



Aviva Home Series

Changing Households

| Retirement | Investments | Insurance | Health |



Welcome to Aviva's **Changing Households** report

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Key findings

- Becoming a homeowner remains a key aspiration for UK adults, although nearly one in three believe they will never afford their dream home
- The rising cost of property has led to a significant increase in the number of multigenerational households
- Two in three currently in this living situation say living with family is beneficial, with company and financial benefits as main advantages
- Changes to UK households create new issues in relation to how we keep our belongings safe
- Many do not have appropriate cover or don't know the value of their belongings
- Younger generations believe the issue of homeownership will become even more important in the next 20 years



“The composition of the UK’s households has changed significantly in recent years, creating new trends in the types of homes we prefer and who we live with.”

Foreword

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Where and how we live is one of life’s biggest preoccupations. The composition of UK households has changed significantly in recent years, creating new trends in the types of homes we prefer and who we live with.

Fifty years ago, it was the norm for most people to buy a home in their twenties, settle down with a partner, have children and live as a nuclear family unit. Fast forward to 2016, and people are increasingly delaying setting down roots, opting instead to live in rental accommodation or as part of a house-share.

Affordability also plays a key role. House and rental prices have rocketed in recent years, and many young adults may find themselves living with parents as they struggle to afford to leave the nest. Take into account the cost of care and an increasingly ageing society, and some people could also find themselves living with elderly relatives.

Our homes are our sanctuaries, and contain the possessions most important to us. It can be hard to put a value on some of our most treasured belongings, but having the proper protection in place can help to ease the distress should anything happen to them.

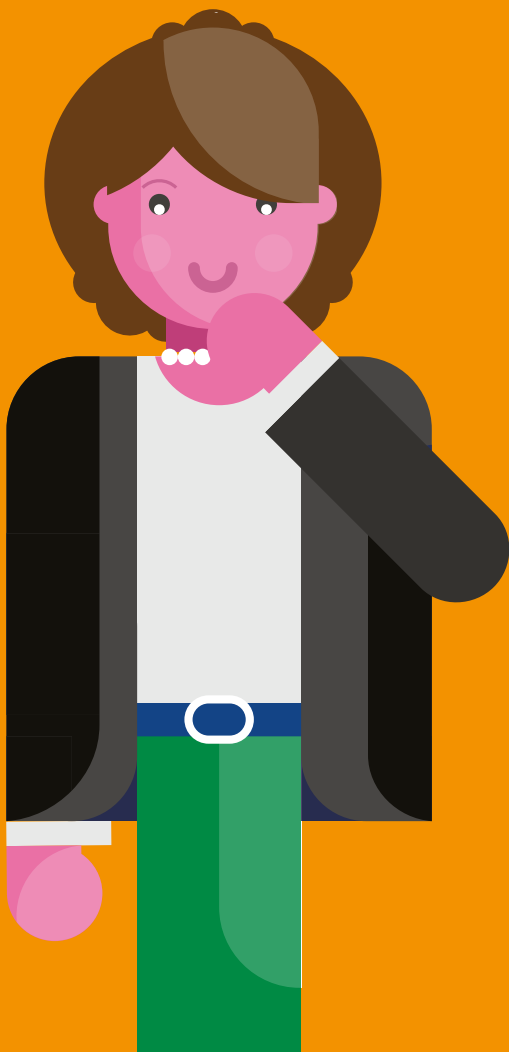
Unfortunately, many of us still do not have adequate protection, while others run the risk of not having the right level of cover by not knowing how much their belongings would cost to replace. As our households change, these issues can become even more complex.

This report seeks to paint a picture of the changing face of UK households and the experiences of the people who live in them.

1 <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/articles/howpeoplearelivinginenglandandwales/2013-02-09#toc>

The concept of home

As a nation, the UK is notoriously obsessed with property. Becoming a homeowner is considered as one of life's most important goals and there is a strong collective interest in house prices and the property market.

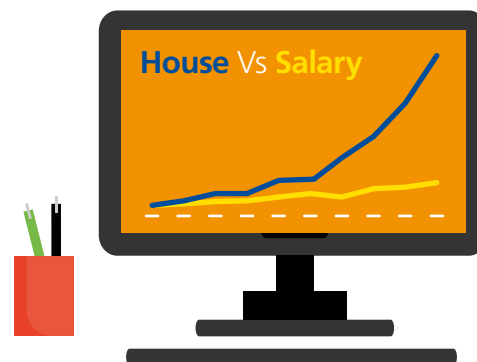


According to Aviva's research, four in five (81%) people in the UK agree homeownership is perceived as a more important milestone in this country than it is in others.

Of the estimated 22.5 million households currently in the UK, 14.3 million – or 64% - are owner occupiers². Homeownership hit its peak in 2003, when 71% of all households owned a home (either outright or with a mortgage). Since then however, homeownership levels have declined, as property prices have risen.

Over the past ten years (between 2005 and 2015), average UK house prices have risen by 52% from £184,000 to £279,000. It therefore comes as little surprise that young people and lower income earners are increasingly struggling to get on the property ladder. In 2015, the percentage of young people aged 20 – 30 owning their own home fell to 45%: the joint lowest level since 1996⁴.

Average annual salaries **have risen by 14%** in the past ten years, compared to a **52% increase in property prices** over the same period.



Homeownership levels and affordability ⁵			
	Average UK house price	Homeownership	Average UK annual salary (mean)
2015	£279,000	64%	£27,607
2005	£184,000	70%	£24,134
Difference	+ 52%	- 6 percentage points	+ 14%

Average annual salaries have risen by 14% in the past ten years, with the latest figures showing a typical salary of £27,607. However, compared to the 52% increase in property prices over the same period, it's clear that for many, wages are failing to keep pace with an increasingly expensive property market.

² DCLG English Housing Survey, 2014-15

³ ONS House Price Index, Annual Tables (mix-adjusted prices)

⁴ Figures obtained by Labour: <http://www.bbc.co.uk/news/uk-politics-35188627>

⁵ Sources: ONS House Price Index series, DCLG English Housing Survey 2014-15, English Housing Survey 2005/6, ONS Annual Survey of Hours and Earnings (ASHE) 2015 and 2006

Younger age groups resigned to a long path to homeownership

Rising property prices haven't done much to quell UK homeownership ambitions, however. Over three quarters (79%) of people in the UK agree becoming a homeowner is important to them (or was, if they already are homeowners). This includes 45% who want/wanted to become homeowners as quickly as possible and 34% who don't/didn't mind waiting a while to achieve their homeownership ambitions.

While the majority agree becoming a homeowner is important, younger generations appear to have accepted the path to homeownership might require some patience. Among over-55s, 53% say they want/wanted to become a homeowner as quickly as possible. This declines to 43% of 25-34s (a common first-time buyer age group).

Younger age groups prepared to wait to achieve homeownership aspirations

Becoming a homeowner is important to me...	All	25-34s	Over 55s
Yes (overall)	79	83	77
Yes, I want/wanted to become a homeowner as soon as possible	45	43	53
Yes, but I don't/didn't mind waiting a while to become a homeowner	34	40	24

Fewer than one in five (17%) say they do not care if they become a homeowner or not, with this proportion falling to just 14% of 25-34s, suggesting being a homeowner continues to be important for future generations.

Almost one in three people in the UK say their dream home is out of reach

For some, getting on the property ladder at all might seem like a distant dream. It comes as no surprise then that nearly a third (30%) of people in the UK believe they will never be able to afford their 'dream home'. This rises to 35% of 35-44s, who may be on the property ladder and find climbing another rung is out of reach.

However, not all hopes for a dream home have been dashed by rising property prices. Although they are not living in their dream home yet, 29% are confident they will one day. This optimism is much more likely among younger age groups (16-24: 54%) than older age groups more likely to already be on the property ladder (35-44: 32%).

A lucky 14% are already living in their dream home, rising to 22% of those who own their home outright (without a mortgage). For around one in ten (9%), the concept of a dream home simply doesn't exist.

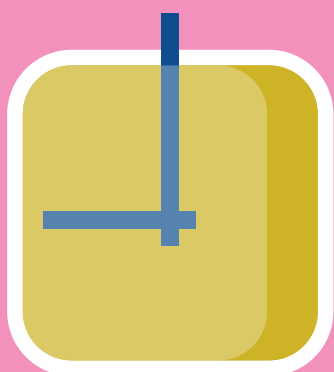


30%

of people in the UK believe they will never be able to afford their dream home

Spotlight on multigenerational living

As homeowner trends change and society evolves, so does the composition of UK households. More and more non-nuclear families are now residing together, with multigenerational living becoming increasingly common. In particular, growing numbers of young adults are living with their parents.



Between 2000 and 2015 the number of people aged between 21 and 34 in this living arrangement increased by 32% to 2.8 million.⁶ Nearly half (48%) of 20-24 year olds live in the parental home, as well as a fifth (21%) of 25-29 year olds and 8% of 30-34 year olds.

According to Aviva's research, 70% of all multigenerational households include adult children who have not yet moved out of their parents' homes. The high cost of buying and renting a property suggests many young people are finding it hard to fly the nest, and an additional 9% of multigenerational households consist of adult children who have moved back home to save for a house deposit. A further 13% of multigenerational households contain adult children who have moved home for 'other' reasons, and 10% who have moved back after higher education or university.

Multigenerational households do not just contain younger generations of families however; 9% feature parents or other elderly relatives who have moved back home.

70%

of all multigenerational households include adult children who have not yet moved out of their parents' homes

Composition of multigenerational households

%

Adult children still living with parents (have not yet moved out)	70
Adult children moved back home for other reasons	13
Adult children moved home after university/higher education	10
Adult children moved back home to save up for a house deposit	9
Parent or elderly relative moved in	9

Figures exceed 100% as respondents could select more than one option

When asked to consider situations when they might opt to live as part of a multigenerational household, the number one reason was to look after a relative who was unwell, with 71% of respondents saying they would share – or indeed already had shared – a home for this reason.

Saving for a deposit to buy a home emerged as the second biggest factor, with 57% saying they would move or had moved home to help fund a property purchase. Among 16-24 year olds and those renting with friends, this was a particularly popular motive, with 82% and 83% of these groups respectively saying they would do so – illustrating their ambition to get a foot on the ladder.

Other reasons when people would consider moving into a multigenerational household include saving for a wedding (38%) and assistance with childcare (45%).



⁶ <http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2015-11-05#young-adults-living-with-their-parents>

Multigenerational households are positive about their living arrangements

While less than half (42%) of people in general think it is advantageous to live in a multigenerational household, this rises to two thirds (66%) among those actually living in one – suggesting there is a gap between people’s perceptions of multigenerational living and the reality.

Among those who view living in a multigenerational household as advantageous, the most common reason is that there is always someone around for company, with 69% citing this as a benefit. This is followed by shared living costs improving affordability with 56% in agreement. A much higher proportion of multigenerational households cite this as an advantage (62%), highlighting the financial benefits of sharing living costs.

72%

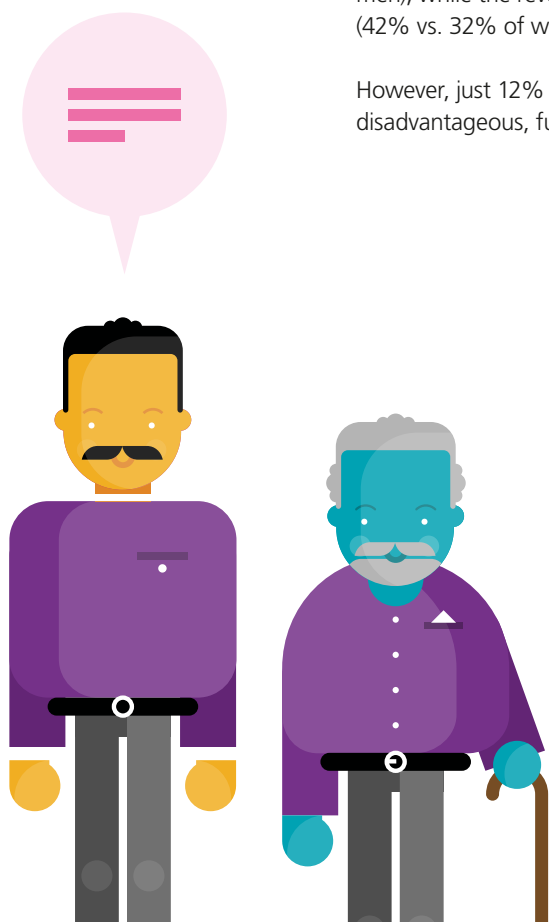
of those currently living in a multigenerational household say the biggest advantage is always having someone around to talk to/for company

Top five advantages of living in a multigenerational household

%	All	Those currently living as a multigenerational household
There’s always someone around to talk to/for company	69	72
It’s cheaper to share living costs	56	62
A bigger family makes it feel like more of a home	53	53
There are more people to share chores	50	56
I like the fact that I am looking after other family members	35	40

Among the one in five (21%) adults who view living in a multigenerational household as primarily disadvantageous, their biggest concern is getting enough personal space, with 65% worried about this. A further 61% said the house might not feel like their own, while 54% said that it could be too noisy or too busy. More women than men were concerned about personal space (69% vs. 61% of men), while the reverse was true when it came to being able to access the bathroom when needed (42% vs. 32% of women).

However, just 12% of those living in a multigenerational household feel it is primarily disadvantageous, further suggesting it is a better experience than many people think.



Security in the home

Our homes are a treasure trove of all our most important belongings – whether they are expensive items like furniture and technology or things that are truly priceless, like photographs and family heirlooms.



As our households change, new issues are created in relation to how we keep our belongings safe.

Many households are unprotected – Aviva's research shows that one in five (19%) do not have home contents insurance, leaving precious possessions vulnerable to all manner of perils, including theft, fire and water damage.

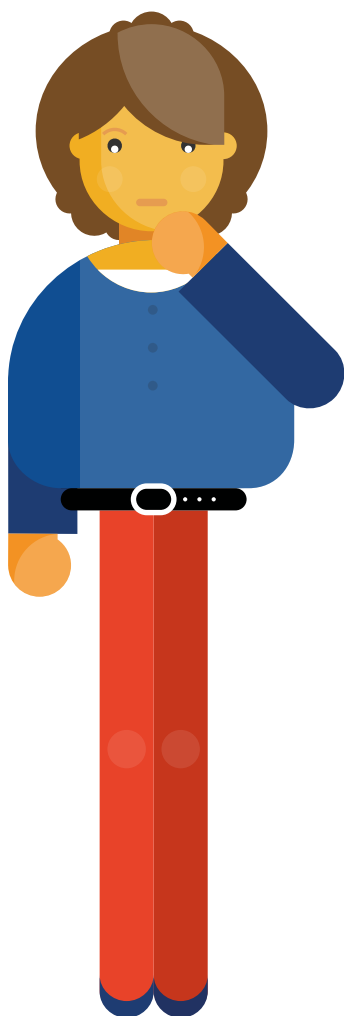
This figure rises to one in three people (33%) in rental accommodation, while 27% of multigenerational households also do not have contents cover.

This is interesting given that multigenerational households could arguably have the largest number and value of belongings due to the number of adults and their associated possessions under one roof, making it particularly high risk for this household type to be uninsured.

There is further concern even among those who do have home insurance in place. Of these 45% do not know the value of their buildings cover while 40% do not know the value of their contents cover. This means some could potentially receive a shock if they were inadequately covered and they came to make a claim.

Again, multigenerational households are more likely to not know the value of their contents cover (60% vs. 40% average).

?



40% of households with home contents insurance do not know the value of their cover

Confusion around the need and value of contents insurance

%

Do not have contents insurance	19
Have this insurance but do not know the value	40
Do not know the value of the contents in their home	62

Not only that, many households do not know how much their contents are worth. More than three in five (62%) do not know the value of the contents in their home, with women more likely to say this (67%) than men (57%). Multigenerational households are again the household type most likely to be unaware of the total contents of their home (75%) – although this may be understandable given a large family is likely to have a greater number of possessions.

Not knowing the true value of one's contents risks being over or underinsured. Being overinsured means people may pay more in insurance premiums than is necessary, while underinsurance could mean that all items may not be covered in the event of a claim.

Changes to household size has insurance implications

When our households change size, there are clear insurance implications, with a larger or smaller number and value of contents needing to be covered. Among those who have experienced a change in the number of people living in their household since taking out their home insurance, 59% notified their insurer, although 41% failed to do so.

Similarly, 63% who have not yet experienced such changes say they would notify their insurer if this happened, but 37% would not.

Pictures or photos are most valued possessions

There is an interesting contrast between the monetary value of certain possessions and what people actually value in their homes. Excluding people or pets, pictures and photographs are the most valued items, with 37% in agreement.

Getting a good's night sleep is clearly very important for people in the UK, as beds are the second most valued thing in people's homes (25%).

Also in the top five are personal items such as letters and childhood drawings (23%), technology like TVs and music systems (22%) and books (19%).

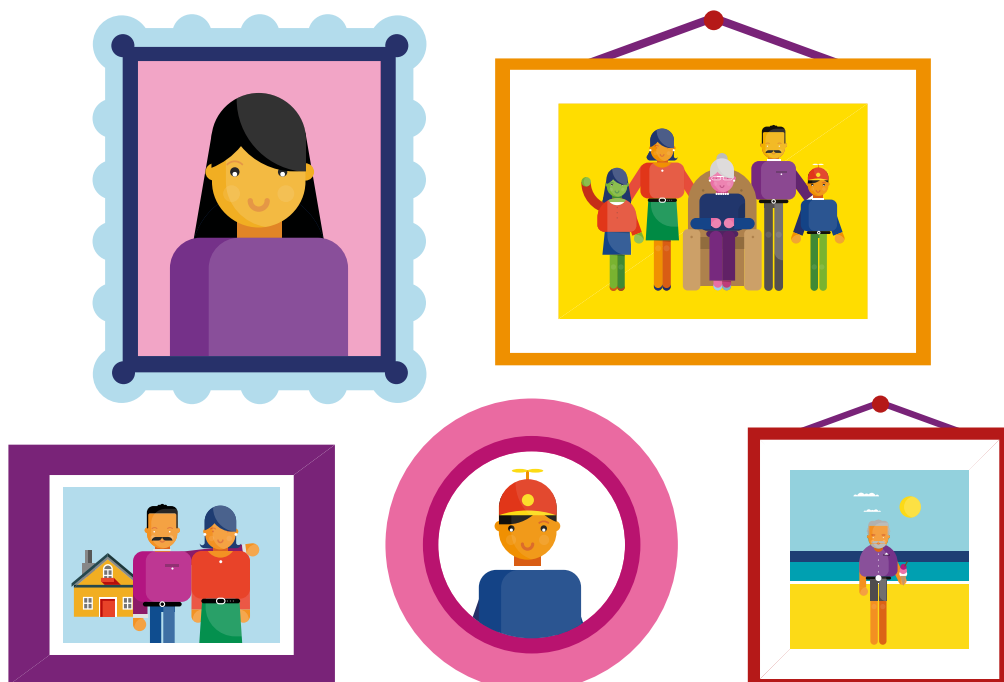
Top five most valued things in our homes (excluding people or pets)

%	
37	Pictures or photographs
25	My bed
23	Personal items e.g. letters and childhood drawings
22	Technology e.g. TVs and music systems
19	Books

One in ten (10%) say there isn't anything they particularly value in their home, with this most common among people living alone (14%).

37%

say that pictures or photographs are the most valued things in our homes



Future of households

People's circumstances change as they age, and Aviva's research reveals two thirds (66%) of people expect their living situation to change within the next five years. Adults in shared accommodation with friends or people they do not know are the most likely to expect their living arrangement to change over this period, with 83% and 88% agreeing respectively.



Similarly, 81% of adults living in multigenerational households expect their living arrangements to change in the next five years – suggesting that while it has its benefits, this living arrangement is often a short-term solution.

The changes in individual living circumstances has a significant impact on the makeup of the country's households. The ONS estimates there were 27.0 million households across the UK in 2015⁷, with their composition changing radically over the past 10 years. Despite an increase in the UK's population, the number of households that many would consider typical – consisting of a married couple with dependent children – has remained flat; in 2005 there were 4.7 million of these households, and this figure is almost exactly the same today⁸.

On the other hand, alternative types of household have grown considerably, with the ONS reporting a 44% increase in the number of cohabiting households with children and a 20% increase in the number of cohabiting couples with no children.

Most notably, multi-family households grew by 50% between 2005 and 2015, from 200,000 to 300,000⁹. Assuming the same rate of growth in the next ten years, there will be nearly half a million (450,000) multi-family households in the UK by 2025.

51%

of respondents say the type of household that people expect to increase the most are people aged 65 and over living alone

Predicting the rise in different household types¹⁰

	2005 (m)	2015 (m)	Rate of growth (%)	2025 (m)
Married couple with dependent children	4.7	4.7	0	4.7
Married couple with no children	12.0	12.2	+2	12.4
Cohabiting couple with dependent children	0.9	1.3	+44	1.9
Cohabiting couple no children	1.5	1.8	+20	2.2
Lone parent with dependent children	1.9	2.0	+5	2.1
One person household	7.2	7.7	+7	8.2
Multi-family households	0.2	0.3	+50	0.5

2025 predictions assume same rate of growth seen in previous ten years.

The public are aware of this decline in the number of nuclear families. Just 16% of respondents said that they would expect an increase in the number of married families with children – the lowest of any variety.

The type of household that people are most likely to expect to increase is that of people aged 65+ living alone with 51% of respondents predicting an increase in this living situation. This is followed by a predicted growth in multigenerational households (45%), while 41% expect to see an increase in the number of single parents living with children.

Homeownership is an increasingly visible issue, and opinion over whether this will become more or less important in the future is split. Of the respondents, 51% said it will be more important in 20 years' time, while 49% said they believe it will become a less important issue.

However, a clear division emerges when examining the attitudes of different age groups. Young people think it will become an increasingly significant issue as time goes on, with 73% of 16-24s saying it will grow in importance, compared to just 40% of over 55s. With younger age groups set to be the next generation of homeowners, it would suggest that homeownership will continue to hold its appeal.

7 <http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2015-11-05#young-adults-living-with-their-parents>

8 <http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2015-11-05#young-adults-living-with-their-parents>

9 <http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2015-11-05#young-adults-living-with-their-parents>

10 Families and Households dataset: <http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds>

“Although the path to property ownership might be getting more difficult, people’s homeownership aspirations still hold strong.”

Conclusion

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Managing Director, Personal Lines
Aviva UK & Ireland General Insurance



The way that people in the UK are living is changing. As society evolves and new family types emerge, so does the way we choose to live in our homes.

The rapid rise in property prices also has a significant role to play in this, as simply buying a home in one’s twenties becomes increasingly out of reach. With the annual increase in house prices hovering at 8%, many adult children are forced to delay leaving the nest or returning to the parental home to help save for a deposit.

Some of these multigenerational households might be borne out of necessity: but our research suggests that far from being an inconvenient or disruptive household set-up, the benefits far outweigh the disadvantages, with those already living this way expressing positivity about their experiences.

One thing that hasn’t dated is the importance of becoming a homeowner. Although the path to property ownership might be getting more difficult, people’s homeownership aspirations still hold strong, with very few totally giving up on the dream. While we can expect a larger number of ‘other’ household types in the future, the UK’s homeownership ambitions do not look set to change.

However we live and whoever we live with, the fact remains that our homes are still very much our ‘castles’. And with this in mind, we owe it ourselves to protect them and the precious possessions within them.

Research based on a nationally representative survey of 2,000 UK adults aged 16 and over, carried out by Censuswide in April 2016.

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