



# Beyond the Bricks

## *The meaning of home*

### USA factsheet

Seventy-three percent of people in USA who do not own their own home expect to do so in the next five years.

Beyond the Bricks is HSBC's new international study on home ownership, providing insights into how people really feel and behave

when buying, renting and owning their own home. This factsheet series represents the views of more than 9,000 people in nine countries around the world.

This is a snapshot of some of the key USA research findings about

millennials' home ownership prospects, the changing role of the home, and the pitfalls of budgeting.

There are also some practical tips to help people make their home ownership dream a reality.

## Millennials and home ownership

### Is the dream dead?

Millennials' home ownership ambitions are alive and kicking, but growing affordability challenges look set to defer the dreams of many.

More than a third (35%) of millennials own their own home and among those who don't, four in five (80%) intend to buy a home in the next five years.

But with 71% of millennials who don't own a home needing a higher salary before they can buy, the combination of slow salary growth and rising

property prices makes it unlikely that all will be able to achieve their goal.

Average property prices in the USA rose by 4.8% in 2016<sup>1</sup>.

However, salaries in real terms are expected to grow by only 1.9% in 2017<sup>2</sup>.

The affordability challenge is highlighted by the fact that 71% of millennials intending to buy have not yet saved for a deposit, and that 49% are being held back because they cannot afford to buy the type of property that they would like.

### Barriers to millennial home ownership

# 71%

Saving enough money for a deposit

# 71%

Having a higher salary

*Q. Which of these need to happen before you are able to go ahead with buying a home?  
(Base: Millennial non-owners who intend to buy)*

<sup>1</sup> International Monetary Fund: Global House Price Index October 2016 (2016: Q2 or latest, annual percent change)

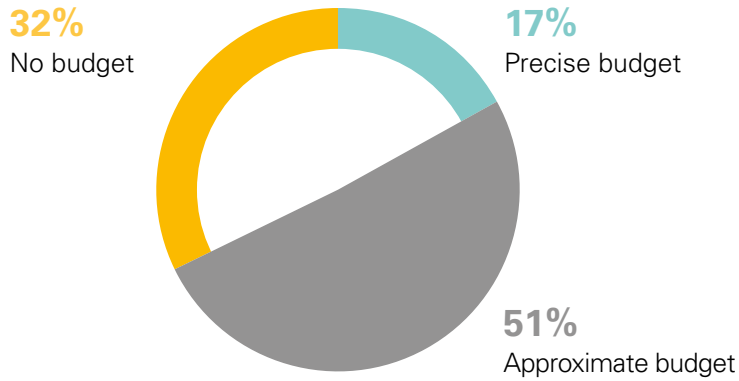
<sup>2</sup> Korn Ferry Hay Group: 2017 Salary Forecast

### Budget blindness

Millennials also do not have their house in order when it comes to financial planning for their home purchase.

Of millennial non-owners intending to buy a home in the next two years, almost a third (32%) have no overall budget in mind and more than half (51%) have only set an approximate budget.

#### Budget setting among millennials intending to buy

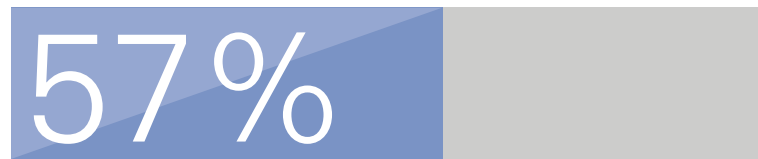


Q. Have you set an overall budget for your home purchase?  
 (Base: Millennial non-owners who intend to buy in next 2 years)

### Overspending

So it is not surprising that nearly three in five (57%) millennials who bought a home in the last two years ended up overspending their budget

#### Millennials who overspent on their home purchase



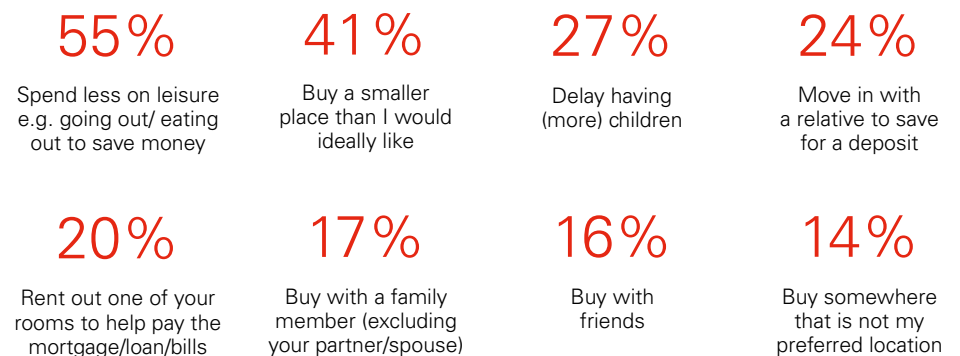
Q. Was the total cost of buying your home higher or lower than you budgeted/expected?  
 (Base: Millennials who bought a home in last 2 years)

### Making sacrifices

On the other hand, many millennials are willing to consider making sacrifices to afford their own home

More than half (55%) of millennials intending to buy would consider spending less on leisure and going out, 41% would be prepared to buy a smaller than ideal place and 24% would consider moving in with a relative to save for a deposit. Twenty-seven percent would even be prepared to delay having children.

#### Sacrifices millennials would consider to own a home



Q. Which of these would you consider to help you own a home?  
 (Base: Millennial non-owners who intend to buy)

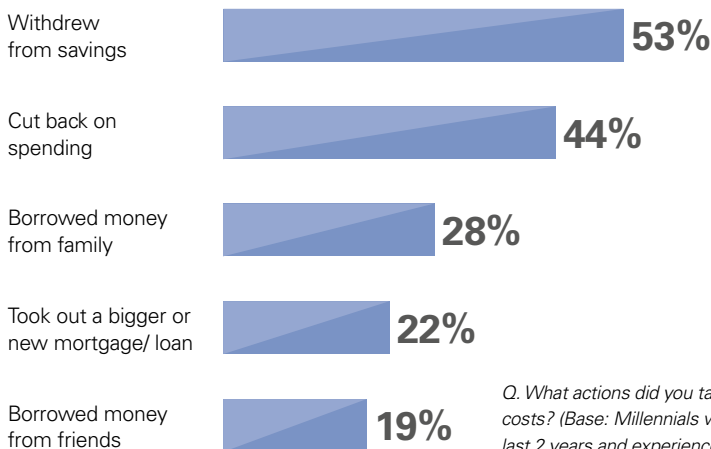
### The Bank of Mum and Dad

Financial support from parents can make all the difference when saving for a home. Just under a third (32%) of millennial home owners have used the 'Bank of Mum and Dad' as a source of funding.

Additionally, more than a quarter (28%) of millennial home owners moved back in with their parents to save for a deposit.

The Bank of Mum and Dad is in demand again when millennials who recently bought a home found they had exceeded their budget. More than a quarter (28%) borrowed from their family to manage the unexpected costs.

#### How millennial home owners managed unexpected costs



*Q. What actions did you take to manage the unexpected costs? (Base: Millennials who bought their home in the last 2 years and experienced unexpected costs)*

## Too little too late

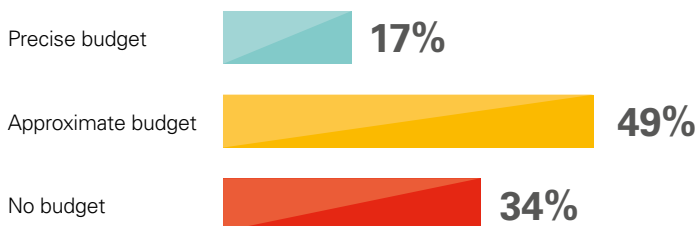
### Shaky foundations

Millennials are not the only generation to find the full cost of buying a home higher than they expected.

Thirty-four percent of all non-owners intending to buy in the next two years have set no overall budget. Forty-nine percent have an approximate budget in mind, and only 17% have set a precise one.

More than half (52%) of recent home owners found the total cost of buying a home was more than they had budgeted.

#### Budget setting among non-owners intending to buy



*Q. Have you set an overall budget for your home purchase? (Base: Non-owners who intend to buy in next 2 years)*

### Unwelcome surprises

While two in five (41%) found their mortgage payments were higher than they expected, overspending is also caused by not budgeting for the additional costs of home ownership beyond the property purchase price. Renovation costs (45%) and buying furniture (41%) are the most common reasons why recent home buyers overspent.



This reflects the fact that nearly three in five (57%) people see their home as their own space, almost half (48%) as a place to make their own and nearly a quarter (24%) as a place to show their own style.

money from their savings, 40% cut back on their spending, 24% borrowed money from family, 21% took out a new or larger loan/mortgage and 8% borrowed from friends.

To cope with unexpected costs, 51% of recent home buyers withdrew

### Most common reasons why recent home buyers overspent



*Q. For the following costs, compared to what you expected, did you spend... (Base: Those who have bought a home in the last 2 years and spent more than they expected)*

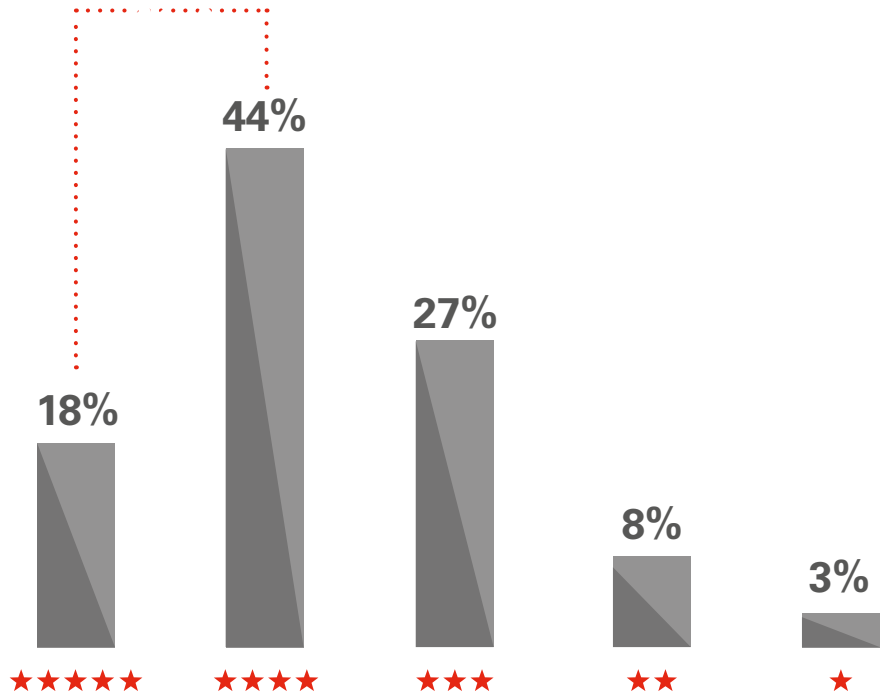
# Home reinvention

## Star quality

More than three in five (62%) people are very happy with their homes, awarding them a 4 or 5 star rating.

Home owners are happier (75%) than non-owners (50%).

### Home star ratings

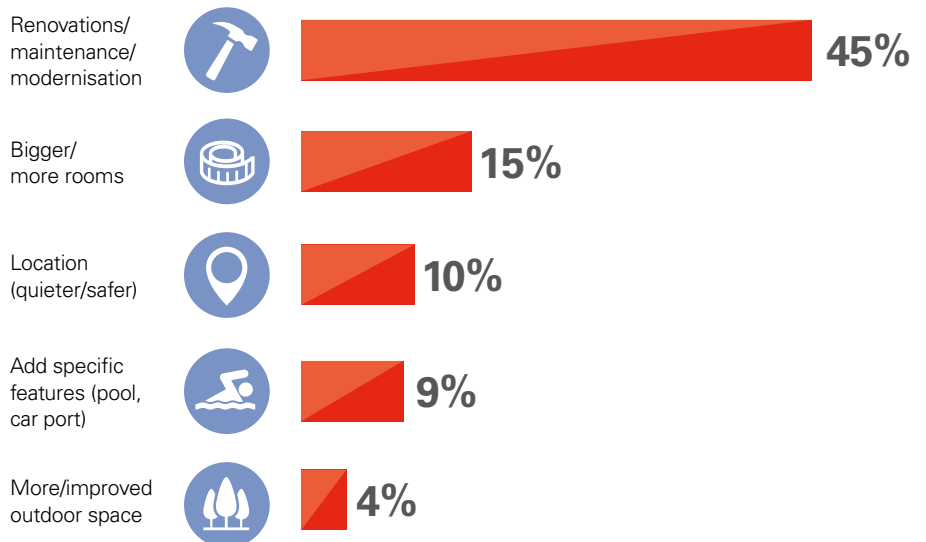


Q. Imagine you were rating your home out of 5. What star rating would you give it? (Base: All)

When people were asked what they would do to achieve a 5 star rating for their home, the most popular change was to renovate or modernise (45%).

Fifteen percent would add space or rooms, 10% would choose a quieter or safer area and 9% percent would add specific features such as a pool. Four percent would like more or improved outdoor space.

### How to make a 5 star home



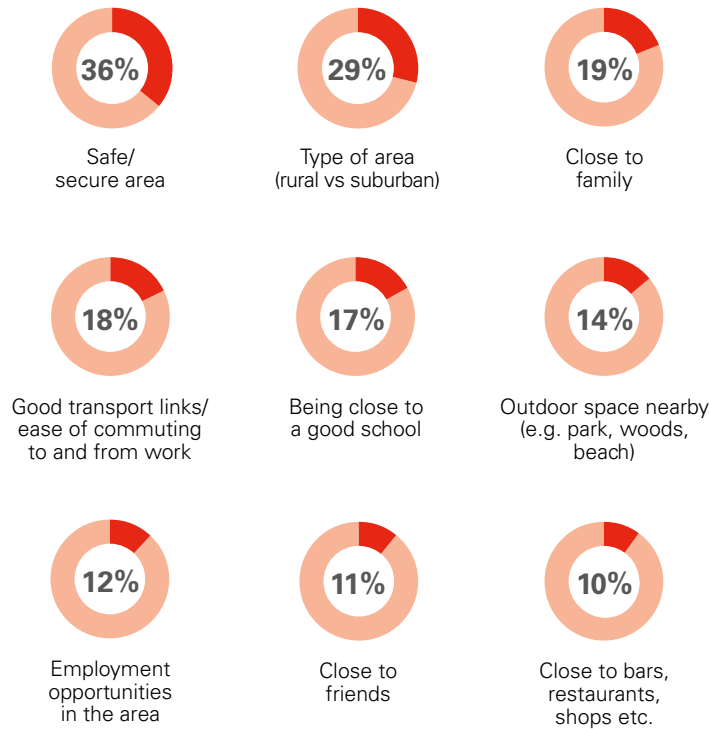
Q. What would you change about your home to get it to a 5 star rating? (Base: All)

## Location, location, location

When choosing the location of their current home, being in a safe and secure area (36%), the right type of area (29%), being close to family (19%) and having good transport links (18%) were important.

The least important reasons were being close to bars and restaurants (10%) and close to friends (11%).

### Location reasons for choosing a home



Q. What was important when choosing your current home? (Base: All)

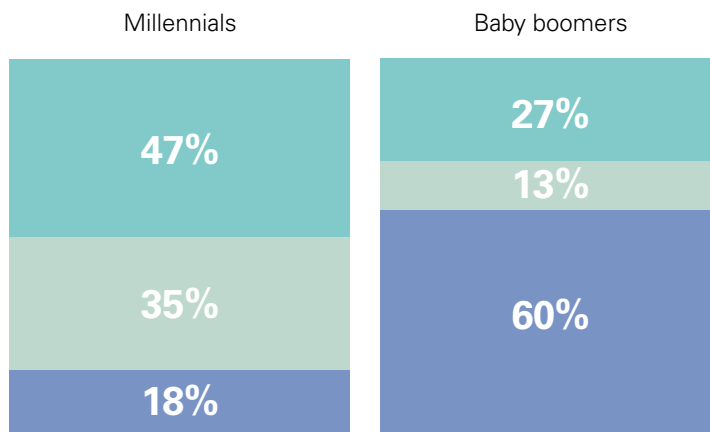
## Work-life balance

The meaning of home is changing as our homes become places to work as well as places to live.

Almost half (47%) of millennials work from home and over a third more (35%) would like to, whereas around a quarter (27%) of baby boomers work from home and only 13% would like to.

Sixty percent of baby boomers never work from home and do not want to.

### Home is not just home



- Sometimes/often work from home
- Never work from home but would like to
- Never work from home and do not want to

Q. Do you... (Base: All)

## Practical steps

Here are some practical steps, drawn from the research findings, to help people bring their home ownership dream to life:

1

### Plan early and don't underestimate the deposit

Start planning early to make home ownership a reality sooner. Include saving for the deposit, usually the first payment you will need to make. Find a competitive mortgage to help make borrowing the rest more affordable.

2

### Budget beyond the purchase price

Think about the extra things that will make the house you buy the home you want to live in, and make sure to include them in your home purchase budget.

3

### Consider what sacrifices you can make

Consider cutting back on your day-to-day spending. Think outside the box about what could help you to buy a home, such as buying with a family member or friend.

4

### Get a full view of your finances

Think of your mortgage as part of your long-term financial plan, not as a one-off transaction. Different types of home loan suit different needs and situations. Seek professional financial advice if you need help to make the right choice.

### The research

Beyond the Bricks is an independent consumer research study into global home ownership, commissioned by HSBC. It provides authoritative insights into peoples' attitudes and behaviour towards home buying, renting and funding around the world.

This factsheet series, *The meaning of home*, represents the views of 9,009 people in nine countries: Australia, Canada, China, France, Malaysia, Mexico, UAE, UK and USA.

The findings are based on a survey of home owners and non-owners aged 18 or older from a nationally representative online sample in eight countries and a nationally representative face-to-face sample in the UAE. The research was conducted by Kantar TNS in October and November 2016.

This factsheet represents the views of 1,002 people in USA.

### Definitions

Millennials: Those born between 1981 and 1998.

Baby boomers: Those born between 1946 and 1963.

Recent home owners/buyers: Those who bought their home in the last two years.

### Legal disclaimer

Information and/or opinions provided within this factsheet constitute research information only and do not constitute an offer to sell, or solicitation of an offer to buy any financial services and/or products, or any advice or recommendation with respect to such financial services and/or products.

© HSBC Holdings plc 2017. All rights reserved.

Excerpts from this factsheet may be used or quoted, provided they are accompanied by the following attribution: 'Reproduced with permission from Beyond the Bricks, *The meaning of home*, published in 2017 by HSBC Holdings plc.' HSBC is a trademark of HSBC Holdings plc and all rights in and to HSBC vest in HSBC Holdings plc. Other than as provided above, you may not use or reproduce the HSBC trademark, logo or brand name.

Published by HSBC Holdings plc, London

[www.hsbc.com](http://www.hsbc.com) > Retail Banking and Wealth Management

HSBC Holdings plc, 8 Canada Square, London E14 5HQ