
Chapter 2

Demographic and attitudinal characteristics of owner occupiers

Overview

This chapter reports on the characteristics of owner occupiers in England in 2012-13. Owner occupation is the largest of the three main tenure groups, accounting for 65% of all households. A further 18% rent privately and 17% live in social rented housing.

The tenure includes two groups of owners, those who own outright and those repaying a loan or mortgage, known as mortgagors. In 2012-13, 14.3 million of households were owner occupiers. Of these 7.2 million owned outright and 7.2 million were paying off a mortgage.

Owner occupation has been the largest tenure since the early 1970s. The sector grew strongly in the 1980s and more slowly in the 1990s¹. The number of owner occupiers peaked in the mid-2000s at 14.8 million households or 71% of the total. Since then it has shown a very gradual decline to the current position of 14.3 million in 2012-13.

Mortgagors will pay off their loan and become outright owners after a period of repayment that is typically twenty years or more. This means that outright owners are usually older than mortgagors, and have different social and economic characteristics. The population also changes over such an interval, with recent decades seeing new trends in migration for example. The profile of mortgagors will reflect these overall changes more quickly than the profile of outright owners.

Mortgagors are typically a middle-aged group, with two thirds aged between 35 and 55 years. A high proportion of these households are in full time work with less than 1 in 20 households unemployed or economically inactive. In contrast outright owners are older and the majority have retired. Couples with dependent children are the most prevalent household type amongst mortgagors. For outright owners, couples with no dependent children and single person households are the most common, often 'empty nesters' whose children have left home.

Owner occupiers tend to live in the same home for the longest time out of all the tenures. Outright owners lived in their homes for an average of over twenty years while for

¹ See Chapter 1 for more on tenure trends and the history of housing in England.

mortgagors the average was over ten years. Nearly all owner occupiers agree that their tenure (owner occupancy) is a “good way to occupy a home”.

The chapter provides a demographic profile of households in owner occupation covering age, sex, ethnicity and nationality. The types of household that commonly live in the sector are described, including whether they are working, retired or unemployed, and what their income profile is. The chapter then reports levels of satisfaction expressed by owner occupiers regarding their accommodation and their tenure.

Mortgagors, outright owners and a further sub-group, recent first time buyers, are reported on separately. This last group is defined as those who had bought a home for the first time within the last three years.

Additional findings relating to the figures reported in this section can be found in web tables, under ‘Owner occupiers, recent first time buyers and second homes’.

(<https://www.gov.uk/government/statistical-data-sets/owner-occupiers-recent-first-time-buyers-and-second-homes>).

Demographic characteristics

Age

- 2.1 In this section the age profile of owner occupiers is examined, with the focus on the age of the household reference person (HRP)².
- 2.2 Owner occupiers tend to be older than social and private renters. In 2012-13, around three quarters (73%) were aged 45 or over, compared with 63% of social renters and 27% of private renters. Just 9% of owner occupiers were under the age of 35 and 1% were aged between 16 and 24, Figure 2.1 and Annex Table 2.1³.

Mortgagors and owning outright

- 2.3 The costs associated with buying a home mean that most households will need to take out a mortgage from a bank or other lender to make the purchase. In order to take out a mortgage, lenders require both evidence of a reliable source of income and a deposit. In many cases, the need to save up a deposit will mean it can be difficult for the youngest households to purchase a home. The majority of mortgagors (64%) were therefore in the age band 35-54, with just 18% in the younger age-band 16-34.

² The HRP is the person in whose name the home is owned and where ownership is shared the higher earner is chosen. See the Glossary for more detail.

³ See also Headline Report, 2012-13, Annex Table 2.

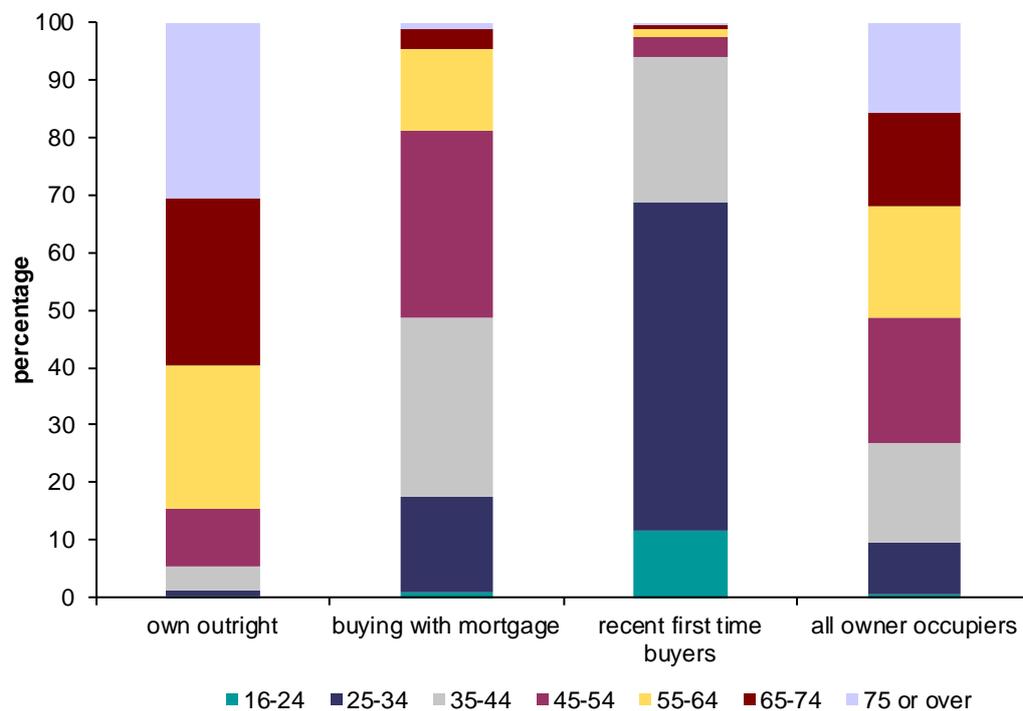
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284649/Headline_Report_tables_and_figures.xls

2.4 Typically twenty years or more are required for repayment of a mortgage in full. As a result outright owners have the oldest age profile. Most (85%) outright owners were aged 55 or over and 60% were aged 65 and over.

Recent First Time Buyers

- 2.5 Owner occupiers include those who bought their homes over a long period of time and in a wide range of housing market and economic conditions. In order to understand the circumstances of households who purchased their accommodation in current conditions, recent first time buyers need to be examined separately.
- 2.6 Unsurprisingly, recent first time buyers have a younger age profile. There were 12% in the youngest (16-24) age band, while the majority (57%) were aged 25-34. A quarter (25%) were aged 35-44 however, Annex Table 2.1.

Figure 2.1: Owner occupiers, by age, 2012-13



Base: all owner occupier households

Note: underlying data are presented in Annex Table 2.1.

Source: English Housing Survey, full household sample

- 2.7 There has been a decline in the proportion of younger mortgagors, aged under 35, from 21% in 2008-09 to 18% in 2012-13, Annex Table 2.1.

Ethnicity

- 2.8 In this section the ethnic profile of the owner occupied tenure is examined, with the focus on the ethnic background of the HRP.
- 2.9 In 2012-13, in the population as a whole, there were 90% white and 10% ethnic minority⁴ households. For owner occupiers, 8% of households were from an ethnic

⁴ All households with HRP from a non-White ethnic group are denoted as ethnic minority households.

minority background. In comparison, for both the private and social rented sectors, 16% of households were from an ethnic minority group, Annex Table 2.1⁵.

- 2.10 There was a difference in the ethnic profile of those owning outright and mortgagors. Among those who owned outright, 5% were from an ethnic minority compared with 10% among mortgagors.
- 2.11 Among owner occupiers, recent first time buyers (14%) had the highest proportion of HRPs from an ethnic minority background. Of this group, 5% were Indian, 3% were Pakistani or Bangladeshi, and 2% were of black ethnic origin. The remaining 4% were from a wide range of ethnicities, here grouped together as 'other'.

Nationality

- 2.12 In this section the nationality of owner occupied households is investigated, with the focus on the nationality of the HRP. Households are categorised into one of two groups; British/Irish or 'other nationalities', Annex Table 2.1.
- 2.13 In 2012-13, in the population as a whole, 93% of households were British or Irish, with 7% 'other nationalities'.
- 2.14 The owner occupied sector had an above average proportion (97%) of British/Irish households. In contrast the proportion of British/Irish households in the private rented sector was lower (80%). The proportion in the social rented sector (93%) was the same as the population average.
- 2.15 A similar profile emerged for the two types of owner occupier. Among outright owners, 98% were British or Irish and the figure was similar (96%) for mortgagors. However, a lower proportion (88%) of recent first time buyers were British or Irish, Annex Table 2.1.

Economic status

- 2.16 The economic status of a household captures the main work-related activity of the HRP. Among owner occupied HRPs, just over half (54%) were working full time, slightly lower than the proportion (61%) of private rented HRPs in full time work. The profile of social renters was quite different however, with only 23% in full time work.
- 2.17 The economic profile also differed for the two types of owner occupier; 84% of mortgagors were in full time employment compared with 25% of those who owned their home outright.

⁵ See also Headline Report, 2012-13, Annex Table 2.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284649/Headline_Report_tables_and_figures.xls

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- 2.18 Three fifths (62%) of HRPs that owned outright were retired, consistent with the older age profile of this group. In comparison 5% of mortgagors were retired. In the private rented sector just 8% were in this group, Annex Table,2.2.
 - 2.19 The vast majority (91%) of recent first time buyer HRPs were in full time employment; only 2% were retired and 1% were unemployed.
 - 2.20 The 'other inactive' group, including for example those where the HRP is long term sick or taking care of the home, accounts for 3% each of mortgagors and outright owners.

Gross household income

- 2.21 Gross household income is the sum of income from all adults in the household before any deductions.
- 2.22 Gross household income differed for owner occupiers, private renters and social renters, with owner occupiers typically earning the most.
- 2.23 Just under half (47%) of all owner occupiers had a household income that exceeded £700 a week. This was higher than among both private renters (30%) and social renters (8%), Annex Table 2.2.
- 2.24 The household income pattern differed for outright owners and mortgagors, with those buying with a mortgage earning more. Two thirds (62%) of those buying with a mortgage had a household income that exceeded £700 a week compared with a third (32%) of those who owned their home outright. This was likely to be due to the higher proportion of owner occupiers who were retired (62%).
- 2.25 Among outright owners, 42% earned between £200 and £500 a week compared with 18% of mortgagors. Those buying with a mortgage tended to cluster at the higher earning end of the income scale (81% earned more than £500 a week).
- 2.26 Recent first time buyers tended to have incomes that were higher than outright owners but lower than all those buying with a mortgage. Around half (54%) of recent first time buyers earned more than £700 a week.

Household type

- 2.27 Each household is characterised by the number and relationship of the adults living together and whether there are dependent children.
- 2.28 The most common household type among owner occupiers was couples with no dependent children. Just over two fifths (44%) of all owner occupiers lived in such households compared with 16% of social renters and 25% of private renters, Annex Table 2.2.

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- 2.29 Of the three main tenure groups, owner occupiers had the lowest proportion (3%) of lone parents with dependent children. In comparison 12% in the private rented sector and 16% in the social rented sector were of this type.
- 2.30 The household type profile of outright owners differed from that of mortgagors. The types associated with older households were more prevalent among households owning outright. Just over half (53%) of outright owners were couples with no dependent children compared with 34% of mortgagors.
- 2.31 A third (34%) of those owning outright were single person households, with 22% being single female households.
- 2.32 Two fifths (39%) of those buying with a mortgage were couples with dependent children compared with just 6% of those who owned their home outright.
- 2.33 Recent first time buyers were most likely to be either couples with dependent children (38%) or couples with no dependent children (29%).

Household size

- 2.34 The household size profile of the owner occupied tenure is quite similar to that of the private rented sector, but distinct from the social rented sector.
- 2.35 Two person households were the most common type for owner occupiers, forming 39% of households. In comparison 34% of private renters, and 25% of social renters fall into this group.
- 2.36 Nearly a third (30%) of owner occupiers lived in three or four person households.
- 2.37 There were 24% of owner occupiers living alone, compared to 29% of private renters. However single person households were the most common household type for social renters, with around two thirds (43%) living alone.
- 2.38 Only 6% of all owner occupiers lived in households larger than four persons, Annex Table 2.2.

Mortgagors, Outright Owners and Recent First Time Buyers

- 2.39 A different pattern of household size was observed for owner occupiers who owned their home outright and those buying with a mortgage. Some 34% of outright owners lived in one person households compared with 15% of mortgagors.
- 2.40 Mortgagors were much more likely than outright owners to be in larger households. Over half (55%) of mortgagors were living in households of three or more, compared to 17% of households owning outright.
- 2.41 A quarter of recent first time buyers (26%) were households comprising one person, two fifths (41%) were two person households, less than a third (28%) were

three or four person households, with 4% being households of more than four people.

Attitudes and satisfaction

- 2.42 In addition to factual or demographic questions, the English Housing Survey (EHS) also includes questions on people's attitudes. This section examines responses to questions assessing respondents' satisfaction with their accommodation, their current tenure and their local area. Subjective questions like this are important for revealing how people feel overall about their living conditions, as well as their housing needs.
- 2.43 Households were asked to rate their levels of satisfaction using a five-point scale from 'very satisfied' through to 'very dissatisfied'.

Satisfaction with accommodation

- 2.44 Overall, 95% of owner occupiers said that they were either very or fairly satisfied with their accommodation while 3% stated they were either slightly or very dissatisfied. In comparison, 81% of social renters and 84% of private renters were either very or fairly satisfied, Figure 2.2 and Annex Table 2.3.
- 2.45 Owner occupiers who owned their home outright were more likely than mortgagors to state that they were very satisfied with their accommodation. Some 77% of outright owners were very satisfied with their accommodation compared with 60% of those buying with a mortgage. Overall satisfaction (either very or fairly) was similar for outright owners and those buying with a mortgage.

Figure 2.2: Satisfaction with accommodation, 2012-13

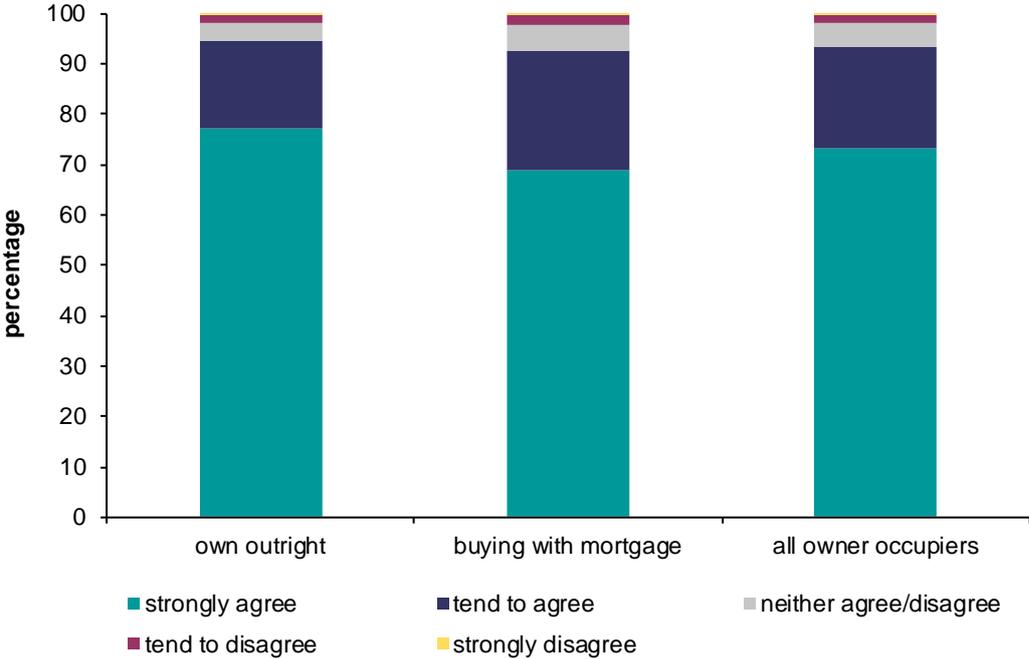


Base: all owner occupier households
Note: underlying data are presented in Annex Table 2.3
Source: English Housing Survey, full household sample

Attitudes toward tenure

- 2.46 The majority (93%) of all owner occupiers agreed that their current tenure (owner occupation) was ‘a good way of occupying a home’ with just 2% disagreeing with this statement, Figure 2.3 and Annex Table 2.3.
- 2.47 Owner occupiers were much more likely to agree with the statement than private renters (52%). Social renters were more likely to agree than private renters, but not quite to the same extent as owners; 82% agreeing or strongly agreeing that social renting was ‘a good way of occupying a home’.
- 2.48 Outright owners were more likely to strongly agree that owning was ‘a good way of occupying a home’ (77%) than those buying with a mortgage (69%). However, the overall level of agreement (combining strongly agree and agree) with current tenure was similar for outright owners (94%) and those buying with a mortgage (92%).

Figure 2.3: Current tenure is a good way of occupying a home by owner occupier status, 2012-13

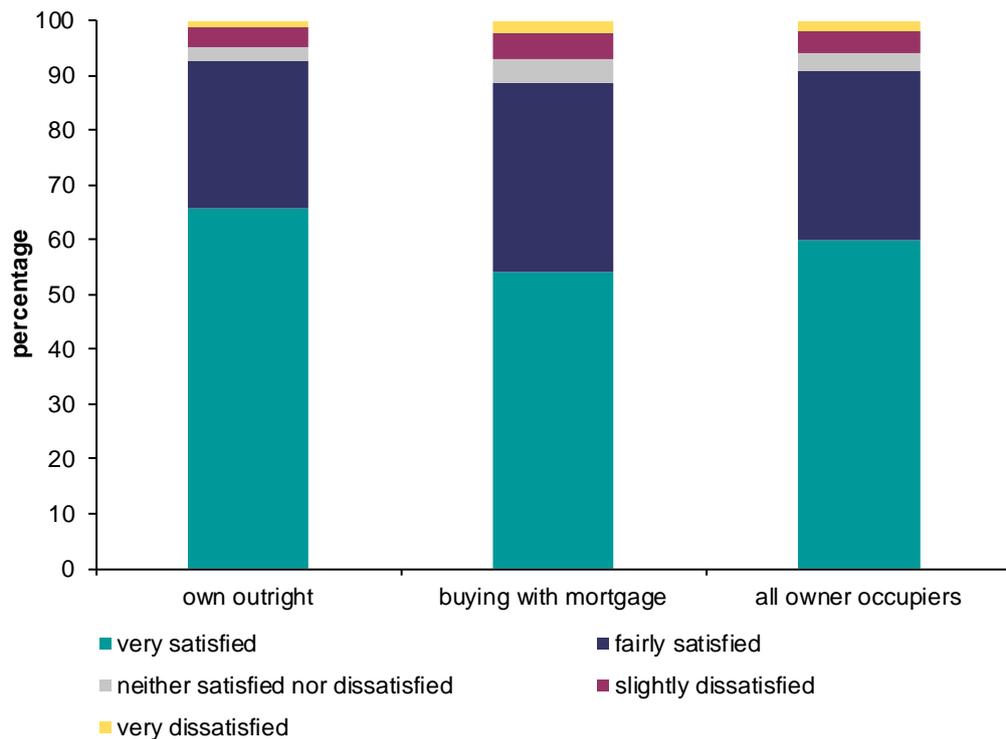


Base: all owner occupier households
Note: underlying data are presented in Annex Table 2.3
Source: English Housing Survey, full household sample

Satisfaction with local area

- 2.49 The majority of owner occupied households (91%) were satisfied with their local area. This was higher than the proportion of private renters (87%) and social renters (82%).
- 2.50 Satisfaction with the local area was also higher among outright owners (93%) compared with those buying with a mortgage (89%), Figure 2.4 and Annex Table 2.3.
- 2.51 Just 6% of all owner occupiers stated that they were dissatisfied with their local area. The proportion of owner occupiers who were dissatisfied with their local area was slightly higher for those buying with a mortgage (7%) than those who owned their home outright (5%).

Figure 2.4: Satisfaction with local area, 2012-13



Base: all owner occupier households

Note: underlying data are presented in Annex Table 2.3

Source: English Housing Survey, full household sample

Mortgage costs

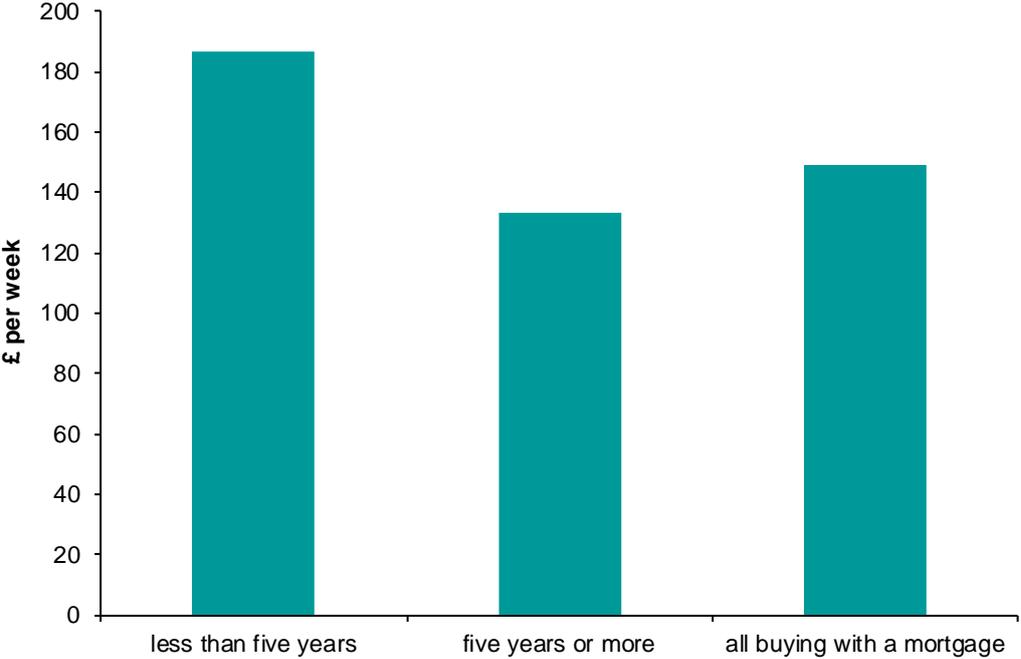
- 2.52 There are two main types of mortgage which are paid off in different ways: interest-only and repayment mortgages.
- 2.53 Repayment mortgages are the more common type⁶. In this case the mortgage payments include both a payment of interest and a proportion of the original loan.
- 2.54 In contrast, households with interest-only mortgages pay the lender the interest on the original loan but the balance of the original loan remains to be repaid at the end of the fixed term. The mortgagor therefore needs to make appropriate arrangements for paying off the loan at the end of the fixed term. Interest-only mortgagors often pay into linked investment schemes (such as an endowment) which are designed to accumulate sufficient value to pay off the original loan at the end of the mortgage period.
- 2.55 In 2012-13, the average (mean) mortgage payment was £149 per week. Mortgage payments differed by the type of mortgage; those with interest only mortgages were paying an average of £120 per week compared with £154 for those with repayment mortgages.

⁶ Table FA2401 (S357): Type of mortgage by year started, 2011-12.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211392/FA2401.xls

2.56 Households which took out their mortgage many years ago will have bought their home when house prices were much lower than they are now. It is therefore not surprising that the average mortgage payment differed by how recently the mortgage was taken out. Among those who had taken out their mortgage within the last five years, the mean weekly payment was £187 per week. This compared with £133 among those whose mortgage had been running for five years or more, Figure 2.5.

Figure 2.5: Mortgage payment (£ per week) by when taken out, 2012-13



Base: All households buying with a mortgage
Note: underlying data are presented in Annex Table 2.4
Source: English Housing Survey, full household sample

Household income compared with housing costs

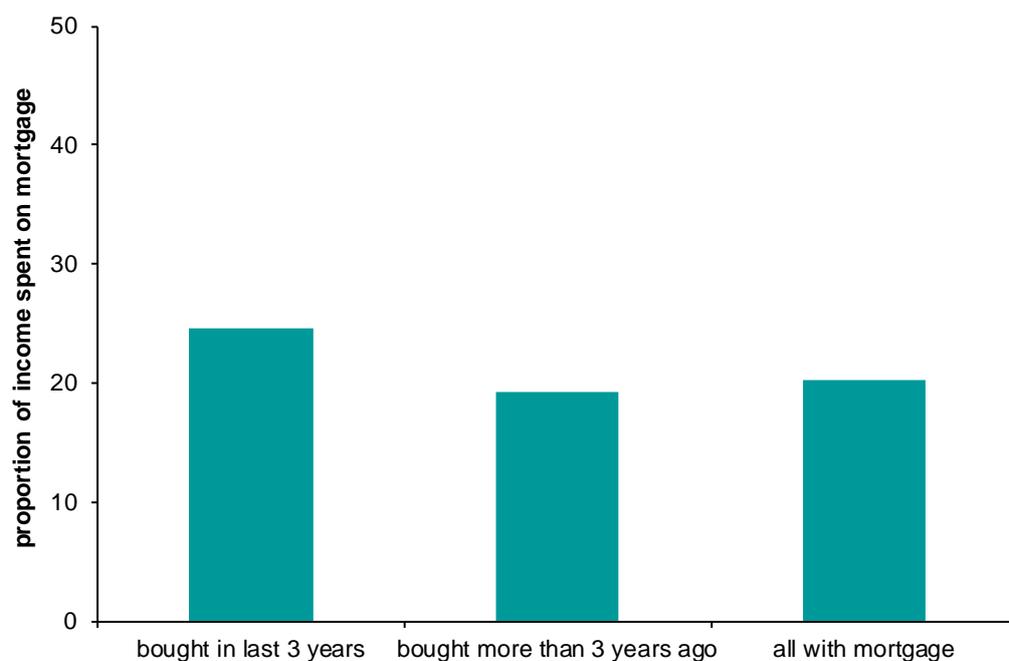
2.57 Affordability of housing is becoming an increasingly important issue. Rising house prices and associated increases in mortgage costs can exert pressure on household finances, potentially leading to people defaulting on their mortgage repayments or making it more difficult for households to buy a home in the first place.

2.58 A simple measure of housing affordability has been derived by calculating the average proportion of income spent on housing. This has been undertaken for households in all tenures. The proportion of income spent on mortgage payments is compared with the proportion spent on rents in the social and private rented

sectors. Income is taken to be the gross weekly household income of the HRP and their partner. Results are shown in Annex Table 2.57.

- 2.59 On average, owner occupiers spent 20% of their income on their mortgage. This is lower than the proportion that private renters (40%) and social renters (30%) spent on their rent.
- 2.60 Figures for owner occupiers include all those currently buying with a mortgage, regardless of when they bought their home. In order to look at the situation of households who have purchased more recently, Figure 2.6 shows the proportions for those who have moved into their current home within the last three years separately.
- 2.61 Those who had bought their home in the last three years spent on average 25% of their income on their mortgage, compared with 19% among those who had purchased three years ago or more.

Figure 2.6: Mortgage payments as a percentage of household income¹, 2012-13



¹income of HRP and partner only

Base: all households buying with a mortgage

Note: underlying data are presented in Annex Table 2.5

Source: English Housing Survey, full household sample

⁷ Households that did not pay rent or make mortgage repayments were excluded from the analysis.

Previous tenure

2.62 This section categorises owner occupiers by the tenure of their previous accommodation. The household may have moved into owner occupation from the private or social rented sectors, or they may have been an owner occupier already. The household may also be newly formed, coming into existence in the current home⁸.

2.63 Three fifths (60%) of owner occupiers had owned their previous accommodation either in their own name or jointly. Around a quarter (28%) had previously been in the private rented sector, and 10% were newly created households. Just 3% of households had come from the social rented sector, Figure 2.7 and Annex Table 2.6.

Figure 2.7: Previous tenure according to owner occupier status, 2012-13



Base: all owner occupiers households who bought during last 3 years

Note: underlying data are presented in Annex Table 2.6

Source: English Housing Survey, full household sample

2.64 Among owner occupiers, the pattern was different for outright owners and those buying with a mortgage. Some 86% of outright owners had previously owned their accommodation compared with 50% of those buying with a mortgage.

2.65 Owner occupiers buying with a mortgage were more likely to have privately rented their previous accommodation (35%) than outright owners (10%).

⁸ A new home would be created for example, when a young adult leaves the parental home and starts a rental tenancy or a mortgage in their own name. See Glossary for more information.

2.66 More information on household moves is provided in Chapter 6 of this report.

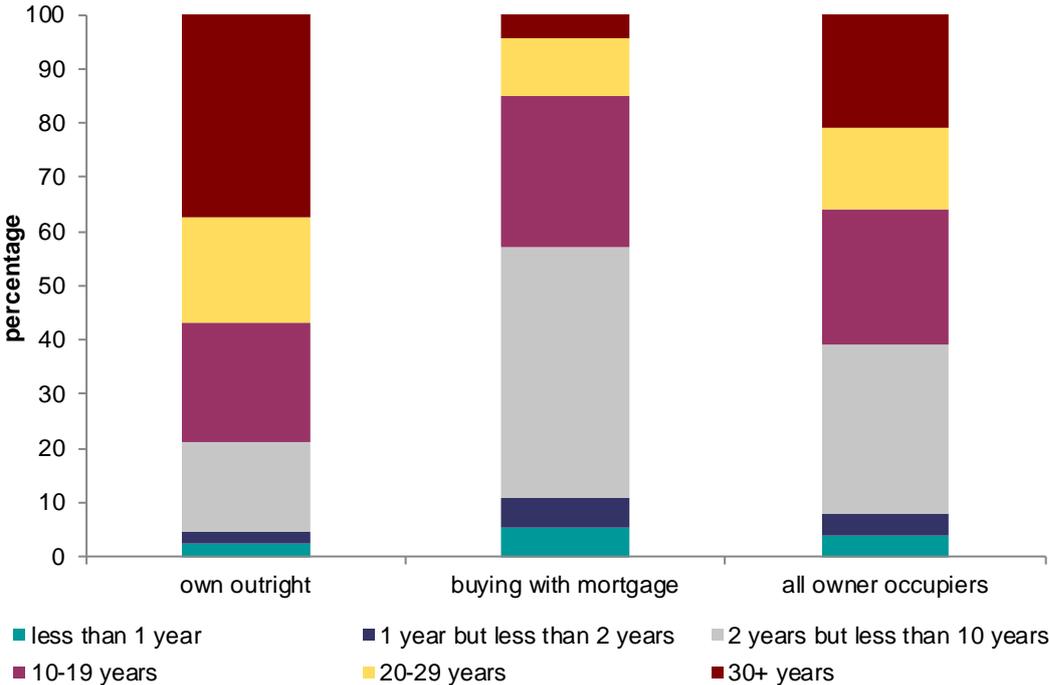
Length of residence

2.67 Owner occupiers had, on average, lived at their current address for longer than private or social renters (17.3 years, compared with 3.8 years for private renters and 11.3 years for social renters), Figure 2.8 and Annex Table 2.7.

2.68 Among owner occupiers there was further variation. Outright owners had, on average, lived at their current address for 24.0 years while for mortgagors the average was 10.7 years.

2.69 Overall, 4% of all owner occupiers had been living at their current address for less than a year and a further 4% had been living at their accommodation for between one and two years. Around a third (31%) had been living at their current address for between two and nine years, and three fifths (61%) had been living there for ten years or more.

Figure 2.8: Length of residence in current home by tenure, 2012-13



Base: all owner occupier households
Note: underlying data are presented in Annex Table 2.7
Source: English Housing Survey, full household sample

2.70 More than a third (37%) of those who owned outright had been living at their current address for more than 30 years while more than half (57%) had been at their current address for more than 20 years. In comparison, just 4% of those buying with a mortgage had been living at their current address for more than 30 years.