

BARCLAYS POLICY REPORT ESTIMATES 'RIGHT-SIZING' COULD FREE UP 3.8M UK HOMES

A new report from Barclays Property Insights, "Right-sizing Revolution: unlocking untapped capacity in the housing market", finds that alongside building new homes, 'right-sizing' could be an important part of the solution to the UK's complex housing crisis – if properly incentivised.

Whilst the report acknowledges the steps being taken by government to solve supply issues through house-building, Barclays finds that extra capacity in the market could be released if under-occupiers were to right-size on a large scale, and recommends five policy changes which would enable this to happen.

The Barclays report notes that 85 per cent of owner-occupied homes in England and Wales contain one or more 'spare' bedrooms and are therefore 'under-occupied'. This constricts the availability of larger homes for families and younger buyers, causing a ripple effect throughout the housing market. **Right-sizing** – or moving to a home with fewer bedrooms – could ease some of this impact.

Analysis from Barclays and Ipsos finds that an estimated 1.7 million households are already open to right-sizing within the next 1-2 years. However, with the right policy interventions this could rise to as many as 3.8 million estimated under-occupiers encouraged to right-size at some point in the future, freeing up much-needed 'spare' capacity. These interventions, alongside the Government's ambitious house-building plans, could offer a comparatively fast and cost-effective way to address the UK's housing supply shortfall.

Getting to the heart of the under-occupier market

The decision to move is highly personal, grounded in emotion, mindset and perceptions of personal benefit, as opposed to the benefit to society more broadly. When considering barriers to right-sizing, more than six in 10 (61 per cent) under-occupiers say they feel an emotional attachment to their current home because of memories and the effort they have put into their property. In light of that personal attachment, understandably under-occupiers

are less motivated by a sense of obligation, with only 20 per cent saying they think people should right-size to free up homes for others. This demonstrates that strong, targeted incentives are required to convert interest in right-sizing into action.

The under-occupier market is also considerably more diverse than often implied, with a broad range of homeowners having spare capacity in their homes. While 'last time buyers' do form a significant segment of possible rights-sizers, more than a third of under-occupiers (36 per cent) are aged between 45-64 years old, so incentives need to be considered across a range of consumer demographics.

Mover motivations

Nearly half (45 per cent) of under-occupiers report cost as a key inhibitor to moving home, while "having a home that requires less maintenance" (39 per cent) and "having a cheaper home" (26 per cent) were top factors which would encourage them to move. Therefore, the creation of financial incentives and assistance would be the most powerful policy lever, with nearly four in 10 (38 per cent) under-occupiers saying this would make them likely to right-size.

Meanwhile, the complexity of the moving process is a major barrier for four in 10 (40 per cent) under-occupiers, while 85 per cent of both homeowners and under-occupiers agree that moving home is "always stressful". This suggests that improvements to the buying and selling process could significantly impact perceptions of moving.

Suitability of supply

Housing supply is intrinsically linked to the desire to right-size, as a priority for many is finding the 'right' property. The report identifies

the three under-occupier segments with the highest propensities to right-size: 'Family-focused', 'Suitability Seekers' and 'Pragmatic Movers'.

Three-quarters (75 per cent) of the most 'movable' segment, 'Pragmatic Movers', would consider right-sizing if a greater number of suitable properties were available. However, increasing housing supply alone will not be enough – more effective signposting is needed to drive awareness of new properties and their potential benefits.

'Suitability Seekers' would be particularly open to right-sizing if there was more accessible or age-friendly accommodation, with three quarters (73 per cent) agreeing that this would make them more likely to move. However, confidence is a key barrier to moving for this group, with two-thirds (67 per cent) saying more information and support available would make them likely to right-size.

The solution

To tackle some of the barriers to right-sizing and tap into existing motivations for movers, Barclays makes five recommendations to government and policymakers which, if implemented, could help unlock the spare capacity identified within the housing market:

- 1. BROADEN PERCEPTIONS OF UNDER-OCCUPIERS BEYOND JUST OLDER PEOPLE.** In designing interventions to drive behaviour change, government should consider multiple under-occupier demographics, with the benefits to homeowners (rather than society) at the front and centre of policy design and communication.
- 2. IMPLEMENT TARGETED FINANCIAL INCENTIVES.**

For example, grants, vouchers or the ability to offset moving costs against Stamp Duty – for individuals that choose to downsize.

- 3. HELP MAKE HOME BUYING SIMPLER AND LESS STRESSFUL.** Convene a joint working group – in partnership with industry – to explore and implement changes to improve the home buying and selling process. This would benefit all home movers, including rights-sizers.
- 4. IMPROVE VISIBILITY OF NEW HOUSING.** Raise awareness and consideration of right-sizing by encouraging local authorities to work closely with housebuilders, local media and key stakeholder groups to improve the signposting of new developments across the UK.
- 5. BUILD MORE RETIREMENT AND AGE-SUITABLE HOUSING.** Reform the planning process by requiring local authorities to plan for this type of infrastructure, while also considering affordability issues.

Mark Arnold, Head of Mortgages and Savings at Barclays, comments: "Housing supply shortages are well documented and we fully support the Government's ambitious house-building plans. However, a stronger, more holistic strategy is needed to tackle the immense issues faced by the housing market, including the challenges faced in the demand side."

"Our public policy recommendations could help to support those people who are not currently seeking to move, to right-size into accommodation that suits their needs and saves them money, whilst unlocking crucial capacity within the housing supply chain."

David Thomas, Chief Executive at Barratt Development, said: "The Barclays report highlights potential barriers to the diverse group of people who may benefit from moving to a more manageable home that is cheaper to run and continues to meet their needs."

"If some of those barriers are removed, Housebuilders and local authorities can work together to increase the supply of energy efficient new homes located with easy access to amenities and community facilities to help people find their right home and help free up larger homes for growing families."


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