Solving every problem all in one go is clearly an impossibility. But taking some first steps, using our convening power to form action groups to address a number of distinct but interrelated needs, and seeing where they lead, is well within our grasp.



Availability



Affordability

## Housing delivery action group

### Why?

Addressing the historic undersupply of housing is key to addressing the availability and affordability of homes across all tenures, moving the emphasis from planning reform to process reform.

### What will the action group focus on?

Speeding up the delivery of new homes by removing inefficiencies in the system, building trust between parties and adopting more agile approaches by, for example:

- Streamlining and modernising the construction process, through different methods of construction.
- Exploring how changes to the planning and land use systems can ensure land is available for development.
- Making the most efficient use of development sites, including ensuring more social housing is funded and built.
- Addressing the skills shortages so that we have enough workers to build the homes we need.



Sustainability

## Green homes action group

### Why?

Making the nation's homes greener can – and must – be a major part of any transition to net zero. If this is to become a reality, we'll need to see a wide range of industries (and Government) work together. We need major collaboration in order to deliver the policies and consumer consent needed to meet the UK's ambitions. That's why we are developing an action group to tackle some of the key obstacles and opportunities on the path to 'net zero homes'.

### What will the action group focus on?

How organisations and government can work together to build awareness, identify solutions, close the skills gap and make sure it's fairly financed by, for example:

- Convincing customers of the need to green their homes, giving them the confidence and knowledge to make sustainable green home improvements.
- Constructing property data, perhaps through a building passport, that outlines the changes and upgrades necessary to an individual home.
- Exploring how a National Retrofit Strategy from Government, including addressing the skills gap, could help drive change.
- Considering how to build a manufacturing process for green improvement that lines up new build and retrofit to deliver scale for both sectors much quicker.
- Ensuring that the homes we are building now are sustainable and future-proofed.
- Considering how grant schemes, private sector funding, tax and VAT incentives can ensure green homes are financed in the fairest possible way.



Availability



Affordability



Sustainability

## New homes action group

### Why?

There's a fundamental disconnect between demand and supply right across the housing market, irrespective of tenure and lifecycle. This is resulting in the paradox of rising numbers of households that are overcrowded and rising numbers of those that are underoccupied.

### What will the action group focus on?

How to increase the number of new homes being built across all tenures, ensuring they meet the differing needs of young people, families, empty-nesters and the rising number of single households, considering how, for example:

- To build the types of homes people most need, considering whether the pandemic has changed how people trade off between location, cost and space to live.
- To achieve an optimum tenure mix, including sufficient social housing to meet demand.
- To remove barriers and disincentives to moving to increase velocity.
- To ensure the property tax system, including stamp duty and council tax, is working effectively to encourage people into suitable homes.
- To support aspiring homeowners to raise a deposit.
- Lenders can help those who want to buy a home, such as innovating around loan to income limits and stress rates.



Availability



Affordability



Sustainability

## Rental action group

### Why?

The private rented sector provides homes to 1 in 5 households, but the experience of tenants varies widely, with private renters the least happy with their homes.

### What will the action group focus on?

Creating a private rented sector that works for the mutual good of landlords and renters, by for example:

- Ensuring those who aren't in a position to own a home have an affordable place to live where they feel secure and are part of a community.
- Building trust between landlords and tenants.
- Ensuring landlords provide good quality homes for their tenants.
- Protecting tenants through a national landlord register and reform of tenancy deposit.
- Supporting and incentivising landlords to retrofit properties with low-carbon technologies.
- Making sure people can afford to move out of the PRS and into home ownership if that's what they aspire to.





# Home truths:

## How we feel about our homes after Covid

What are the dynamics at work in today's housing market? And have they changed as a result of Covid, and 18 months of 'stay at home' orders?

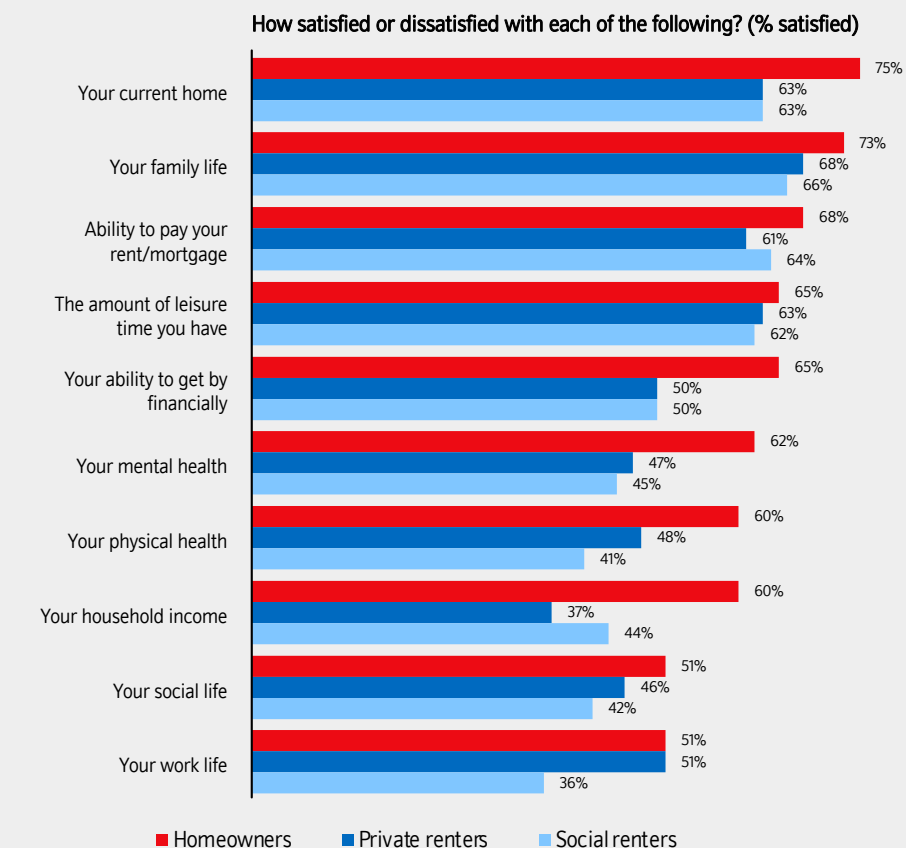
While it's clear that people have experienced the pandemic very differently, depending on where they live, how they live, and who they live with, our research shows that in the main the pandemic has magnified existing trends in the housing market. Looking ahead to our post-pandemic world, we need to learn from these experiences to make the housing market work better for everyone.

### Longstanding inequalities between homeowners and renters deepen after Covid

Perhaps the most striking divide is an old one – between homeowners and renters. Dealing with the sharply different experiences of homeowners, private and social renters is more urgent than ever.

Homeowners are more content with their homes, and report better physical and mental health. Three-quarters are satisfied with their home, which other data sources show tend to be larger than they need, with affordable mortgages. In the main, they feel happy and settled where they live and have no plans to move. They have significantly better mental and physical health than renters. Although tenure is not the only factor, there is a clear correlation between tenure and wellbeing.

### Homeowners happier than renters



Source: Ipsos MORI 2,985 adults aged 16-75 in the UK, interviewed online 25-28 June 2021

Renters report higher levels of dissatisfaction with their home, as well as worse physical and mental health. This may reflect the fact that three in 10 of renters are living in homes that are too small for their needs – twice the proportion of homeowners – and also because other data shows they are more likely to be under financial pressure.

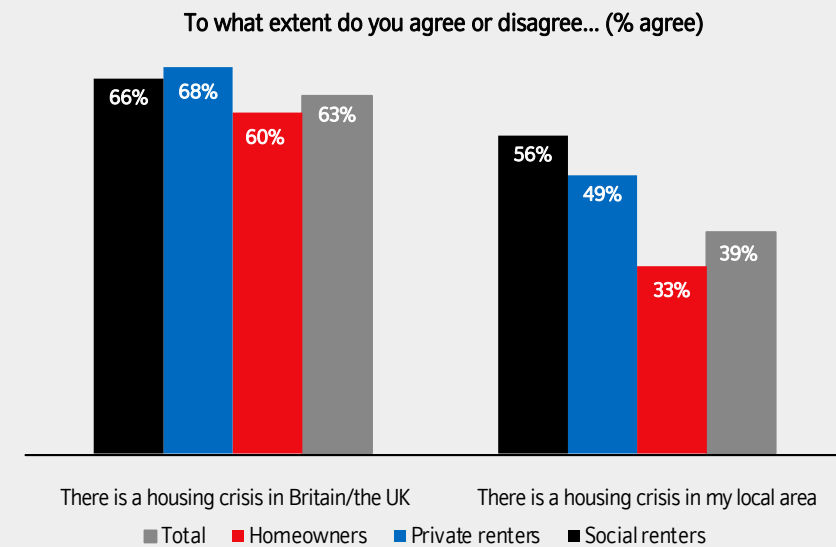
Within the rental sector, there are clear differences between those who rent privately and those who rent socially, such as through a housing association.

Social rent households are generally happier than those renting privately. Six in ten (60%) social renters feel happy and settled and are not looking to move, a figure that drops to under half (48%) for those renting privately<sup>1</sup>.

The one in five households<sup>2</sup> that rent privately are the least satisfied with their home. Fewer than half are happy and settled for the long term, and almost four out of 10 are unhappy with where they live and actively looking to move<sup>3</sup>.

## Crisis, what crisis?

Although the housing crisis narrative is deeply embedded in the national consciousness, fewer people worry about it today than four years ago. However, the views of owners and renters diverge sharply, with a much deeper sense of crisis among renters.



Source: Ipsos MORI. 2,985 adults aged 16-75 in the UK, interviewed online 25-28 June 2021

## People’s aspirations for their homes haven’t changed but fewer are able to achieve them

Eight out of 10 people aspire to become homeowners – a figure that has been steady for decades, but many believe the journey from renting to owning is further away than ever.

Almost two million more households would own their own home if Britain had been able to maintain home ownership at its 2003 peak, when more than seven in 10 households were owner-occupied. Home ownership rates have edged up a little in recent years, but are still seven percentage points below their peak at 63.8%.

## Becoming more Italian?

In some countries the most common living arrangement for young adults is to live with your parents – in Europe this is most common in Italy, where seven in 10 young adults aged 18-34 live with their parents. In the UK more adult children are living with their parents for longer<sup>A</sup>.

25-year old Simran, a council employee, lives with her parents out of choice. “I am incredibly lucky to be living with my family,” she says. “I know people want to move out as soon as they can, but I don’t see myself doing that.” Living at home does mean she can save money – probably for a “large house deposit.”

Other young adults are living with their parents out of necessity – and the number could rise sharply if young people lose their jobs as pandemic-related support schemes are withdrawn.

Andrew Gall, Chief Economist at the Building Societies Association, wonders if this will be a short-term trend or a more decisive shift. “Could we see the numbers living with parents extend to a rise in multi-generational living, so the family home becomes a multigenerational asset?” he asks. “It could be a solution to affordability challenges, long term care, childcare costs, while using the fact that a number within older generations have wealth in the form of large houses.”



There are significant regional differences. Home ownership is most common in the South East and South West, where seven in 10 households are owner-occupiers. Home ownership is below average in several northern regions, despite being more affordable, and falls to just 50% in London, reflecting the very high cost

of London property. The result is that a lot of people feel trapped and unhappy. “In comparison to buying a property with a mortgage, I feel like I am chucking my money away at the moment. But I don’t have the possibility to buy either, which is frustrating,” says 26-year old Alexandra.

It is not only aspiring homeowners who are struggling to find the home they want. There is significant unmet demand for social rentals with 1.1m people on the social housing waiting list and 38% of private renters saying that, given the choice, they would prefer to rent from a social landlord than a private one.



“

“There is a huge opportunity, if people are able to work from more remote rural areas, for young people to remain in rural communities and make a living, providing economic benefit to the wider community and potentially rejuvenating rural areas.”

Maddy Fitzgerald,  
The Prince's Countryside Fund

### Escape to the country?

What impact, if any, will new working from home trends have on where we choose to live? Will people widen their property search area if a daily commute is now a twice weekly one? Will affordability improve?

In the surge in home moving in the year since the first lockdown, the signs are that people are seeking

space – whether in the form of a garden, bigger property, or to get away from urban life. So far, it has only sent house prices spiralling – up by 13%<sup>4</sup> in a year.

“Will people who have more flexibility about where they work take advantage of the opportunity to move to a lower price area in order to be able to stop renting and be able to buy?” asks Leigh Pearce, Nationwide Foundation, Chief Executive. “Could

this result in a boost to the economies of those areas, open up home ownership to more people and relieve pressure on housing hot spots?”

Nicholas Boys Smith, Director of Create Streets, believes the revealed potential of remote working could be the catalyst to an exciting potential shift in the housing market. Flexible working would “give greater access to a wider range of job opportunities,”

says Lizzi Hearn of CPRE, the countryside charity, but points out that “for many rural properties digital connectivity is an issue and linked to isolation”.

Rural communities may benefit from remote working if people who may have previously had to move to towns and cities for highly skilled jobs are now able to stay but any benefit may be minimised if house prices rise too much. It is also possible that middle

income households would benefit most rather than low-income households. Lower earning jobs are often workplace-based, and might not have the same flexibility about where they work.

Ultimately, it is too soon to know the full impact of the pandemic and home working on our homes. Some businesses, including Nationwide, are advertising jobs without a fixed work location. Others expect employees to

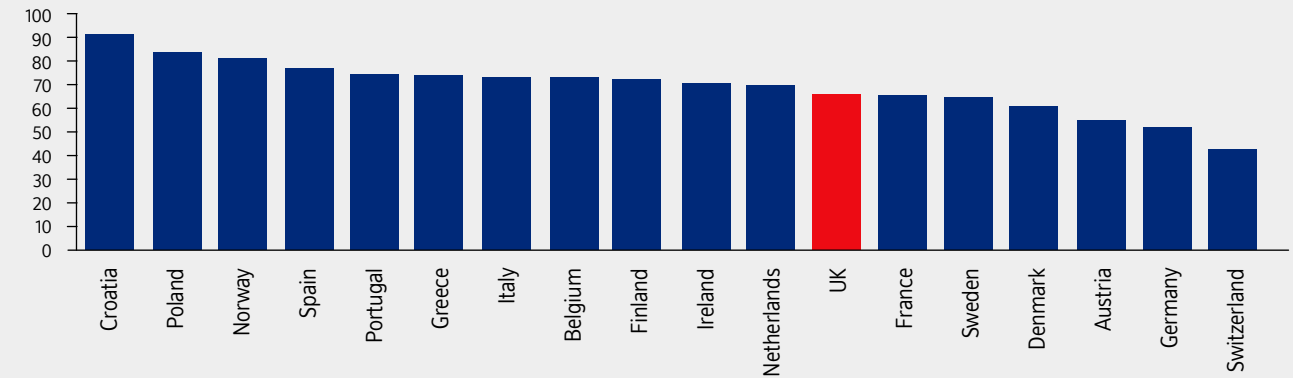
make a swift return to city workspaces. And attitudes change slowly. “There is a lot of narrative about a flight to the countryside, but values change slowly” cautions Ben Page of Ipsos MORI. “Even before the pandemic Britons were some of the least enthusiastic about city living.”

# 🏠 Availability



## Getting the housing mix right

Home ownership rate % (2018)



Source: Eurostat

The UK has seen huge shifts in housing tenure over the last century, with many millions of people moving from renting privately into home ownership or affordable social housing. That trend has reversed in recent decades. Today, with many people not living in their preferred tenure type, we need to ask what is the right housing mix?

### Achieving the right balance between home ownership, social and private rentals

Although Britain has a reputation for being obsessed with home ownership, as late as the end of the second world war, only 25% of people wanted to buy their own home. Many European nations also have higher home ownership rates than Britain.

Wind back a century, and the majority of people rented their homes from private landlords. That changed

radically in the 20th century, when home ownership took off and social housing dominated the rental sector. Between 1930 and the mid-1980s, the proportion of homeowners doubled and private renters shrank dramatically, from over 54% of households to just 10%<sup>5</sup>.

In the last two decades, the pendulum has swung back towards private rentals in Britain. Low interest rates have made returns on rental properties very attractive to investors, who until recently also enjoyed a

number of tax advantages. As a result, investors have snapped up homes coming onto the market, reducing availability to first time buyers. Consequently, the share of households renting privately has doubled in the last 20 years, although many would prefer to rent from a social landlord. Achieving the right balance between home ownership, private and social renting will be one of the biggest challenges for the foreseeable future.

## The overcrowding-underoccupancy paradox adds to pressure on housing supply

Overcrowding is on the up, particularly in the social and private rental sectors, while many homeowners are living in under-occupied homes. 746,000 homes were considered overcrowded in 2018, up 14% in a decade<sup>B</sup>. Meanwhile the number of homes with two or more bedrooms to spare rose 10% to 8.6m over the same period. More and better retirement housing could release larger homes onto the market.



### Semi-detached: housing needs to meet people's changing needs

Markets work best when they align supply with demand, but there is a significant mismatch between the homes people need and those being built in the UK.

Housebuilding was on the increase pre-pandemic but homes are not always being built where they are most needed. As many houses are being built in areas with the lowest population growth as in areas with the highest population growth<sup>6</sup>.

Nor are the homes being built responding to housing needs. Starter homes, small homes in city centres, more attractive retirement housing and social homes, including larger social homes, are in short supply.

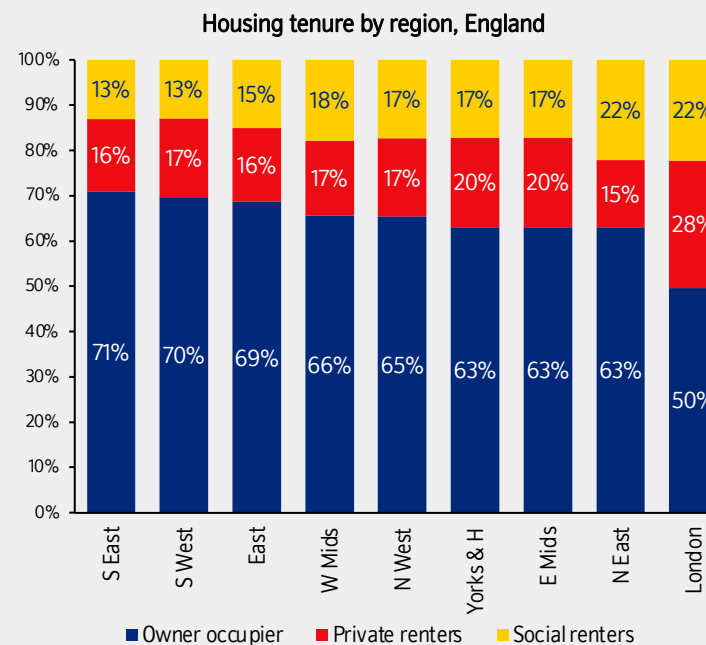
Smaller home starts fell in the last decade. Despite the growth in single person households, which are predicted to grow by a quarter between 2016-2041<sup>7</sup>, the number of one and two bed properties has fallen from two thirds of new builds in 2009 to less than half in 2019<sup>8</sup>. By contrast three and four bed houses took a larger share.

Nor are we building enough attractive housing for the 12m Britons over the age of 65. The retired population is still growing, but there are only around 735,000 purpose-designed homes for retirees.

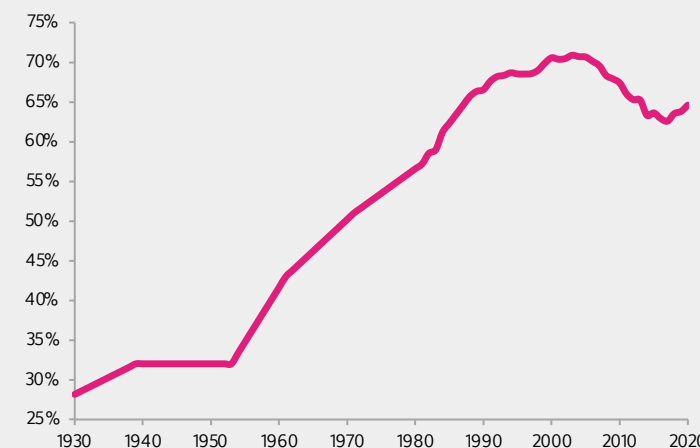
The dearth of attractive housing for older people means they stay in their family homes long after they have outgrown them. This is causing a bottleneck in the housing market – and resentment among younger people. A third of Generation Z think older people living in homes larger than they need should sell their properties so those who need them more can buy them<sup>9</sup>.

More large homes are also urgently needed in the social rented sector, where some 340,000<sup>10</sup> families live in over-crowded homes in England.

### Through the keyhole: trends in tenure



### England - Home ownership rate



Source: MHCLG



# VIEWPOINT

**By Rosie Toogood, CEO,  
Legal & General Modular Homes**

The UK housing market faces two significant problems; climate change and a chronic shortage of housing. By adopting a modular approach we can reduce carbon emissions and build more houses.

Using design and manufacturing techniques already matured in industries like automotive and aerospace, modular homes can be built on a production line through a standardised process which results in a quicker build process and improved quality when compared with traditional home building techniques. This results in modules with all internal fit out work completed and inspected for quality before they leave the factory. Modules are installed on foundations, then bricks and roof assembled, services connected, landscaping complete and the homes are then ready to be lived in. The approach significantly reduces the work carried out on site meaning less traffic to site and

a significantly shorter construction programme, both resulting in much less disruption for local residents.

As we drive towards net zero, modular housing has some natural advantages. Using precision engineering, lean manufacturing techniques and quality assurance results in homes which are more airtight and better insulated. The modular approach also generates far less waste than traditional building methods. We have also taken a fresh approach to heating and ventilating incorporating heat pumps and photovoltaic cells which, combined with high-quality build standards, will bring significant energy savings for residents of the new homes. But it's not just about the home itself, delivering great places where residents can enjoy the local environment is central to this new modular approach.

We have to Build Back Better after Covid-19. Modular provides a real opportunity to ensure we stimulate

the UK economy after Covid-19, address the housing shortage and lead the transformation of the house building market by delivering high-quality sustainable homes set in beautiful communities, and at speed.



## CASE STUDY

**Alexandra's story:**  
*Alexandra works in sales and rents a room in a house that she shares with her landlady. Her next rental will be a place of her own.*

### Comfort and sociability:

Home is somewhere I feel comfortable [...]

The advantage of living with other people is you're not alone, the loneliness is not a factor. Price as well, it's cheaper in general [...]

I'll miss the affordability factor, and knowing somebody else is around. Being able to pop into another room and somebody else is there. Other than that, I am very excited to live by myself [...]

### Affordability and the future:

At this point, I'm ready to find my own place. Somewhere with an outside space, like a balcony or a garden. It's annoying because you have to keep searching. A lot of places I would like to live in are out of my budget, so I'm saving at the moment [...]

I've been using online calculators, in terms of budgeting. They help you see if you can afford to rent some places and how much you'd have left over [...]

“The advantage of living with other people is you're not alone, the loneliness is not a factor. Prices as well, it's cheaper in general...”

# Affordability

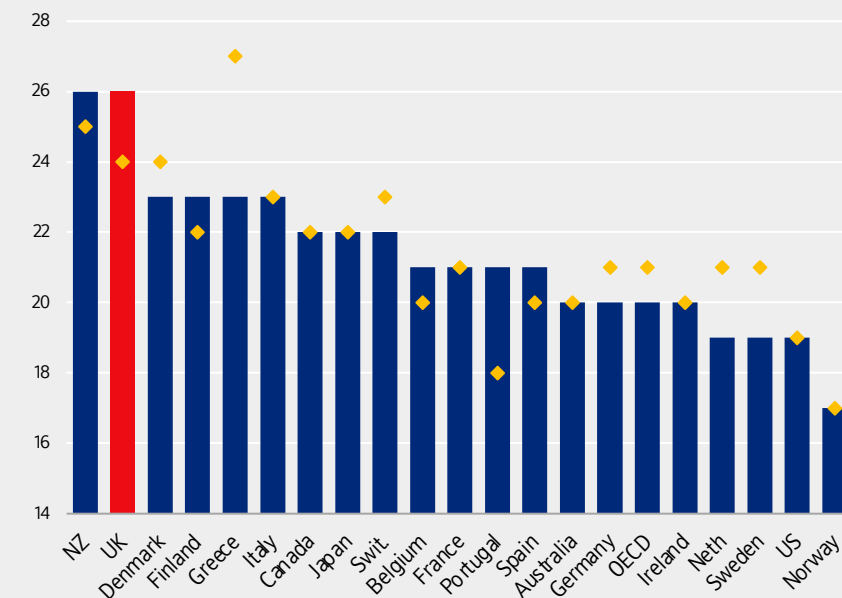
## Key to tackling homes Crisis for owners and renters

Britons spend more of their income on housing than any other developed nation. Housing swallows 26% of disposable income, a quarter higher than the OECD average<sup>11</sup>.

The burden of the high cost of housing in Britain weighs on lower earners and younger generations. “Until the pandemic, we didn’t realise how many of our people were renting and sofa surfing, how little disposable

income they had left after paying rent/bills,” one employer told us. “We pay at least the living wage, but some people were still relying on food banks and extended family.”

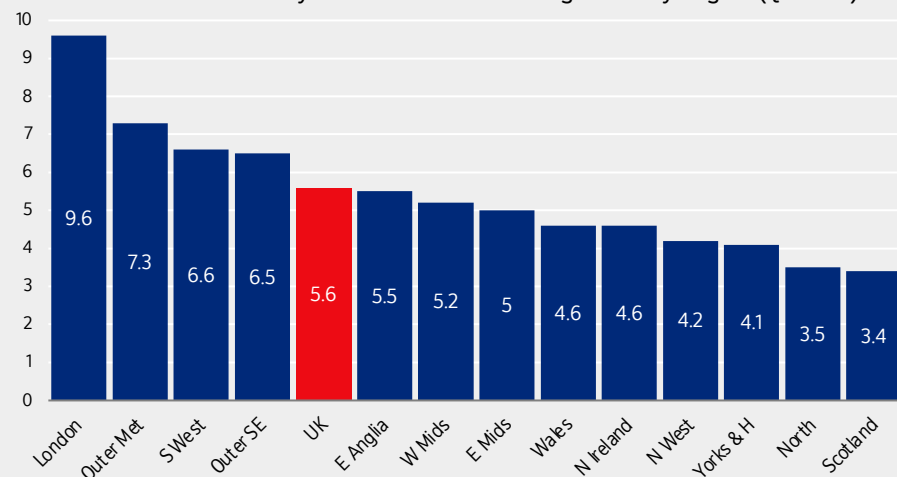
% of Gross Adjusted Disposable Income Spent on All Housing Costs (Bars show 2019, Diamonds show 2014)



Source: OECD Better Life Index (BLI)

## Widening gap in affordability between regions

First Time Buyer House Price to Earnings Ratio by Region (Q2 2021)



Source: Nationwide Building Society

Scots and northerners enjoy the most affordable homes, which cost just over 3x income, meaning that they could save a 20% deposit in just 5½ years, and mortgage payments are about a fifth of take-home pay. London has been consistently the least affordable region for over 30 years. Today starter homes cost over 9x incomes, raising a deposit would take nearly 16 years and mortgage payments swallow half of take-home pay.

## The affordability paradox: high house prices dwarf low mortgage rates

With interest rates at their lowest in 300 years, why is it so hard to get on the housing ladder? The answer lies in house prices that are high compared to incomes. The house price to earnings ratio – a simple calculation of how many multiples of your income you would need to buy a first home – is close to a record high.

Today, the average first home costs 5.6x the average income, much higher than the long-run average of 3.7x incomes.

The impact of high house prices is not just that property costs a lot. It makes it much harder for first time buyers to raise the deposit needed to secure a mortgage. A 20% deposit for a starter home is the equivalent of 104% of pre-tax income<sup>12</sup>. So, while almost one in five renters are currently saving for a deposit<sup>13</sup>, it will take between 6-16 years for a first time buyer to save a 20% deposit<sup>14</sup>.

For those who can raise a deposit, mortgage payments are affordable, thanks to historically low interest rates. Mortgage payments for first time buyers are about 28% of take-home pay today, just below the long-term average<sup>15</sup>. However, the affordability of a mortgage varies by occupation. Carers, labourers, salespeople, couriers and other low earners will find their mortgage payments swallowing over 40% of take-home pay.

“

Be careful about the claim that Generation Z don't want to own things; the reality is that they are poorer at their age than previous generations.”

Ben Page, CEO, Ipsos MORI

## Journey from renting to owning harder after Covid

The dream of home ownership lives on. Eight out of 10 Britons want to own a home of their own<sup>16</sup> but almost a quarter (23%) of all renters say it will be harder for them to buy a home after Covid<sup>17</sup>.

Costs are the biggest barrier to home ownership. 41% of renters say they are having to rent because they can't afford a deposit and other upfront costs to buy a home<sup>18</sup>. Just over a

third (35%) say they can't afford the mortgage and other costs of ownership such as insurance<sup>19</sup>. 29% of renters can't afford to buy a home where they want to live<sup>20</sup>.

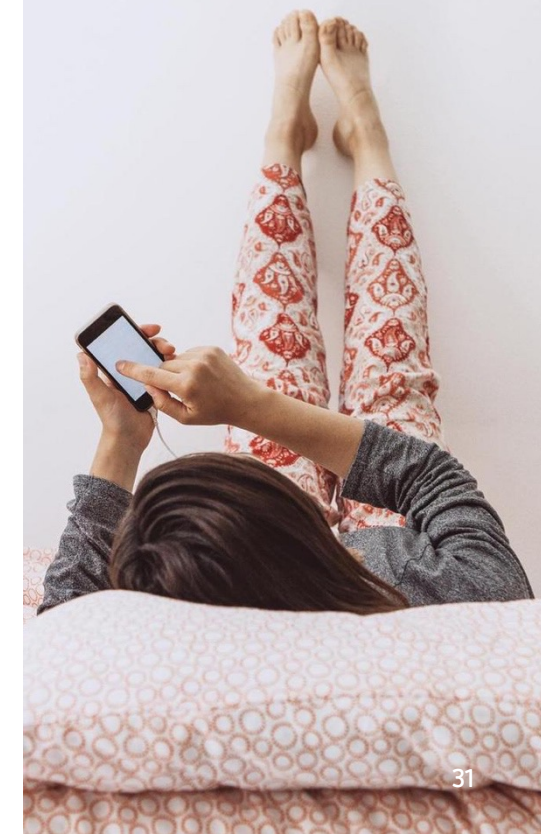
Even when renters have managed to save a deposit, they cannot always raise a mortgage on affordability grounds - even if they are paying as much or more in rent. This is because regulators insist on an affordability 'stress' test, to see that a buyer can afford the mortgage at much higher interest rates. In the experience of LV's Nicola Dunning, for many lower earners, "their rent was more than a mortgage but they couldn't buy because they couldn't afford a deposit".

"The question is whether affordability and stress tests are a social good or a blocker on renters achieving their dreams of sustainable home ownership," says Robin Fieth, Chief Executive of the Building Societies Association, whose members provide about a quarter of all mortgage lending in the UK. "Is there a better way to assess affordability as part of responsible lending?"

Altogether, optimism about home ownership is low: over two-thirds of renters don't believe they will ever be able to afford a home (68%).

## Relying on the bank of mum & dad

A growing number of first time buyers are turning to their family and friends for help to raise a deposit. In 2018-19, around 40% of first time buyers used money from an inheritance, gift or loan from family or friends to help raise a deposit. This was up from a quarter in 1995-6<sup>21</sup>.







## Lower earners need access to affordable social housing, not private rentals

People on low incomes were struggling with housing costs pre-pandemic, with 40% of lower earners paying more than 40% of their income in rent<sup>22</sup>. No wonder that renters say they are more likely to focus on the cost of their rent rather than the condition of the property when deciding which home to rent (53% versus 35%)<sup>23</sup>.

“The pandemic has compounded the problem, so many more are struggling now,” says Reuben Young, Affordable Homes Lead of PricedOut. Two in five people renting privately now claim housing benefit and 63% have no ‘rainy day’ savings to fall back on<sup>24</sup>. They are only just managing.

The root cause of this problem is the decline of social housing. The homes

sold in the 1980s under ‘right to buy’ gave millions<sup>25</sup> a leg up to home ownership, but dramatically reduced the availability of social homes for lower earners. Many of these people now rent privately – out of necessity. Given the choice, 56% of all renters would prefer to rent from a social landlord rather than a private one<sup>26</sup>. “Renting privately is not the best way to house large numbers of lower income earners,” says Affordable Housing Commission Chair, Lord Best. “We need social housing to do that.”

## Reform of the PRS and green incentives could boost affordable housing

Has the private rental market peaked? Many of the financial incentives for landlords have been withdrawn. There is a substantial regulatory burden on landlords, due to the complexity,

confusion and contradiction of PRS regulation, and the forthcoming Renters’ Reform bill will give tenants a new suite of rights. Looking ahead, the UK’s commitment to net zero by 2050, will require a green overhaul of the nation’s homes. “The cost of green improvements might be the final straw for many landlords,” says Susan Aktemel, of Homes for Good.

If landlords sell up, there may be an opportunity to rebalance housing tenure in the UK says Lord Best, Chair of the Affordable Housing Commission. Policy incentives could encourage sales to homeowners and social landlords, rather than to investors. Another option might be to use a ‘green’ incentive to encourage buyers to decarbonise these properties.

# VIEWPOINT

## Ben Beadle, CEO, National Residential Landlords’ Association

Throughout the pandemic the vast majority of private landlords and tenants have worked well together to sustain tenancies.

As the sector leaves emergency restrictions, the planned White Paper on rental reform provides an important opportunity to ensure the rental market works for both tenants and landlords. For too long debate on the future of the sector has been dogged by a sense that tenants and landlords are in conflict with one another. The White Paper should be used as an opportunity to demonstrate the positive virtues of landlords, tenants and government working in partnership with one another.

We are not blind to the challenges the sector faces. Too often it has been undermined by the actions of a minority of private landlords who fail to provide the standard of housing, or service, they should. Not only does this leave tenants in a vulnerable position, but it also tarnishes the reputation of the vast majority of landlords who do the right thing.

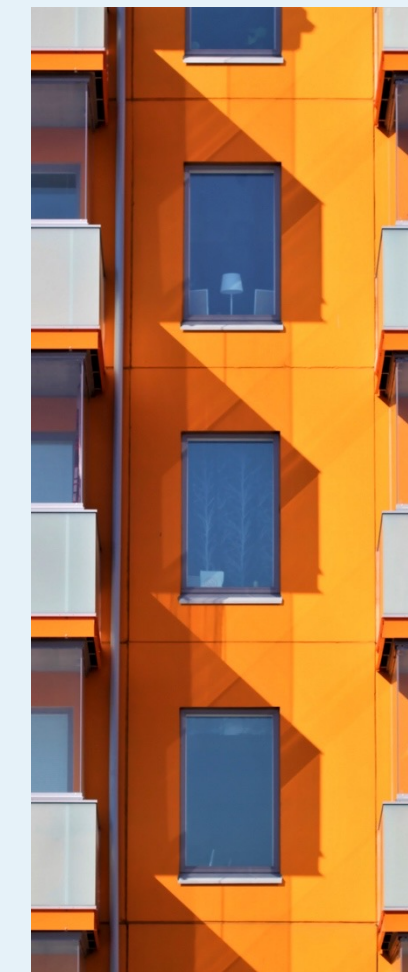
However, for all the challenges, government data shows that 83% of private tenants are satisfied with their accommodation – a higher proportion than those in the social rented sector.

More private renters are satisfied with the way their landlords carry out repairs and maintenance than tenants in the social sector, whilst the proportion of private rented households with at least one of the most serious category one hazards has more than halved over the past decade.

We are looking to the proposed reform of the sector to provide a set of rights and processes around the repossession of properties that are clearer and fairer to both landlords and tenants. We also want the opportunity to be taken to drastically reform the dispute process so that as far as possible, mediation is used and where this is not possible, court processes are much quicker and easier to access for both tenants and landlords.

Too often it is forgotten that in the vast majority of cases landlords and tenants enjoy a good relationship and tenants are satisfied with the

experience they have and the housing they rent. It is through this lens that future measures proposed in the White Paper should be developed.



## Renting in retirement: a ticking timebomb?

Private rentals were once the preserve mainly of the young, but in the last decade the fastest growth has been among the middle aged. Private renters aged 45-54 rose by 56% in the last decade, and among 55-64 year olds, they rose 73%<sup>27</sup>. The Centre for Ageing Better predicts that a third of over-60s could be renting privately renting by 2040<sup>28</sup>.

They will face much higher living costs in retirement than those who own their own home<sup>29</sup>.

Today, nearly 8 out of 10 older people (79% of 65+) own their own home. With no outlay on rent or a mortgage, their housing costs are limited to utilities, council tax and maintenance.

Rents that are affordable with a salary, will be unaffordable on a pension. Private renters aged 65+ spend 39% of their income on housing<sup>30</sup>. By the mid-2040s, over

600,000 retired households who are renting privately could struggle with housing costs<sup>31</sup>.

“An awful lot more pensioners are going to be renting in the future. Rent is going to take up a significant proportion of monthly income,” says Lord Best, Chair of the Affordable Housing Commission. “There is time to do something before the bulk of this ‘generation rent’ has this problem, but it needs to be done soon.”



## Building trust between tenants and landlords

Almost a quarter of private tenants live in ‘non-decent’ homes<sup>32</sup> – the highest of any housing sector – and while most tenants are happy with their relationship with their landlord, a significant minority (9%) are not.

Nationwide wants to help build a better landlord-tenant relationship, underpinned by high standards and tenants’ rights. We’ve added our voice to grassroots campaigns to help secure better tenants’ rights. Working with our long-term partner, Shelter we helped show ‘no DSS’ clauses in rental contracts are unlawful. We hope ‘no fault’ Section 21 evictions should be banned in the forthcoming Renters’ Reform Bill, thanks to the efforts of campaigners, small and large, and supported by Nationwide.

As a major lender to landlords, we offer a Landlord Lifeguard service to help them stay abreast of their legal and other obligations.

## VIEWPOINT

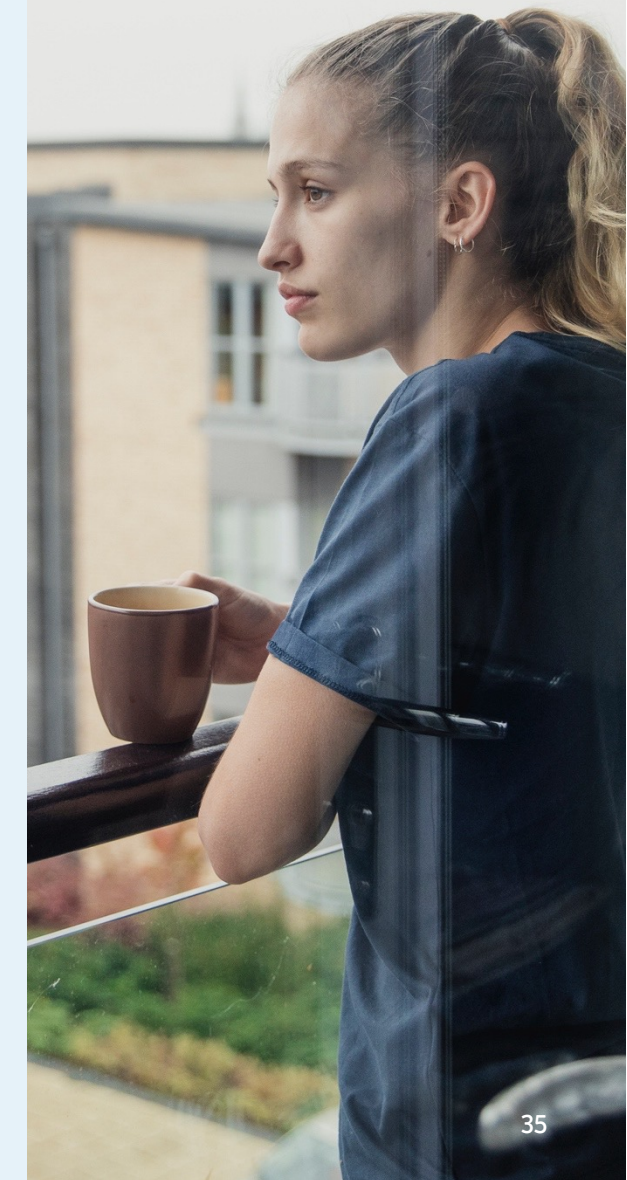
**Polly Neate,  
CEO, Shelter**

It is now widely recognised that England’s private rented sector is in dire need of reform. The sector has doubled in size in the past 20 years – and regulation has not kept up. Despite many landlords looking after their tenants and properties, the pandemic has proved beyond doubt that the private rented sector, home to 11 million people, is not fit for purpose. Too many children had to ‘stay home to save lives’ in mouldy, unsafe properties. Too many parents were forced to choose between paying the rent or putting food on the table. And too many people had nowhere to turn when things went wrong. Even while the ban on evictions was in place, renters could still be served with a Section 21 ‘no-fault’ eviction notice if they complained about disrepair.

The upcoming Renters’ Reform Bill is a truly once-in-a-generation opportunity to create a professionalised private rented sector that works for landlords and tenants alike. The government can give renters security by scrapping ‘no-fault’ evictions for good. It can professionalise the sector by introducing a landlord register. And it can allow both landlords and tenants to navigate the system by ensuring clear routes to redress and well-resourced courts.

At Shelter, we see a real chance to improve the lives of England’s 11 million private renters. But we’ll only get there if we work with other organisations who represent not just renters but landlords too. The private rented sector has to work for everyone if it’s going to provide the safe and secure homes we need.

Ultimately, we want every single person in this country to have a safe, secure and affordable home. The private rented sector can play a key role in helping us achieve this vision – but only if these vital reforms take place



# VIEWPOINT

## Leigh Pearce, Chief Executive, Nationwide Foundation

A key tool to be used in rebalancing our housing system is community-led housing; a grassroots, community solution that builds homes where they're wanted, needed, and at prices locals can truly afford. At the Nationwide Foundation, we first became excited about the potential of the community-led housing sector in 2009, and we've supported it ever since, watching it go from strength to strength.

Research published last year by the National Community Land Trust Network demonstrated that there is strong demand and a robust pipeline of projects, with almost 12,000 homes poised and waiting to be built. These are new homes planned across the country, often in areas where the affordability crisis bites hardest and local people find themselves priced out of the market.

Financially, community-led housing makes complete sense too. Capital Economics found that over 10 years, each £1 of public investment delivers £1.80 of public benefit, rising to £2.70 when health and benefit savings are included. The research found that community-led housing saves the NHS money by creating homes that are warm, dry and safe, and so reducing illnesses and health conditions brought on by poor problems. It also reduces the overall cost of Housing Benefit because homes are truly affordable.

There's now a strong base of evidence signalling the positive contributions of community-led housing. The future of housing will, of course, need government support. But, people across the UK aren't waiting for the green light from Westminster. They're taking things into their own hands and creating homes for the future; homes that are truly affordable and have the power to transform the lives of people living in them.



## CASE STUDY

**Simran's story:**  
*Simran is living with her parents while saving to buy her first property.*

### Intergenerational living:

To answer the question of what home means to me - I think it's just feeling comfortable, a happy place and my place to return to [...]

I adore my current housing situation. I am incredibly lucky to be living with my family. I know people want to move out as soon as they can, but I don't see myself doing that [...]

Lockdown has definitely shown me how important green space is. But I know that that would be hard, in terms of location, to also have a green garden [...]

### Home ownership and affordability:

I have a Lifetime ISA and a Help-to-Buy ISA. I am putting money aside every month [...]

I think finding the right mortgage will be difficult. We weren't taught this thing in school...all the different aspects that come with a mortgage - interest rates, fixed mortgages... it's quite a confusing topic. I am still trying to educate myself on it [...]

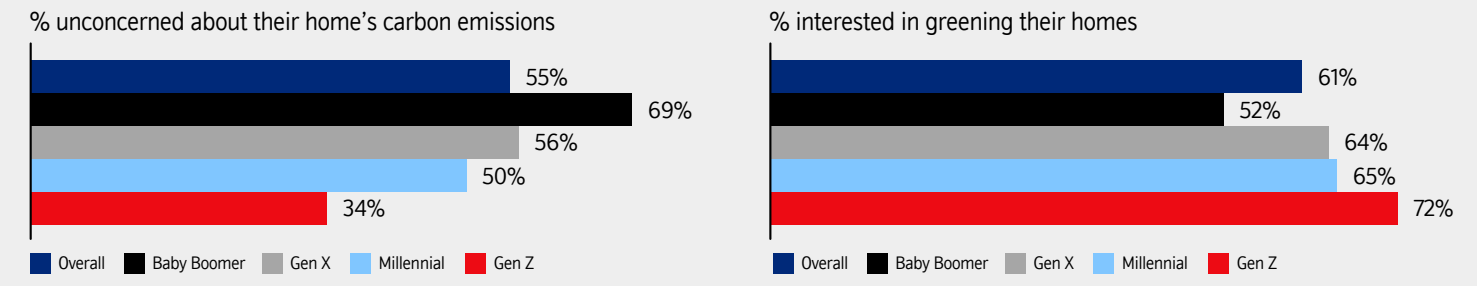
“  
The market is crazy right now [...] for first time buyers



# Sustainability

# Greenhouses

## The Green Generation Gap



Ipsos MORI. 2,985 adults aged 16-75 in the UK, interviewed online 25-28 June 2021

The UK has made ambitious commitments to net zero. As Britain's 29 million homes directly produce 15% of the UK's emissions, greening them will play an essential role in meeting our 2050 commitment. And as we need to decarbonise homes at the rate of two per minute by 2050, there's literally not a minute to lose.

The task presents challenges and opportunities. This report focuses on three challenges in particular: consumers, complexity and costs. Consumers need to own the change. Costs need to be shared fairly. Complexity needs to be simplified.

### Consumers need convincing of the need to green their homes

People's concern for the environment has been rising along with sea levels. Concerns rose by 24 percentage points between 2013 and 2020<sup>33</sup> as David Attenborough's Blue Planet series and the young activist Greta Thunberg caught the public's imagination. But while consumers have taken active steps to, say, reduce plastics use, they are giving mixed signals about the much bigger challenge of decarbonising their homes.

While over half of homeowners are interested in greening their homes (see chart), almost as many are unconcerned about the carbon emissions of their current home.

People think they are doing enough: half of homeowners say they have carried out some form of energy efficient home improvement in the last five years. But these improvements are more likely to be small steps like updating gas boilers or replacing lightbulbs, which by themselves will not add up to enough change to meet ambitious net zero targets.

They have not fully grasped the full scale of the challenge of decarbonising their homes and think they are already doing their bit. 60% of consumers don't think their energy consumption at home has much of an impact on emissions<sup>34</sup>.

People think that the things they are already doing – such as recycling, turning off lights, using energy efficient bulbs – are the most important, whereas the vast majority of home emissions are from heating.

If we are to meet net zero challenges, we will need to convince consumers of the need to decarbonise their homes, including installing new heating and hot water systems.

## Fair and affordable funding formula will be key to greening homes

Costs are one of the biggest barriers to green improvements. Consumers simply aren't prioritising green issues in their spending. Making green adaptations to a home ranked 10th in a list of post-pandemic spending priorities. Holidays, meals out, and buying clothes and books, all ranked much higher.

“Even where they want to go green, many people put their pockets first,” says Guy Anker, Deputy Editor & Head of Operations at Money Saving Expert, pointing to the green energy market. “We're now seeing bigger interest in green household energy as there's no longer a premium for getting it,” he says. “When it cost more, there wasn't that demand.”

This points to a substantial gap between the level of environmental concerns, and real-life actions.

Untangling the value-action gap and understanding the cost drivers will be essential to making our homes greener, especially as the costs are so high. This is because we cannot achieve net zero in our homes through insulation and low energy

lightbulbs alone. We will need to replace gas-fired boilers with low carbon alternatives, such as air and ground source heat pumps, or a hydrogen-ready boiler. As a result, decarbonising a home is likely to cost tens of thousands of pounds. It may also result in higher, not lower, bills unless energy pricing is reformed.

It is essential that a fair and affordable formula for sharing the costs between the consumers and the taxpayer is found if we are to achieve widespread acceptance of the government's green home agenda. Jenna's experience illustrates the potential pitfalls. “My brother had solar panels and lost quite a lot of money – they cost quite a lot initially, but over time then I think you're supposed to recoup it. But because they then moved, they never made any money on it. Because we saw how that turned out, we decided not to do it.”

People will be reluctant to upgrade their homes if they don't see clear financial benefits, or fear that they may end up paying twice over.

“

**Customers are understandably concerned about saving money, and our challenge is to demonstrate that energy efficient homes are also the cost effective choice.”**

Bukky Bird, Group Sustainability Director, Barratt Developments



## VIEWPOINT

**Bukky Bird, Group Sustainability Director, Barratt Developments**

We have reached a critical inflection point in the fight against climate change – with our homes on the frontline of mitigating and adapting to climate change.

As well as homes fit for the future, housebuilders can be part of a green economic recovery as we emerge from the pandemic, creating jobs and opportunity across the country.

Policymakers can set the direction. The Future Homes Standard will drive a step-change in how we build and how our customers live in their homes – but we need clarity on critical elements of the transition today, as well as a bold long-term, cross-sector roadmap.

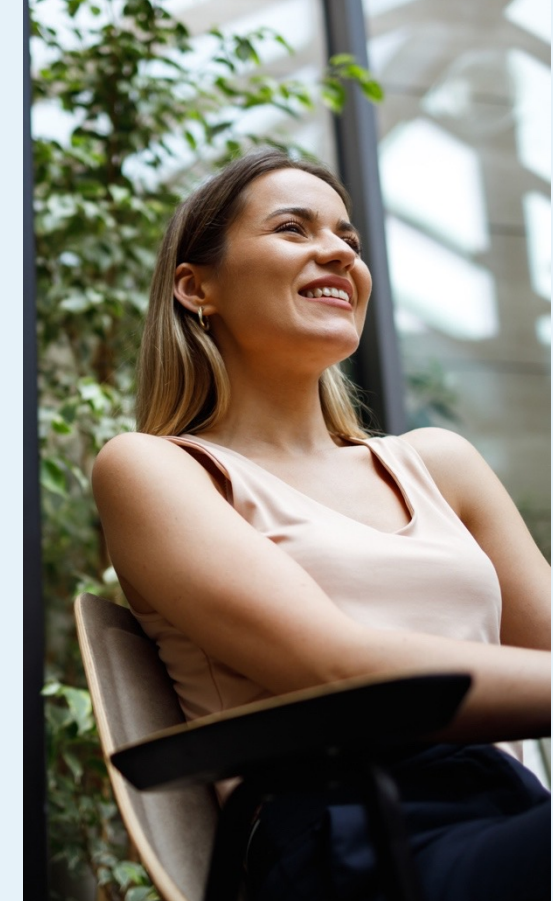
However, this is not just a challenge for government - every business needs to take responsibility. For housebuilders, the industry will see more change this decade than it has over the previous fifty years. It will not be easy, but as the UK's largest housebuilder, we have already started our journey.

We're committed to becoming a net zero business by 2040 and all our homes will be zero carbon from 2030. Last year we became the first major housebuilder to set science-based carbon reduction targets and joined the UN's Race to Zero.

To get there we need to design sustainable places and test innovative construction techniques and smart technologies. Some trials will succeed, some will not – but all will move us forward.

Ultimately, the customer must be at the heart of our plans and the homes of the future will need to be accessible, affordable and aspirational. Customers need to see and feel the value of a greener home.

Building sustainable homes on a national scale requires strong planning and collaboration. Developing key industries, along with the right skills, will be critical. We are working with our supply chain so they are ready to meet the demands of 300,000 new homes a year, while tackling the millions of existing inefficient properties across the country.



Finally, all parts of the housing market needs to work together. Planners need to be well-resourced, with consistent carbon standards. Green mortgages must become more commonplace, rewarding customers who make the move to a sustainable home.

There is much to do, but the industry is up for the challenge of building the sustainable homes and neighbourhoods we need for future generations.

## Eco-complexity is putting people off greening their homes

Cutting carbon emissions from our homes is a complex subject, and people lack confidence in their knowledge. Our survey found that one in five people who haven't upgraded their homes (18%) wouldn't know how to go about reducing their home's carbon emissions<sup>35</sup>. And these numbers may underestimate the extent of the knowledge gap.

Many people are simply not aware of the low-carbon heating technologies that will be needed to decarbonise homes, many of which are untested at scale.

In a 2020 survey, three quarters of people (75%) had never heard of air source heat pumps and six out of 10 (61%) had never heard of ground source heat pumps<sup>36</sup> - despite the fact that they are likely to play a large part in decarbonising homes. This lack of awareness is reflected in very low take up: 1.67 million gas boilers<sup>37</sup> were sold in 2019, but just 35,000 heat pumps<sup>38</sup>.

Even fewer people (88%) had heard of hydrogen boilers<sup>39</sup>, although these are at least still experimental technologies and are only going into homes for the first time in 2021<sup>40</sup>.

This knowledge gap needs bridging urgently. "There is huge interest from the public in anything green - we've seen it in our huge traffic on Moneysavingexpert.com for info on the Green Homes Grant and solar panels," says Guy Anker, Deputy Editor and Head of Operations at MoneySavingExpert. "Yet the minute people are faced with complexities many turn away."

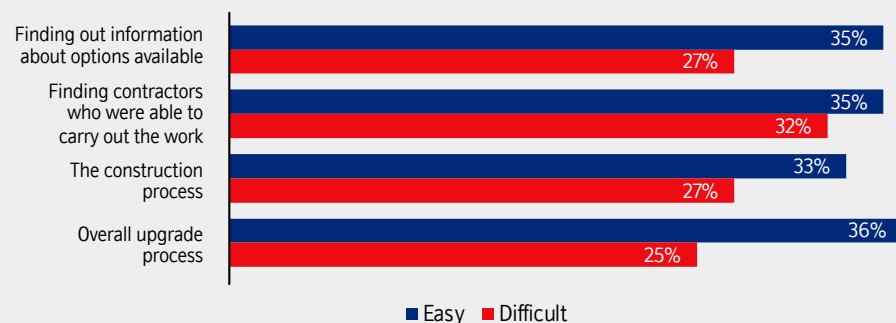
For B&Q's Shane Shortman, it needs to be "easy for people to take action - so they know what they need to do to improve their home." This was one of the areas in which the Green Homes Grant scheme fell short. Both consumers and builders struggled to get to grips with the complexities of the scheme and it was abandoned after just six months<sup>41</sup>.

Businesses have a big role to play in helping people understand the biggest impacts of their homes and the most effective mitigations.

AJ Eaton of developers Mi-Space, envisages a journey "for the progressive decarbonisation of a property." This could take the form of "a building renovation passport which sets out clearly what needs to be done on each home to make energy efficiency improvements", suggests Jessica Levy of the Federation of Master Builders.

Ultimately, though, to get people on board "we need to talk more positively about these technologies and the impact they can have," says Swindon Borough councillor, Keith Williams, who has reduced his own carbon footprint to a very low level through solar panels and a battery to power his electric car.

How easy or difficult would you say you found each of the following stages?



Source: Ipsos MORI. 1,012 adults aged 16-75 in the UK who have upgraded their homes, interviewed online 25-28 June 2021



“There has to be some way of educating the public as to what the best measures are to improve the energy efficiency of their home [...]”

## CASE STUDY

### Ed's story:

*Ed and his wife live in a village – they were going to move, but instead they're going to stay put and make their home more sustainable .*

### Using tech to go green:

I started off with smart home stuff, then realised a lot of the smart home stuff really lends itself to energy efficiency, making your home greener.

We have a smart thermostat [...] smart lighting, sensors... a smart tariff that encourages you to use energy outside of the peak hours... when there is an excess of green energy on the grid, that's when you do your chores[...] this starts to get the behaviours in place[...] it will get people more interested, thinking, 'I've done all these things and I've saved some money[...]'

### We need higher standards:

Even on a seemingly upmarket estate where the quality looks high [...] you see there are very basic problem with those [...] When it comes to making homes greener, when corners are being cut on the costs, then what suffers is going to be the energy efficiency of that home [...] there needs to be a government-funded inspector that can take that developer to task, especially when it comes to energy efficiency.

## Heritage housing stock increases scale of the challenge

Costs and complexity are not the only barrier to greener homes. The UK has the oldest housing stock in Europe<sup>42</sup>, with 10 million homes built before 1944, and almost 6 million over 100 years old<sup>43</sup>. In a country where rose-covered 16th century cottages nestle alongside 1950s' semis, and high-rise flats tower over Victorian terraces, the task of greening our homes is complex.

Older buildings are not necessarily less sustainable when carbon emissions over a building's whole life cycle, from construction through occupation to demolition, are taken into account: often, the greenest home is one that exists already.

However, tackling ongoing emissions will be a major challenge, with large parts of the housing stock very 'hard to heat' using low carbon technologies in an economic way. For example, some 81% of all EPC-assessed homes built before 1966 have an EPC rating of D or lower. Around one third of the 2.6 million EPC-assessed homes built since 2008, have a maximum potential EPC rating of C or below.

One size will not fit all, so a range of solutions will be needed. For example, although heat pumps have emerged as a preferred solution, up to half of all homes might not be able to accommodate a heat pump system, according to the Energy & Utilities Alliance<sup>44</sup>.

There is also the huge skills gap to be addressed. To meet the government's target of installing 600,000 heat pumps a year by 2028 – around 15x the current rate – a vastly larger installer base will be needed. The Heat Pump Association estimates that the installer base will need to grow from just over 1,000 in 2020 to 26,000 in 2028<sup>45</sup>. There will also be legal barriers to overcome in terms



of covenants and restrictions on changes to listed buildings, as some people have already found.

“We have friends who have solar panels which are very cost-efficient and obviously green for the planet. And we would dearly love to do that,” explains Alan, a retired builder. “But where we live there's a covenant on our property where we're not physically allowed to put anything on our roof.”

And there will be human barriers – resistance to the aesthetics of some green solutions, particularly in areas of natural beauty, or regions where there is a dominant architectural style.

## VIEWPOINT

**Guy Anker, Deputy Editor and Head of Operations at MoneySavingExpert.com**

Going green is the topic of our generation to help to combat climate change, so we must act given the UK's housing stock is among the least energy efficient in Europe. It is clear millions want to go green, but encouraging them to follow through on that desire is the big challenge.

To highlight the demand, we've seen huge interest over the years in people researching the financial merits of solar panels, the Green Homes Grant and other energy efficient initiatives via MoneySavingExpert.com's guides.

However, a significant barrier to people greening their homes is cost and complexity.

Many households are understandably put off improving their energy efficiency when the cost is high. While they may want to go green, upcoming mortgage or council tax bills often take precedent when money is tight.

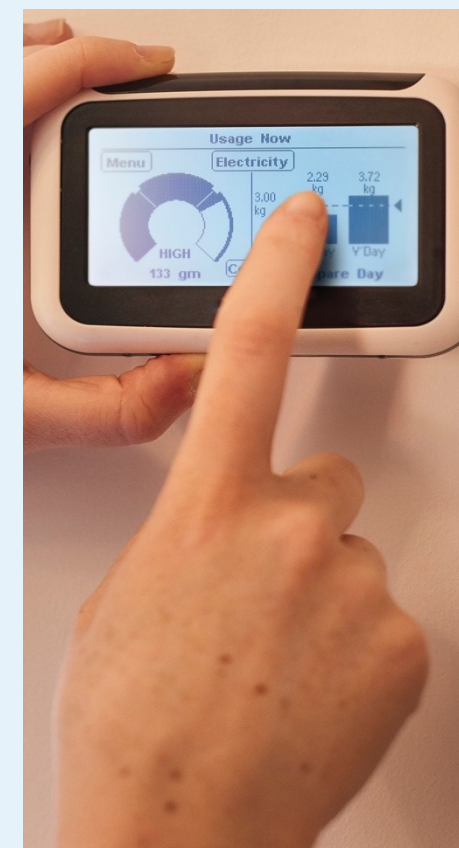
To show how costs influence people's decisions, we've seen a gradual reduction in research on MSE on the financial merits of solar panels as the subsidies available to homeowners have been cut over the years.

Meanwhile, we've seen an increase in demand for green energy tariffs given they now often cost the same as 'dirty' gas and electricity, which hasn't always been the case.

Similarly, complexity is another barrier. While there was huge interest from our users in the Green Homes Grant scheme which launched last year, take-up was low given the many hoops people needed to jump through.

So the challenge for all of us – banks, building societies, publishers, home builders, regulators, environmental groups and the Government – is to create simple, cost-effective ways for people to go green at home, and to communicate those initiatives in an easy-to-digest format.

We've seen some positive steps recently, such as mortgage cashback for buyers of energy efficient homes. Yet we need more initiatives of that ilk. Only that way will we turn demand into action.



## Better together: government and businesses should work together to achieve net zero

If we can harness the power of government and the private sector, greening our homes presents as many opportunities as challenges. From the development of the technologies needed to decarbonise our homes, to the creation of a retrofit industry with the jobs and skills to install energy efficient measures, to the development of a green finance industry.

The enabler of all this is the government, which needs “a set of long-term policies to incentivise innovation and investment in the industry and attract more people into the sector”, says Emily Braham, Strategy and Operations Director, Energiesprong UK.

This would allow industry to innovate and create new products that would have less impact on the environment. Policy certainty and predictability over a period of time would allow the market to work its magic: to invest in retrofit solutions and create the green jobs that are needed to deliver it.

The social housing sector could be a test-bed for this investment thinks Sunand Prasad of Penoyre & Prasad. “The 5 million homes in the UK created through public investment represent a fantastic opportunity to fulfill the Government’s carbon commitment. A programme to retrofit them all would help scale up and industrialise the process of greening all buildings. Such an investment would catalyse so many other benefits: re-skilling the workforce, engaging young people, providing long term employment, transforming streets and places.”



**Solar panels...to be honest – not my cup of tea. Where we’re moving to it’s Welsh slate tiles... it wouldn’t go with the surroundings.”**

Ava

## Learning from experience

Experience suggests government intervention will be needed to deliver the green homes we need. As UCL’s Tadj Oreszczyn points out: “The introduction of condensing boilers has been the single biggest change to domestic energy use over the last two decades. Despite being cost effective, we only had significant uptake when they were regulated.”<sup>46</sup>

There are also lessons to be learnt from the ‘carrot and stick’ approach to electric vehicles, according to Matt Wood, Energy Analyst, Energiesprong. “There is a simple grant system for electric vehicles plus tax incentives to incentivise uptake, followed by a ban on new petrol/diesel cars by 2035 and clean air zones in London and other cities. We need a similar approach for improving our homes.”



**Reducing carbon emissions at home is cost-effective and it’s a legacy to my grandkids.”**

## CASE STUDY

### Alan’s story:

*Alan is a retired builder who lives by the beach with his wife, Sophie. He is enjoying his retirement..*

### “Where I can relax totally”:

I live on the beach. I’ve lived here for the last 11 years [...]

To me, home is where you feel comfortable, relaxed and safe. It’s important my wife is with me, and my two dogs. This is where I can relax totally, and I am a king of my own castle [...]

### Adopting a green lifestyle:

We do try to stay environmentally conscious if we can. We recycle religiously, we don’t go on aeroplanes... We haven’t got an electric car, but that is definitely our next major purchase [...]

‘Green home’ to me is as close to zero emissions as you can get [...]

### Obstacles to going greener:

We can’t have solar panels. We live on a marina. Our freehold has lots of covenants in it. One of them is that we can’t have solar panels. It’s bizarre. Especially now when they have solar panels which aesthetically don’t make any impact [...]

I don’t think I would get a ground-source heat pump. My garden is beautiful, and I don’t want to dig it up for a ground source pump. Air-source pump, on the other hand, entails a box that’s a metre cubed. That gets pumped in front or in the back of your house. Our garden is little, and that’s a big chunk of your garden, with a big box in the back, with a lot of money to install in the first place. So it is not something I would consider [...]



# VIEWPOINT

By Sara Kinsey, Head of Historical Archives, Nationwide Building Society

In the late eighteenth century only a tiny proportion of the UK lived in homes which they owned. The Industrial Revolution brought about a mass migration to the towns and housing crisis. Speculative developers built estates to rent to the new urbanites but what about those people who wanted to build or buy their own homes? A meeting in a pub in Birmingham in the 1770s started the first building society, allowing ordinary people to pool their savings and buy or build their own homes. These societies were instrumental in making home ownership affordable for millions of people for the next two hundred years.

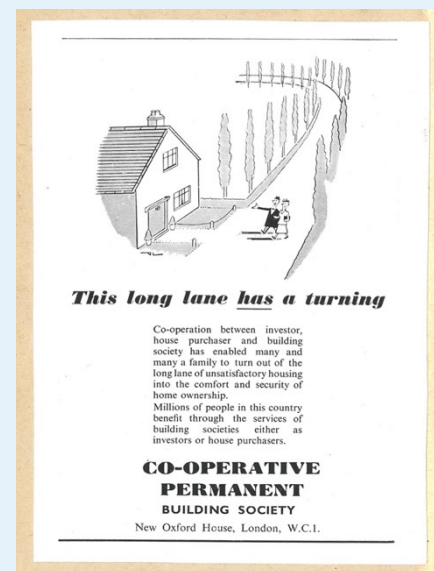
By the end of the nineteenth century there were thousands of small, local societies throughout the country. One of these was the Co-operative Permanent Building Society, founded in South London and eager to give mortgages to 'the industrious classes.' Their first mortgage typified how building societies were broadening access to homeownership: in 1884, they lent

£120 to Mr Alfred Idle, a librarian, to buy a home in Battersea for himself and his family of nine children.

In some areas, building societies were also active house builders. A society in Northampton bought up estates of land, laid out roads and sold off plots to its members to build their own homes – many of which still stand today. These innovations were on a relatively small scale and by 1914 home ownership is estimated at still no more than 10% of housing stock.

The interwar period saw an explosion in house building and a tripling of rates of owner occupation. Membership of building societies soared - the Co-operative Permanent Building Society increased its numbers some twenty-fold. Part of its success was due to innovative schemes with builders which allowed it to offer 95% LTV mortgages for the first time. The scheme was widely adopted across the industry, opening up the market for new owner-occupiers and boosting demand for the leafy avenues of 1930s semis.

As the task of reconstruction began after the Second World War, so building societies adapted to help particular groups such as self-builders and the self-employed. A



wave of mergers consolidated the sector whilst it grew its network of high-street branches, making it easier for prospective homeowners to access mortgage products. From the late 1970s onwards, banks began to offer mortgages increasing competition and choice. As house prices rose, financial services providers kept innovating to try to keep home ownership an affordable possibility – for instance, in 1988 Nationwide introduced a shared mortgage to help NHS workers buy property in London. The Financial Crisis of 2007-9 brought restrictions on lending, but the industry continued to develop new products and services from providing higher LTV mortgages to better rates for those with greener homes. From tiny beginnings, the UK's mortgage market is now one of the most innovative and competitive in the world.



## CASE STUDY

### Jenna's story:

Jenna lives with her husband and three children. She works part-time as a social media officer.

### Space for a family:

We're really glad we live here. The last house we lived in, we loved it, but it got too small when we had our third child [...]

### Wanting to go green:

I am vegetarian, I don't eat meat. We have just bought sustainable toilet paper. We're really trying to be a sustainable household. We've got bamboo toothbrushes. The children have bamboo plates. We're trying to cut down on single-use plastic [...]

### No one likes paying for changes you can't see:

We had to have a new boiler fitted, which is the most depressing thing. I don't mind spending money for something that people see, but no-one sees that, do they? It was £3,000 for a boiler, it was so boring. So that was so disappointing [...]

I think a lot of people would do more if it was obvious what they had to do. If somebody said "Oh, what you've got to do is this, this, and this". It seems like there is a lack of information. If you have to do it yourself, you just think "Oh, this is so long down on my to do list today" [...]

I think they need to make you see the difference straight away. Like I said, my brother got the solar panels, and they cost him a lot of money. They told him it takes 8 or 9 years before they start making a difference to electricity. But he had moved by then, so actually he didn't see any benefit at all. So I think people need to see benefit a bit more instantly [...]"

“

We're really trying to be a sustainable household. I think a lot of people would do more if was obvious what they had to do.”

## Helping make housing better

Nationwide is committed to making the housing market work better for everyone. This report is intended as a springboard for cross-sector co-operation to help solve the challenges of availability, affordability and sustainability of our homes. We are also working hard to have an impact ourselves – by building a development of new homes; tackling affordability issues; and incentivising homeowners to ‘green’ their homes.



### Availability

#### Availability: building the Oakfield community in Swindon

A new neighbourhood is being born in Swindon. Thanks to a pioneering not-for-profit project funded by Nationwide, the 239-home Oakfield development will be somewhere young people can put down roots, families can grow up and older people can live as valued members of the community.

Homes on the brownfield site will range from modest 1-bed flats to larger 4-bed family homes. Adaptable homes and homes for the over-55s will rub shoulders with starter homes and family homes. To bring people

together, there will be shared gardens and green spaces, plentiful walking and cycle paths and a community hub for clubs and events.

This project is also a test-bed for affordability and sustainability standards. More than a quarter of the homes will be reserved for people and families on lower incomes through affordable rent and shared ownership schemes. The homes will be green and future-proofed to help people live sustainably. Every home will be built to EPC A standard and powered by air source heat pumps and solar panels. Homes with on-plot parking will be wired ready for electric vehicle charging points, and standalone charge points will be dotted around the development.

With construction underway, the first homes will be ready for occupants in Spring 2022.





## Affordability

### Affordability: Making housing affordable

Making home ownership possible is our *raison d'être* and we continue to respond to the changing housing market. We increased the amount first time buyers can borrow to up to 5.5% times income, to help buyers who are struggling to get onto the housing ladder. We also offer 95% LTV loans to first time buyers and homemovers, and are asking for restrictions on lending at higher LTVs to be eased to bring the goal of home ownership within reach of more people.

Nationwide also supports people in housing need through its funding of the Nationwide Foundation. Every year, we give a quarter of our charitable funding to the Nationwide Foundation, an independent charity that is committed to increasing the availability of decent, affordable homes for people in need.



## Sustainability

### Sustainability: Committed to net zero

Nationwide has committed to a net zero future – and helping make Britain's homes greener so that the UK hits its 'net zero' commitments is a big part of that. We have been working with cross-sector partners to develop 'guiding principles' that should inspire awareness and consumer trust in the retrofit process; we continue to engage with these partners and government regarding how a 'retrofit revolution' could be fairly financed.

We also offer cashback to homebuyers buying energy efficient homes. Homebuyers and landlords can also benefit from our discounted rates on lending for green home improvements.



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