

## UNAFFORDABLE HOUSE PRICES IN EUROPE PUT LIVES ON HOLD

- Just over half (56%) of people in Europe expect house prices to rise this year
- A third (33%) have delayed important life decisions due to high prices
- Confidence in UK house price rises has fallen 13 percentage points

Confidence in the European housing market has hit a plateau, though vast shifts in outlook can be seen across Europe. Also evidence shows unaffordable housing is causing people to put their lives on hold – forcing many to make sacrifices such as living with parents or delaying having more children.

The fifth annual *ING International Survey – Homes and Mortgages 2016*, which surveyed almost 15,000 people in 15 countries about their attitudes on the housing market, found that just over half (56%) of people in Europe expect house prices to rise over the next 12 months. The number who think that house prices will rise remains unchanged since last year, indicating there could be a levelling of confidence (Table 1).

The most dramatic shift has been in the UK, where expectations of rising house prices plummeted by 13 percentage points, prior to the EU referendum.

Following the Brexit vote the question was repeated. Post referendum the share in the UK who expect house prices to fall grew 16 percentage points – from six per cent to 22 per cent. Less than half (46%) of people in the UK now believe house prices will rise in the next year – the lowest proportion since the first survey was conducted in 2012<sup>2</sup>.

**Table 1: Percentage who think house prices will rise over the next 12 months where they live<sup>3</sup>**

Rank	Country	2014	2015	2016	Change (2015-16) (percentage points)
	<b>European consumer</b>	<b>53%</b>	<b>56%</b>	<b>56%</b>	<b>(+0)</b>
1	Belgium	60%	55%	65%	(+10)
2	France	42%	41%	46%	(+5)
3	Italy	30%	33%	37%	(+4)
4	Spain	35%	49%	52%	(+3)
=5	Luxembourg	72%	76%	78%	(+2)
=5	Austria	71%	69%	71%	(+2)
=5	Czech Republic	47%	50%	52%	(+2)
=8	Germany	60%	61%	61%	(+0)
=8	Poland	44%	43%	43%	(+0)
=10	Turkey	72%	82%	81%	(-1)
=10	Netherlands	57%	70%	69%	(-1)
=10	Romania	46%	53%	52%	(-1)
13	United States	56%	60%	57%	(-3)
14	Australia	n/a	63%	50%	(-13)
15	United Kingdom	72%	70%	57%	(-13)

Falling interest rates are one factor that can typically influence house prices. Across Europe, Luxembourg (28%) and the UK (26%) have the largest share of people who report that low interest rates have pushed up house prices where they live. However, in all but two of the countries included in the study, when asked how

the fall in rates has affected house prices where they live, respondents most commonly (39%) say they 'do not know', indicating that few actually understand the effect on house prices.

Unaffordable housing is having an impact across Europe. Three fifths (60%) of people find that house prices where they live are expensive and a third (33%) are putting their lives on hold as a result. Those affected admit to putting the brakes on their futures, with nearly one in three (29%) being forced to live with others, almost a quarter (22%) saying they feel trapped in their current jobs and almost one in five (16%) delaying having children.

High house prices are resulting in one in four (24%) people finding it difficult to pay their mortgage each month, reaching highs for instance in Poland (41%) and Romania (40%).

As a coping mechanism, nearly half (46%) are compromising on their housing choices whether they rent or own their home. Of those who have compromised and are unhappy with their situation 39% moved to areas they do not like as much and 39% settled for a smaller home. Worryingly, 37% of those who are unhappy with their housing today say they opted for houses in poor condition.

Despite these challenges, nearly half (46%) want to buy a house in the near future and are willing to make the necessary sacrifices in order to call their place their own. Two fifths (41%) of people in Europe admit to curtailing spending a lot in order to buy, although this proportion rises to a survey high of 60% in Turkey.

The difficulties facing buyers have also led to a reliance on the 'Bank of Mum and Dad', with nearly half (47%) of people saying parents should support their children financially to get on the housing ladder. The reality however is somewhat different, with very few buyers currently saving for a home actually receiving help from friends or family (9%).

**Ian Bright, senior economist at ING, commented:** " Across Europe, expectations that house prices will rise has hit a plateau, but people are still finding that the house prices where they live are expensive. It's worrying that this is increasingly leading them to delay important life decisions, such as postponing retirement, changing jobs or having more children.

"Even more concerning is the realisation that most do not expect this situation to change because most people expect house prices to keep rising. This is a Europe-wide problem and not restricted to one or two countries, with few seeing any light at the end of the tunnel."

**Ends**

#### **Note to editors**

#### **About the research**

The *ING International Survey – Homes and Mortgages September 2016* was conducted by Ipsos using internet-based polling. Fifteen countries were surveyed: Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Romania, Spain, Turkey, the United Kingdom, the USA and Australia. Polling took place between 3 June and 24 June 2016. The full report is available [here](#).

The ING International Survey is produced three times a year by ING eZonomics. It is about money and life - combining ideas around financial education, personal finance and behavioural economics to produce regular and practical information about the way people manage their money - and how this can affect consumers' lives.

1 The survey was re-run in the UK after the 23 June referendum on the UK's membership of the European Union, which saw a "leave" vote. In the second survey in the UK, there was a large rise in the share of people who expect house prices to fall where they live in the next 12 months.



2 In the 2012 index 39% of people in the UK thought that house prices would rise in the next 12 months.

3 In previous editions this table has been referred to as the 'House Price Optimism Index'.

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#### **For further information, please contact:**

##### **Press enquiries**

Susanna Walker Robson / Dan Thompson

Third City PR

+44 20 3174 1023

+44 7771 520 872

[INGteam@thirdcity.co.uk](mailto:INGteam@thirdcity.co.uk)

##### **Press enquiries**

Carolien van der Giessen

+31 20 576 6386

[Carolien.van.der.Giessen@ing.com](mailto:Carolien.van.der.Giessen@ing.com)

##### **Investor enquiries**

ING Group Investor Relations

+31 20 576 6396

[Investor.Relations@ing.com](mailto:Investor.Relations@ing.com)

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