

HOUSING  
FUTURES

# NEW HORIZONS

VOLUME VI



BNP PARIBAS  
REAL ESTATE

STRUTT  
& PARKER

Details about the  
*Housing Futures* survey

*The Housing Futures* survey was conducted from 11 October to 29 December 2017. The sample of nearly 1,800 respondents is a combination of Strutt & Parker registered buyers, sellers, tenants and lettings applicants and a balanced general UK population sample conducted by OnePoll. Due to rounding, not all figures may add up to 100%.

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“We have identified the structural shifts that will change the way we live during the coming decade”

Through our *Housing Futures* programme we have identified the structural shifts that will change the way we live during the coming decade, highlighting new demographic tribes and the housing solutions that they will require. This publication has given us the opportunity to focus on what has changed over the past five years, allowing us to explore the property solutions and tribes that we identified in previous publications and reveal the ones that we believe are still relevant. We have also investigated innovative technology solutions from around the world and set out our view of how the customer journey for property buyers and renters may evolve over the next 10 years. It is our belief that this publication provides a unique insight into how the property market has changed and should be relevant to everyone for whom housing is important. As such, we hope you find it interesting and invite you to contact us with your thoughts and comments.

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Stephanie McMahon  
**Head of Research**

# THE CHANGING SHAPE OF HOUSING

**Policy and political events have transformed the property market during five years of *Housing Futures* research**

Over the past five years, the UK has seen turmoil in the political arena as well as in the regulation and taxation of residential property. Each year has seen significant changes that have either directly or indirectly affected the market.

In 2013, the Help to Buy programme was introduced, while 2014 saw both the Scottish referendum and the restructuring of Stamp Duty Land Tax (SDLT). These were followed in 2015 by the devolution of SDLT to the Land and Buildings Transaction Tax (LBTT) in Scotland, as well as a general election.

Although the EU referendum dominated 2016, the new SDLT levied on additional homes also had an impact on the property market. Finally, 2017 saw a snap general election, the start of formal Brexit negotiations and the first interest rate rise for over a decade.

For good measure, changes to Annual Tax on Enveloped Dwellings, Capital Gains Tax and Inheritance Tax were also deployed during this period.

Throughout this time, we continued to conduct the annual *Housing Futures* survey to understand the aspirations of buyers and renters, as well as the challenges they face.

Perhaps not surprisingly, the 'stiff upper lip' British belief in

self-discipline and remaining calm in adversity was much in evidence. Despite all of the changes that were happening at the macro level, our everyday lives for the most part just carried on.

In that context of change, how have our tribes and solutions evolved over time?

Over the five-year period, the survey showed a small increase in those who anticipated living on their own, known as The Onesies. This aligned with recent ONS figures that showed those living alone, aged 45 to 64 years, increased by 53% between 1996 and 2017.

We had also posited there would be growth in demand for private rental housing and again we saw an increase in those who believed that when they moved they would seek rental accommodation. Our research aligns with the most recent English Housing Survey, which noted there has been an increase to 29% in 2016-17 for those aged 35-44 living

“Each year has seen significant changes that have affected the market”

in the private rented sector, compared to 11% in 2006-07.

When it comes to housing solutions, it was interesting to see which options have been adopted by the market place.

The housing solution we expected to be implemented almost immediately was our Healthy Eating Active Living (HEAL) home because, in theory, it required the least amount of regulation and planning. Perhaps seen as 'nice to have' or too discretionary, it has not been openly adopted.

Additionally, we have been surprised at the low take-up of retirement housing – our Platinum Places. This has not been as robust as the demographics suggest it should be. According to the Elderly Accommodation Council, only about 162,000 units (or 0.6%) of housing stock across the UK is currently for private retirement.

On the positive side, we are delighted to see that the Private Rented Sector/Build-to-Rent housing solution we identified has performed strongly. According to the British Property Federation, there has been nearly a 30% annual increase across all stages of the development lifecycle for new, high-quality and professionally managed homes built for renters.





## Topline results

### Key findings from five years of *Housing Futures* research

● 2013 ● 2017

#### Digital connectivity

48% 57%

Broadband is now seen as essential for the majority of movers

#### Money matters

15% 22%

Providing financial support for relatives has become one of the key reasons to move home

#### Rental tenure

10% 13%

Rental has increased as a future tenure, reflecting its growing popularity

#### Urban living

9% 15%

Big cities have become more popular as a preferred location

# PROPERTY GENERATIONS

Age and life stages both affect attitudes to owning and renting a home, although for all generations a preferred area remains the most important motivation for moving

## Generation Y & Z

Gen Y (or Millennials) is a common term for those born between 1978 and 1995. They started entering the workforce in 1996, while Gen Z (who were born between 1996 and 2010) began working in 2014. With housing affordability remaining a hot topic, we were delighted to see that 60% of our Gen Y & Z respondents currently own a property, with 28% in rental accommodation. However, it's the future tenure that is perhaps more interesting: nearly 20% of Gen Y & Z anticipate that their future tenure will still be in a rented property.





## Generation X

Gen X was born between 1965 and 1977 and began entering the workforce in 1983. Among their main motivations for moving were privacy and a better quality property (both 70%), perhaps seeking that idyll of housing they enjoyed when they were growing up, or a desire for a better work/life balance. This generation has experienced significant financial turbulence, including changes to the way they save for their pensions and three major financial crises during their working lives, which has led many to view their property as a future financial asset.

## Baby boomers

Baby Boomers were born between 1946 and 1964. They entered the workforce in 1964 and are now moving into retirement. So it was not surprising that 57% of respondents named retirement as a reason to move home. However, this was less of a priority than broadband connectivity, which was mentioned by 61% of respondents – higher than any other generation in our survey. Perhaps this reflects the experience of an age group that appreciates the positive impact of technology and remembers a time when not everyone in the world was connected.

## Silent generation

This generation is defined as those who were born between 1925 and 1945. Today they would be aged 73 or older and most have retired. As a generation that grew up in the aftermath of World War I and through World War II, it is to be expected that their 'make do and mend' attitude has given them a practical approach to property decisions, with 57% saying there is sufficient choice for their future housing. When it comes to reasons to move, downsizing is an important factor, with 51% mentioning a smaller home and 41% looking to reduce running costs.





# HOUSING SOLUTIONS

**Changing demographics and rapidly evolving lifestyles are creating new options in the residential market**

Adaptable homes that change according to need during a lifetime

## **Yo-Yo House**

This housing solution reflects the requirements of modern families. For example, 'part-time' families that need the ability to flex their homes when their circumstances change – perhaps children from previous relationships moving in. Innovations include being able to move walls to create different living spaces, accessibility to pipes and cables to incorporate new technologies, and even the option to divide a property into flats for aging parents. The Yo-Yo House focuses on adaptability – evolving with its occupants and offering them different space to use over their lifetime.





Long-term renters are now set to revolutionise the rental market

### **Private Rented Sector/ Build-to-Rent**

The Private Rented Sector (PRS) is defined as private rental housing, excluding social rental, and is typically provided by the Buy-to-Let market. Within PRS is the Build-to-Rent (BTR) sector, which provides an open-market residential rental product built by developers and/or investors, offering tenants high-quality accommodation with greater security of tenure and consistent management. There has been a 45% increase in delivery of completed BTR homes in the past year. While the focus has been on blocks of flats, the next version of BTR will deliver family housing.

The grey pound is moving into town centres for an active retirement

### **Platinum Places**

Platinum Places are new mixed-tenure communities that are woven into the local community. They are open to a wide range of age groups, seamlessly offering access to amenities as well as cultural experiences, from theatres to farmers' markets. They have facilities such as gyms and swimming pools, but provide services and care in the home as they are required. Platinum Places give occupants the option to convert property wealth into usable funds and the ability to 'rightsize' into well-designed accommodation that offers independent living while remaining part of a wider community.

Swapping space for a central location and a community experience

### **Micro Mansions**

Increased urbanisation has made living in central city locations too expensive for the majority of people. Micro Mansions are the ultimate solution for those who prize location over space. These dedicated tiny living spaces, typically 100-250 sq ft, are carefully designed and planned homes. They attract those seeking short-term space, or who work in multiple locations and simply need a place to sleep. This is not something yet seen on any scale in the UK, but there has been an increase in co-living offerings and serviced apartments, both of which provide a smaller living footprint in central locations.

# ON THE MOVE

**The desire for a more relaxed, accessible lifestyle lies behind the most popular reasons for moving home**

As the pace of life speeds up and people find there are more demands on their time, we believe buyers and renters are seeking new homes that provide simple, easy-to-manage accommodation in peaceful surroundings. This is not a desire to live in 'back to basics' properties in remote locations, but quite the opposite. There is a growing requirement for connection, community and convenience. Along with privacy, mentioned by 66% of respondents, access to local shops and amenities, digital connectivity and public transport are among the top reasons for moving.

● 2013 ○ 2017

## Privacy

A strong motivation for moving that has become more important over time.

● 54% ○ 66%

## Personal finances

Economic uncertainty as well as slow wage growth have increased financial considerations.

● 33% ○ 43%

## Health

Longer lifespans have led to a growing awareness of the importance of wellbeing.

● 29% ○ 34%

## Access to shops and amenities

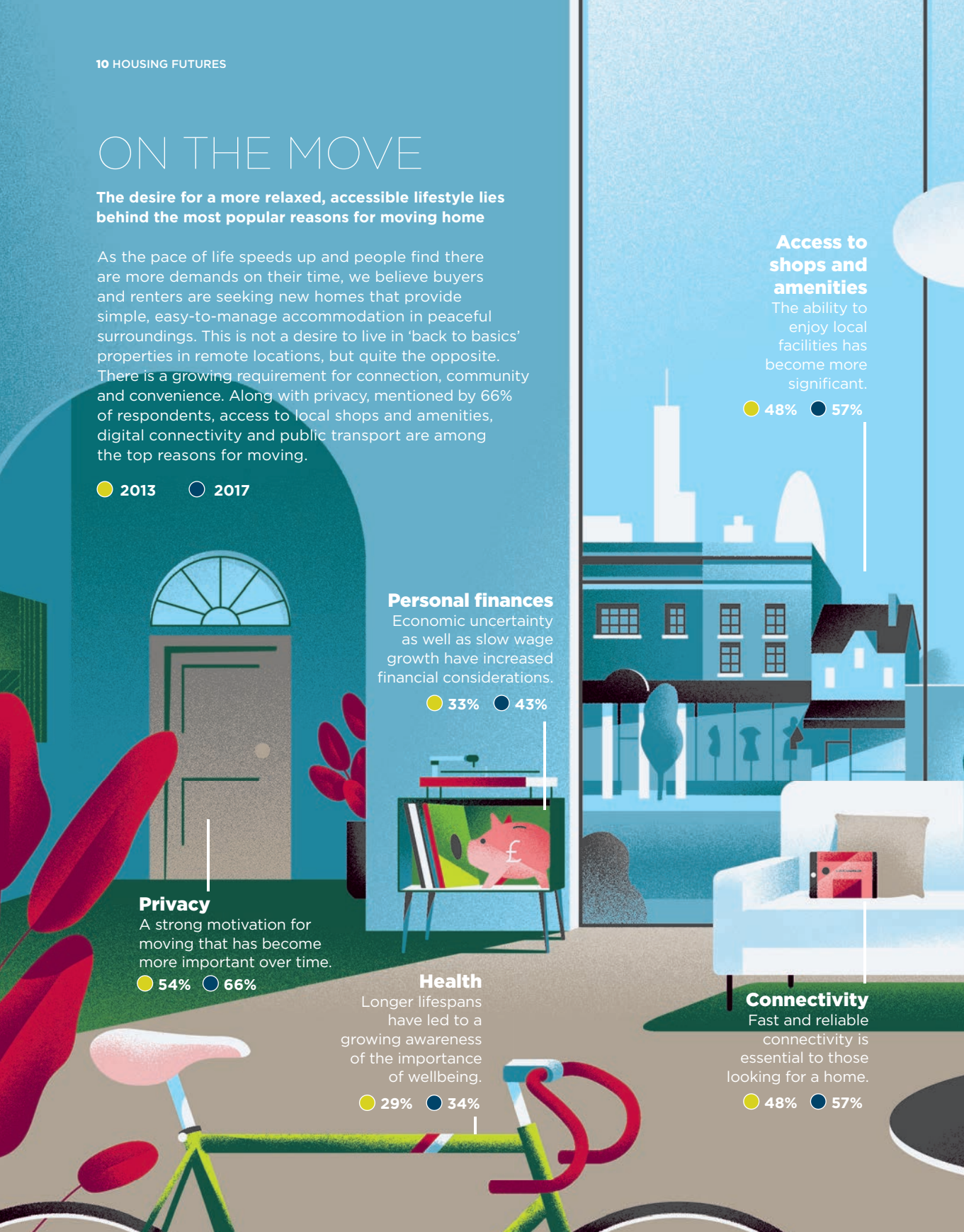
The ability to enjoy local facilities has become more significant.

● 48% ○ 57%

## Connectivity

Fast and reliable connectivity is essential to those looking for a home.

● 48% ○ 57%





### Close to family and friends

Even in the digital age, people want to live near those important to them.

● 37% ● 48%

### Access to public transport

Mentioned by significantly more respondents over the past five years.

● 37% ● 48%

### Retirement

With an aging society, it is unsurprising that retirement is a popular reason to move.

● 36%\* ● 38%

### Close to work

Walking to work is an increasingly attractive option.

● 25% ● 36%

### Lifestyle change

Changing family or work circumstances remains a key factor.

● 51% ● 55%

\*2014 figure



# PROPERTY TRIBES

**Of the 26 property tribes identified in our *Housing Futures* research, we believe the following five will play the most important role in the future of the housing market**



## **The Waltons**

The Waltons represent the multigenerational household. As well as immediate relatives, this can include live-in assistance, such as an au pair or adult carer. The arrangement is similar to the households of the past, where multiple generations lived together as a societal norm, but today the reasons range from financial necessity to being able to live in better housing together than individually. As house prices grow more unaffordable, this is a trend we see increasing in the next decade.

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306,000

**multi-family households  
in the UK in 2017**



## **GloMads**

Global nomads are a new rental tribe. Its members are mostly young people open to travelling for work and range from those with financial constraints (such as student debt) to those whose skills are in demand and travel to access the best salaries. Their requirements are for housing that is fully furnished or 'menu furnished' to their needs and offers short-term occupancy. They will usually seek vibrant communities to experience local culture and lifestyle.

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4.7 million

**households in England are in  
private rented accommodation**



### The Onesies

By 2033, it is estimated that single-person occupiers will make up 41% of all UK households. This is a trend driven by several factors, but includes people getting married later, divorce or partnership dissolution and rising life expectancy. The challenge for the residential sector is to provide suitable housing choices for those who need to downsize, as well as those seeking more spacious options than are currently offered by one-bedroom flats.

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3.9 million  
people living alone  
aged 16-64 in 2017



### Rusticarians

These are people with a strong interest in environmental issues and a willingness to try unconventional housing solutions, such as co-living and HEAL (Healthy Eating Active Living) homes. As technology advocates, they are also more likely to consider living in the countryside and working from home. A recent Defra report revealed that rural areas in England now have the highest rate of homeworkers – 22% compared with just 13% in urban areas.

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1,051,000  
home workers  
in rural areas in 2016



### Sundowners

It is expected that 21% of the UK population will be over the age of 65 by 2026. Our Sundowners are a key part of this group. They are probably retired but enjoyed a high household income while working and have both pensions and investments. They are fortunate to own their home outright, but our research shows many haven't planned for housing and care in retirement. It is possible they may need advice about the options available to them as they enter their later years.

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14.5 million  
people in the UK will be  
aged over 65 by 2026

# LOOKING TO THE FUTURE

**New technology is set to transform the real estate market. We look at how moving house will evolve over the next decade and highlight the innovations that will radically change the way we buy, rent and live in our homes**

Moving is considered to be one of the most stressful life experiences. But we believe the next decade will see dramatic, positive changes. Just as online companies remember our credit card details when we make a purchase, new technology will remove or reduce many of the obstacles experienced by renters and buyers, shortening the time it takes to complete transactions and eliminating some of the anxiety associated with moving. We see these innovations affecting each of the six steps of moving.

## **1. Consider moving**

The decision to move is largely driven by life events, such as divorce, job change, marriage or growing/shrinking households, rather than the simple desire to move to a different property. The reason that there are relatively few 'discretionary' movers is because the process can be complex and time consuming, so the decision to move is usually based on necessity. As a result, people move home rarely (only once every 17.8 years, according to the English Housing Survey). A simpler, technology-driven process could transform the numbers of property transactions, making more homes available more often.

## **2. Discovery**

This stage is about discovering your financial options, not just budgets but also available mortgages. Using virtual assistants (VAs), such as Alexa or Siri, you will be able to discover the most suitable financial products based on your circumstances, including buying habits, savings and income. If you are considering buying a new home, your VA will be able to inform you of your maximum buying power. If you are renting, you'll know the cap on your weekly rent.

## **3. Selection**

Finding a dream home involves spending hours on property portals and many Saturdays physically viewing properties. We believe the property portals and estate agents of the future will be different, evolving into a new hybrid model that combines bespoke searches with virtual and physical viewings. This would lead to a very different customer experience. Your VA will be able to search estate agents and property portals for homes based on your bespoke criteria and create a list of suitable properties. These ideal homes would be available for a virtual viewing. From almost any location, you will be able to arrange a 'walk through' of a property and »



## Property innovations

Eight ideas that will shape the future of home ownership



### Blockchain

This technology creates a digital ledger that records a transaction between parties in a verifiable and permanent way. As every party in a transaction can trust the information, it has the potential to reduce time and costs. There are hurdles to overcome, especially when it comes to binding digital signatures, but HM Land Registry is consulting on rules to allow this type of innovation.



### Sharing economy & transport

The rapid growth in the sharing economy, for example Zipcar and Mobike, along with significant investment in creating driverless cars, will lead to a transformation of the way people travel. While access to public transport is usually high on the list of requirements for households, this could decline as people become more open to shared forms of transport. It may also reduce the need for parking outside homes and offices.



### New address system

Home delivery is on the increase, but many customers struggle to receive their packages. This could be due to an antiquated postal system that includes several addresses in each postcode. What3Words has proposed a new address system that divides the world into a grid of 3m x 3m squares and assigns each one a unique three-word address. It means anyone can accurately find any location and share it more quickly and easily than with any other system.



### Alternative finance

When it comes to a mortgage, the traditional route to securing finance has been through a retail bank or a building society. But one of the biggest innovations created by a more open, shared economy has been peer-to-peer lending and crowdfunding. In the property sector, this has been used by developers to raise finance and by individuals looking to invest in property without being sole owners, usually in buy-to-let, but also in commercial assets, such as office buildings.



### Access to nature

Climate change and scarcity of water, food and energy will focus everyone's attention on the environment. We will see an increase in urban food production, both on rooftops and in the form of vertical farms growing produce for local consumers. There will also be an increase in on-site energy sources, such as solar panels and wind turbines. Regardless of location, whether it's a town, suburb or a large city, access to nature will become an increasing priority.



### Holoportation

Viewing properties and meeting with estate agents can now happen remotely, thanks to holographic technology using a virtual reality (VR) headset. Already being employed by BNP Paribas Real Estate, it allows anyone to interact in a 3D, computer-generated environment from anywhere in the world. Users appear as real-life representations of themselves and can explore residential developments, walk around specific properties and even see options in other cities.



### Hyperconnectivity

5G connectivity is in the pipeline and will bring broadband-equivalent download speeds over mobile networks, allowing for a faster transfer of information. This will help us run our homes, as everything becomes more connected, and will be key to delivering smart cities. Integrated information will affect every aspect of city living, allowing for traffic monitoring and rerouting, as well as smart energy grids and utilities, in a way that is quicker and cheaper than today's systems.



### Artificial Intelligence (AI)

AI is focused on building machines that imitate human behaviour and intelligence. It is related to a branch of computer science known as Machine Learning (ML), which creates technology that acts without being explicitly programmed. Both have the possibility to disrupt the real estate market. As well as generating bespoke property searches, they could create intelligent homes that learn your living patterns and alert you if there is unusual behaviour.

have a conversation with a virtual agent in real time. After reviewing the options, you will have all of the information that you need to select the perfect home. At this point, your VA will arrange for an in-person final viewing with the agent.

#### 4. Verification

This has historically been the most challenging part of a housing transaction. First, there is the verification of the potential new owner or tenant, which can require proof of finance via bank statements or a mortgage guarantee letter, and the proof of identification, usually via passports, drivers' licenses, utility bills or council tax bills. This is accompanied by the verification process of the property, which requires a large amount of information, including property deeds, freehold documentation, energy performance certificates, management information pack (if a property is not freehold), fittings and content forms, and property information forms. The verification stage is where intelligent document processing and blockchain (a digital ledger) will have the most significant impact. By using artificial intelligence and automation to process

documents, which can be stored in the blockchain for both individuals and properties, the time required for compliance should almost become non-existent.

#### 5. Negotiation

Moving home can be fraught with pitfalls. You might find your dream home only for another renter or buyer to show an interest, or the property survey might reveal an issue. This often leads to a negotiation over price. However, with blockchain, both parties will have transparent access to all of the information that they need to settle on the final price, making it far easier to reach an agreement. It is unlikely that the human element of this stage will ever go away, but even this might be sped up by the introduction of digital signatures.

#### 6. Moving

Although physical moving will remain unchanged, the administration involved will be transformed by technology. Hybrid agents and personal VAs will be able to book removal companies, set up new utilities and send out change of address details, leaving you free to celebrate moving into your new home.

“Both parties will have transparent access to all the information they need”





# GLOBAL VIEW

**In a rapidly changing international market, original thinking is the key to success**

Having read our predictions for the future of residential property, you may believe the innovations we suggested won't be seen for many years. But groundbreaking technology is already changing how people build, buy and power their homes. We have picked five outstanding examples from around the globe.

## FRANCE

### **Communicating smart homes**

BNP Paribas Real Estate has just completed an innovative housing block, Issy Préférence, made up of interactive and interconnected homes. In a world first, these Parisian apartments can now be controlled from Apple's Home application. The 'communicating' properties enable residents to use their voice or smartphones to control access to the building, as well as heating, lighting and electrical appliances. As a result, users are able to control their energy consumption, adapt electrical installations to their evolving needs and take advantage of an intelligent infrastructure that provides comfort and responsiveness.

## BRAZIL

### **People power**

The concept of capturing the energy of every footstep and converting it to electrical power was created by the UK company

Pavegen. A great example of how it works was displayed when they aligned with Shell's #makethefuture campaign to create a 200-tile people-powered football pitch in the Morro da Mineira favela. As the players run on it, their energy is stored in batteries to power the pitch floodlights after sunset. This technology has now been implemented all over the world.

## THE NETHERLANDS

### **3D-printed homes**

Project Milestone in Eindhoven, which is the birthplace of Philips electronics, is set to build the first five inhabitable 3D-printed concrete homes. To be delivered in 2019, they will be constructed consecutively so lessons learned can be incorporated as the project develops. This approach offers a solution to the shortage of skilled bricklayers, but is also a method that will cut environmental damage by reducing the amount of cement used and is expected to be more cost effective in the long run.

**"Technology is transforming how people build, buy and power homes"**

## INDIA

### **Sustainable building materials**

There are almost 64 million tonnes of stockpiled gypsum waste generated by fertiliser plants in India, with nearly 2.5 million tonnes added every year. There are trials underway to use this by-product to create Glass Fibre Reinforced Gypsum panels, such as Rapidwall. These panels not only use alternative, recycled building materials, reducing the need for virgin raw materials, they also offer the ability to fast-track the delivery of quality houses at an affordable cost.

## SWEDEN

### **Blockchain property transaction**

Lantmäteriet, responsible for mapping and land registration in Sweden, will likely be one of the first government agencies to use blockchain (a digital ledger) for conducting a property transaction, according to the *Wall Street Journal*. They have partnered with specialists across the telecommunications and blockchain industries and are now seeking volunteers to trial this technology. The hope is that the time required to process the transactions, which can range from three to six months, could be cut to mere hours, creating considerable savings for the central government and, indirectly, Swedish taxpayers.

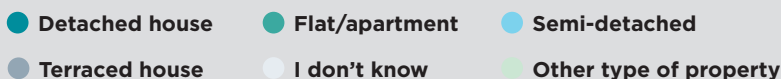


# FIVE YEARS OF PROPERTY TRENDS

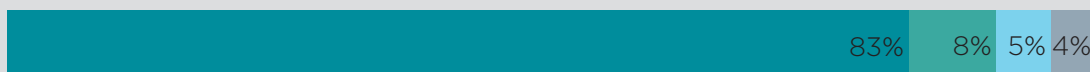
There have been marked changes when it comes to the size and type of home respondents expect to move into

## New house type

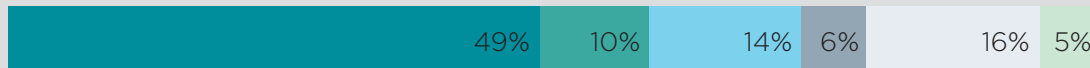
Detached houses have seen a drop in popularity over the past five years, while semi-detached homes have become the desired new housing option for an increasing number of respondents.



2013



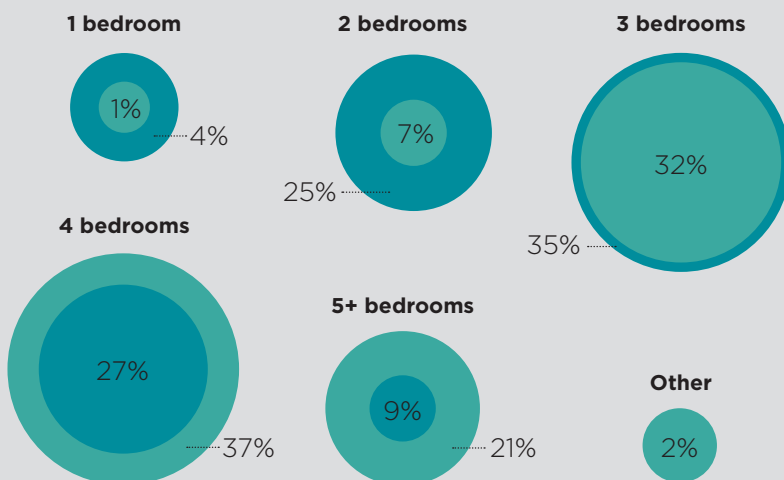
2017



## Number of bedrooms in a new house

Three-bedroom homes remain the most popular housing option, while there has been a decline in the aspiration to live in properties with four or more bedrooms.

● 2013
● 2017



Due to rounding, not all figures add up to 100%



## Services and amenities in a new home

Recycling is the most sought-after service, followed by a gardener and healthcare.\*

● 2013 ● 2017



● 10 ● 12  
Porter



● 1 ● 14  
Banquet service



● 6 ● 39  
On-site concierge



● 15 ● 42  
Caretaker



● 68 ● 89  
Housekeeping



● 176 ● 102  
24-hour security



● 10 ● 135  
Healthcare



● 127 ● 190  
Gardener



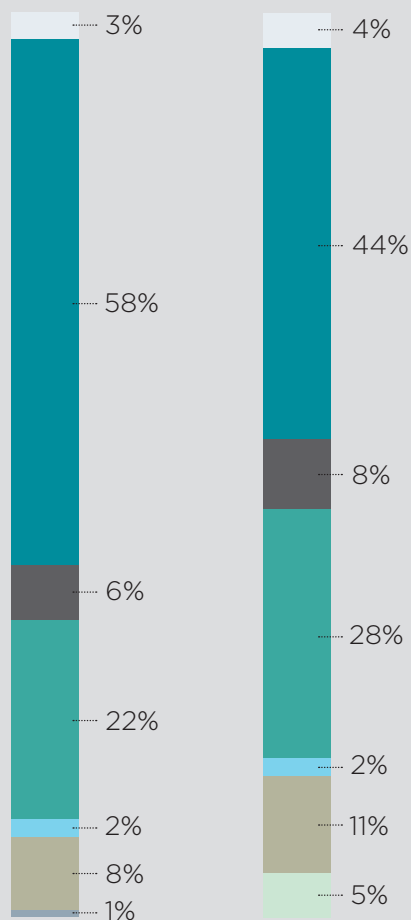
● 186 ● 402  
Recycling services

## New household make-up

A couple with no children remains the most likely future household, although this option has declined by 14% in the past five years.

2013

2017



● Single with children

● Couple no children

● Shared living

● Couple with children

● Multi-generation

● Single

● Other

● Don't know

\*Respondents could select more than one option

## Conclusion

“These trends mean that the homes we plan, design, build and live in will be different”

We are experiencing demographic shifts and technological advances that are transforming the UK property market. We only need to look at our high streets to see that they are fighting to survive, that our workplaces and work patterns are shifting, and the way in which we make and deliver goods is changing. Therefore it is only natural that we should also expect changes in the way that we live.

Throughout the publication we have illustrated that the trends we identified for single occupied households and alternative family households are growing, that more people are seeking rental accommodation and those that are moving into retirement require interactive environments. So it is with anticipation that we look to the future and the technological innovations that will shape our new world.

Inevitably these trends and technological advances mean that the homes we plan, design, build and live in will be different, and it is our belief that whether you are a buyer, seller, renter, investor, developer, planner or government entity, to maintain the view that our housing industry will remain as it has for the past 30 years is unwise.

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## A different approach to harnessing insight

Research at BNP Paribas Real Estate Advisory UK and Strutt & Parker is about understanding markets, knowing what the trends are and identifying and monitoring those drivers that will impact on property over the short, medium and longer term. We provide this through our central London team, dedicated research teams across Europe's main markets and an international team based in Paris.

In the UK, we have a unique research team. We act as market specialists, focused on the vital understanding necessary to assist our clients across market areas, from commercial, development and residential through to consultancy, farming and land management. But we also take an alternative and holistic view, challenging each of us to work cross-sector. Our approach allows us to spot convergence and divergence between property asset types. Lastly, we collaborate with best-in-class specialists to ensure that we are always open to new ideas, learning new tools and delivering the excellence that our clients deserve.

Our Insights programme covers three main work streams: *Housing Futures*, *Property Futures* and *Rural Futures*.

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