HOUSING FUTURES

THE VILLAGE REVIVAL

VOLUME III

STRUTT & PARKER

Details about the
Housing Futures survey

The *Housing Futures* survey was conducted from 1 November to 30 November 2015. The sample of over 2,600 respondents is a combination of Strutt & Parker registered buyers, sellers, tenants and lettings applicants from the past three years, and a balanced general UK population sample conducted by OnePoll. Throughout the *Housing Futures* report, the term ‘current’ refers to those respondents who indicated that they had intentions of moving in the next five years and does not include the entire survey sample. Due to rounding, not all figures add up to 100%.

“Villages have to adapt to a future that will include flexible live/work space and upgraded infrastructure”

Over the past three years, our *Housing Futures* programme has identified ‘creeping trends’, the structural shifts that will fundamentally change the way we live throughout the coming decade. Our research has highlighted new demographic tribes and the housing solutions that they will require. In this publication, we focus on the village revival, a counterintuitive trend based on survey findings that point to people seeking amenity-rich environments within a village setting. We know that the 21st-century village is not the quaint place of yesterday. Villages have to adapt to a future that will include flexible live/work space and upgraded infrastructure. We have identified five core tribes who will be important to this revival and highlighted the components that will create the modern village. We believe that this research is relevant to everyone for whom housing is important and will provide valuable insight into the UK’s evolving housing needs. As such, we hope you find it interesting and invite you to contact us with your thoughts and comments.

Stephanie McMahon
Head of Research

THE VILLAGE REVIVAL

The world might be focused on urbanisation, but a new, overlooked trend is set to shape the UK's housing market

A cursory glance at existing research would suggest cities have the upper hand over villages. By 2050, the UN predicts that 66% of the world's population will be urban, with the UK inevitably being part of the trend. By the mid-century, there will be approximately 65 million people living in Britain's cities, compared to just eight million in rural areas.

Urbanisation has generally been viewed as a positive economic and social driver that leads to longer life expectancies, a reduction in poverty, increased literacy and higher education levels, as well as enhanced cultural opportunities.

But as the urban trend has gathered pace, a number of negative traits have begun to appear. When urbanisation is too rapid, or when it is undertaken without proper planning, cities can become more unequal than rural areas, resulting in a rise in substandard living conditions, urban sprawl and increased pollution. Urbanisation can also lead to unsustainable production and consumption patterns.

Add in concerns about the affordability of housing and limited development, and perhaps it is not so surprising that over the past three years of *Housing Futures* research we have seen the emergence of a new creeping trend – the desire to move back to rural.

In our latest research, 21% of respondents who are moving want to live in a village, making it easily the most popular location *(see Topline Results, right)*. The shift away from cities is being driven by people looking for neighbourhood safety (86%) and space between neighbours (58%), as well as for a strong community feel (48%).

According to Defra, in 2013/14, the UK saw net internal migration of 60,000 people to predominantly rural areas in England. It is a trend that has been positive every year since 2001. But this reverse migration is not to a traditional rural environment. The influence that technology is having on shopping, communications and, most importantly, working habits is helping to transform villages and the type of people who want to live in them.

Technology is also helping to change the rural economy, which plays a key role in creating jobs and prosperity. England's rural economy now accounts for £210 billion of economic output and hosts over 25% of all registered businesses.

Once the preserve of agricultural enterprises, new companies are thriving in rural locations, including hi-tech manufacturing, food processing, the service sector, retail and power supply (in the form of renewables). What's more, the expansion of broadband and mobile communications has seen a greater uptake of working from home in rural locations compared to urban areas.

It seems the same factors that once drove urbanisation – improving economic and social conditions – are now inspiring the village revival.

> "England's rural economy accounts for £210 billion of economic output"

Defining a village

For the purpose of our analysis, it is important to define a village. After reviewing the existing literature, as well as government definitions, we describe a village as a settlement that has between 3,000 and 10,000 inhabitants. This equates to around 14% of the population in England and Wales, approximately 10% of the population in Scotland and 15% of the population in Northern Ireland.

Topline results

Our latest *Housing Futures* survey identifies four factors that are shaping the village revival

Realising the dream
A village was by far the most popular choice for respondents who are intending to move, with 21% naming it as their preferred location, compared with 14% for a market town and only 12% for either a big city or a suburb.

Being connected
Broadband and mobile are essential to rural life. Access to broadband was a key factor for 49% of those intending to move to a village, while 38% highlighted mobile connectivity.

Looking to rent
There has been a significant increase in respondents expecting to live in rental accommodation. In our current survey, 10% of those who want to move to a village anticipate living in a private rental unit, up from 1% in 2013.

Easy living
Ease of access is an important issue for respondents intending to move to a village, with 60% wanting to be able to walk to shops, 48% to local transport and 45% to medical facilities.

VILLAGE TRIBES

The face of the modern village is changing as new demographic groups play key roles in shaping the future of rural life

An influential family with substantial income living in the grandest village house

The Downtons

The most prestigious house in the village would once have been owned by the local squire. Many of these properties have now been acquired by buyers using property equity to purchase a rural idyll. Of those Strutt & Parker clients who are buying outside of London in the £2 million-plus bracket, 98% say they would want the property to be a house or an estate/farm estate. Today, not everyone wants to buy the rural lifestyle – some would prefer to rent it. Spears Wealth Management has identified a trend for wealthy, shorter-term renters looking for services normally found in private members' clubs, for example properties that feature 'butler buzzers' in every room.

Retirees who have assets, including their own home, and pension income

Elderflowers

Born after the Second World War, the Elderflowers have benefited from sustained economic growth, as well as increasing levels of housing equity. They are the largest demographic in the UK – and they are growing. By 2033, 60% of household growth will be headed by those aged 65 or over. Elderflowers have either lived in the village all their lives or are empty nesters looking to move into a village house that suits their changing needs. Skilled and experienced, they are able to take advantage of the flexible work styles suitable to the modern village. As a healthy and active generation, the Elderflowers are in a position to enjoy a positive move into and through retirement.

Entrepreneurs and creatives who can bring dynamism to the village economy

Rusticarians

These diverse countryside dwellers embrace new approaches to work and lifestyle. For example, rural areas have the highest rate of homeworkers – 33% compared to 12% in urban areas. These homeworkers tend to be employed in higher skilled roles and are part of a wider group of rural entrepreneurs. Research from Defra, published in January 2015, points out that the number of businesses registered per head of population is higher in predominantly rural areas than predominantly urban surroundings. Technology is key to this group, with 49% of those intending to move to a village citing broadband as the main motivation for moving, up from 41% in 2014.

New families who are keen to move to a village location to raise their children

Rubies

Attracting new residents, particularly adults with children, is vital for a village. That's why Rubies – or Rural Newbies – are an important village tribe. This group of predominantly younger families supports the local school, uses community facilities for classes and leisure activities, and sustains local shops. However, the affordability of housing is a challenge. In England, 59% of those aged 25-34 owned their home in 2003/4, but 10 years later it was just 36%. Over the same period, renting for this age group grew from 21% to 48%. The good news is that Help to Buy is having a positive impact, with 81% of mortgages completed supporting first-time buyers.

Single-person households, a growing group across all ages in the UK

The Onesies

Single-person households are growing 10 times faster than the general population. It is estimated that by 2033, sole occupiers will make up 41% of all households. This trend is driven by several factors, including rising life expectancy and divorce, and particularly reflects the requirements of older women. About 3.8 million older people are single-dwellers and 70% of these are women. The challenge is to provide suitable housing options for Onesies. These range from individuals who need to downsize as they occupy a home that is too large for their requirements to people seeking more spacious options than those offered by a one-bedroom flat.

VILLAGE HOUSING SOLUTIONS

Housing will have to adapt to the changing needs of renters as well as property owners

PRS

Demand for housing in the private rented sector (PRS) grew from 9% of housing stock in 2001 to 16.5% in 2011. This rise has been driven by delayed family formation, as people save up for a deposit on their first home, greater student debt and a rise in the number of one- and two-person households. Due to a culture of home ownership, which started in the credit boom of the 1980s and has been encouraged by successive governments, the UK lags behind other European countries when it comes to PRS provision. For example, in Germany and Switzerland, privately rented accommodation accounts for 60% of housing. PRS is likely to be delivered mostly by large-scale investors such as pension funds and insurance companies, who should be able to offer the high-quality product and service levels currently to be found in the US rental market.

17%*

would consider living in a professionally managed private rental unit

Platinum Places

The UK has an ageing population. With the start of the 20-year demographic ‘bump’ of baby boomers moving into retirement, one might expect to see an increase in age-limited communities on the edge of towns. But baby boomers have voiced objections to living the same way as their parents did in retirement. Often in good health, with good pensions and active lifestyles, they want to live where they can continue to enjoy their established way of life, minus the day job. Hence the need for Platinum Places – new mixed communities that are part of a village. Imagine a development open to all age groups that offers access to amenities as well as cultural experiences, including village fairs and farmers’ markets. It may also have facilities such as gyms and swimming pools, which can be specifically tailored to the needs of different members.

27%*

would be happy to move into a Platinum Place development

The HEAL House

A HEAL (Healthy Eating Active Living) House is about creating healthy living space. Since Sick Building Syndrome was identified in the 1970s, mostly in office space, research has helped to guide the development of healthy work places. In the most advanced office developments, paints are produced from low-volatile organic compounds, while the use of carefully selected plants helps to clean the air. Although not as widespread, research is also ongoing into creating healthy environments in our homes. Healthy living is not just about minimising toxins in the air – it is about creating stimulating spaces, reducing noise pollution and bringing the benefits of nature into homes through light and green spaces. Finally, it incorporates the desire to interact with the outdoors, not just for fitness but also for nutrition with the ability to grow fruit and vegetables.

41%*

would consider living in a Healthy Eating Active Living House

*Percentages relate to respondents intending to move to a village

CREATING THE MODERN VILLAGE

Tradition, technology and transport are set to have a positive impact on the village of the future

Successful modern villages combine traditional appeal with an ability to adapt to new requirements. The impact of broadband and mobile communications, along with easily accessible public transport, is fundamental to a village's economic viability, allowing more people to work away from urban centres. Spaces that reflect flexible working lives will allow villagers to enjoy the benefits of rural living while pursuing their choice of career and lifestyle. In particular, Makerplaces that can be shared between designers, makers and village events, and Flexispaces offering rentable workspace in a retail setting, will help to support start-ups and small businesses.

● **Modern** ● **Traditional**

● **Diverse housing**
A mix of rental, retirement and healthy living spaces

● **Flexispace**
Mixing start-up and retail space

● **Makerplace**
A community building for makers, designers and village events

● **Broadband and mobile communication**
49% of those intending to move to a village cite broadband as the main motivation

● **Home services**
New mobile health services to look after village communities

● **Public transport**
48% of respondents want to be within walking distance of public transport

● **Church**
65% of Church of England churches are in rural locations

● **School**
26% of pupils go to rural schools in Wales, 14% in England and 10% in Scotland

● **Village green**
England has 3,650 registered village greens and Wales has 220

● **Local shop**
The heart of a village, these are increasingly volunteer-run stores

● **Manor house**
A remnant of the feudal history of many villages

● **Pub**
The UK has 51,900 pubs

● Five years' time ● Current

LEADING LOCATIONS

Commuting, lifestyle and regeneration are set to create three property hot spots for all future movers

The South East, South West and North West are the three leading destinations for those intending to move in the next five years *(see map opposite).*

London's strong economy and housing market will have a direct affect on the South East, which will attract 29% of those intending to move out of the capital as people look for more affordable, spacious accommodation, while also being able to commute to well-paid jobs in London.

The South West's appeal as a lifestyle and retirement location is set to continue, attracting movers from the South East (12%) and London (8%), as well as seeing a large number of local buyers determined to stay in the region when they move home (just under 75%).

With increased government investment in the Northern Powerhouse, the North West is likely to retain 69% of those who already live in the region. Any outside buyers are most likely to be from the North East or Northern Ireland (both 5%).

London will experience the lowest retention rate of any region (35%), with more sellers planning to cash in on their property equity by moving out of the capital.

Living environment

Villages and rural areas top the list of environments that respondents want to move to in the future

21%
18%
Village

16%
12%
Rural

14%
17%
Market town

12%
18%
Big city

12%
18%
Suburb

11%
6%
Coastal

ON THE MOVE

For the third year in a row, lifestyle change leads the 12 main reasons for moving, taking into account all respondents, not just those who are looking to relocate to a village

60%
Lifestyle change
This is the most popular reason to move and noteably higher than last year's 49%.

57%
Privacy
A new category that reflects the appeal of larger houses surrounded by private land.

54%
Access to shops/ amenities
The importance of access is up from 39% in 2014.

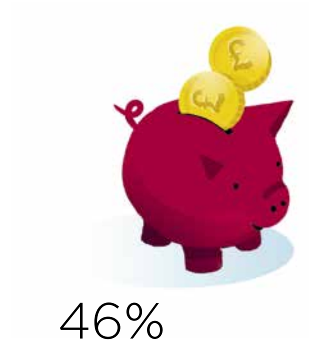
45%
Access to public transport
A significant concern for both rural and urban movers.

44%
Close to family/ friends
This factor has seen a 10% rise over the past 12 months.

40%
Close to work
An increasingly significant consideration that has more than doubled since 2013.

51%
Broadband connectivity
Fast, reliable broadband is key to property purchases.

47%
Personal finances
This has risen from just 27% in 2014 and is the fifth most important reason for moving.



46%
Reducing running costs
Under a third of people cited this motivation last year.

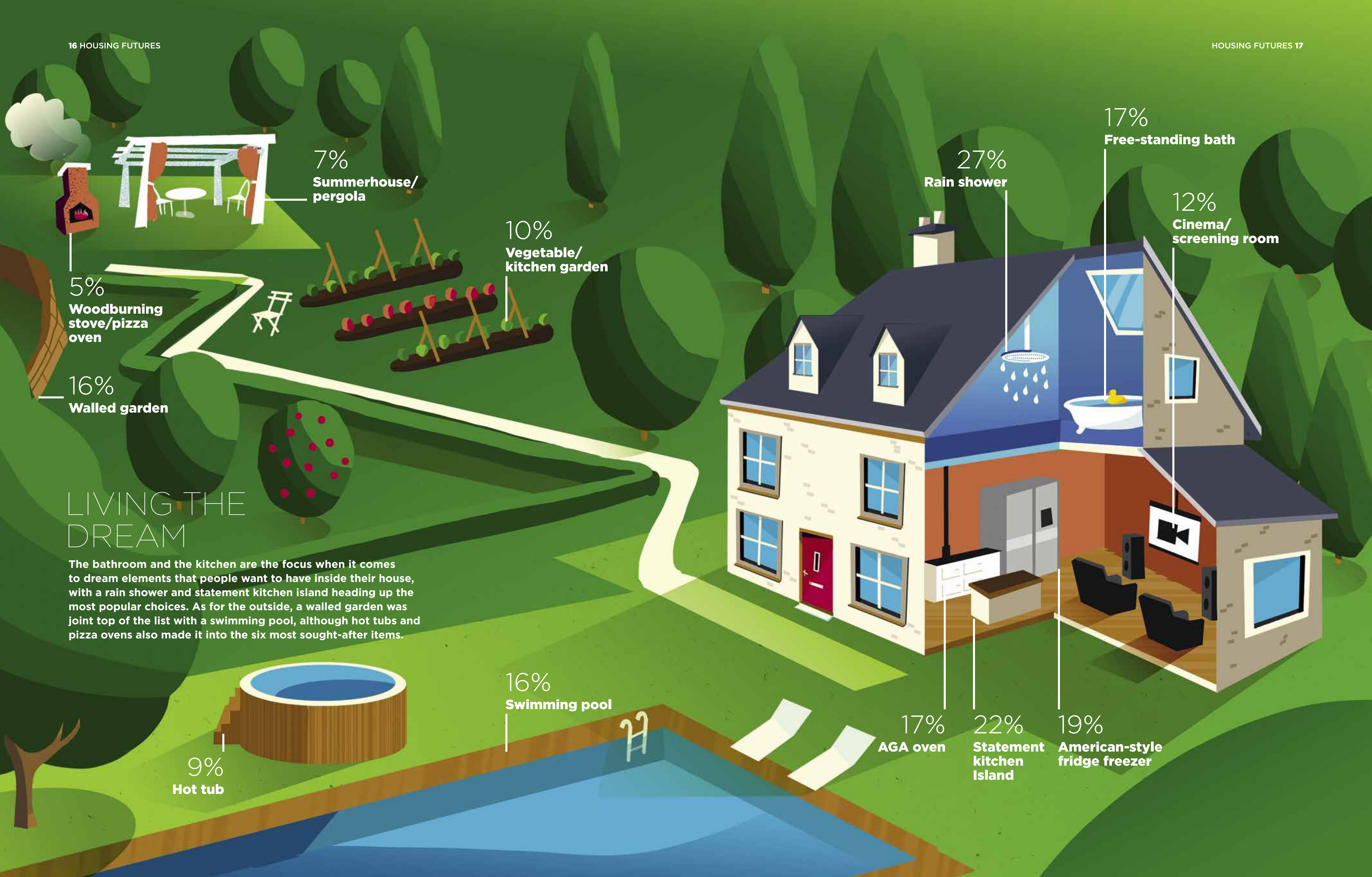
39%
Retirement
Although up from last year, this is a sharp drop from the 60% we recorded in 2013.

39%
Mobile phone connectivity
A 20% jump compared to the respondents in 2014.

38%
Health
The link between health and housing is a growing trend, up from 20% in 2013.

LIVING THE DREAM

The bathroom and the kitchen are the focus when it comes to dream elements that people want to have inside their house, with a rain shower and statement kitchen island heading up the most popular choices. As for the outside, a walled garden was joint top of the list with a swimming pool, although hot tubs and pizza ovens also made it into the six most sought-after items.

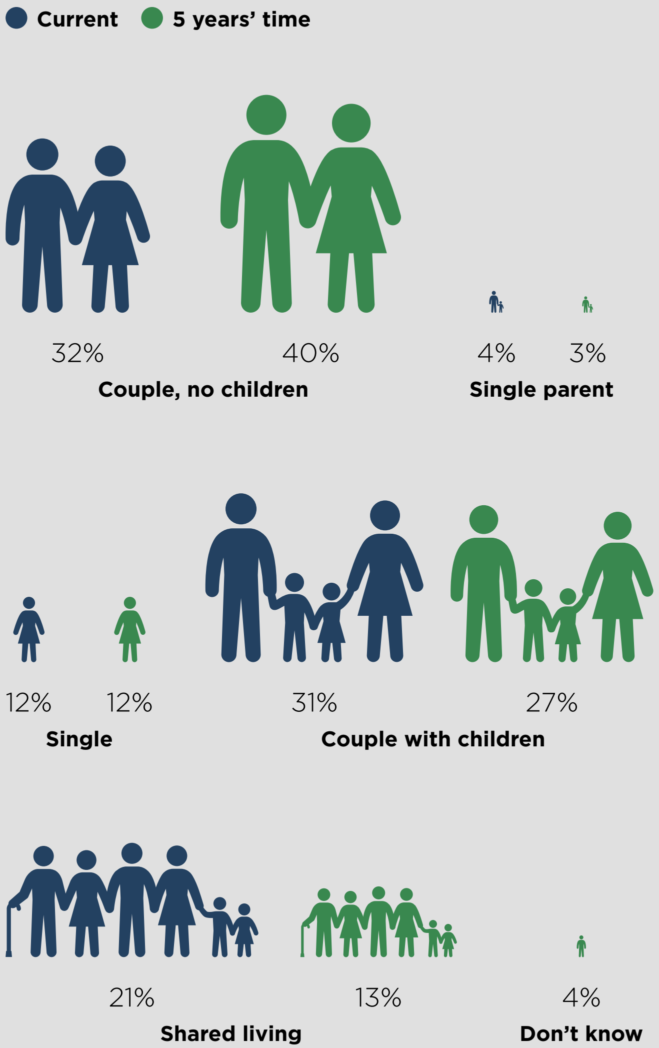


LOOKING TO THE FUTURE

We asked all respondents about their current housing and how it might change in five years

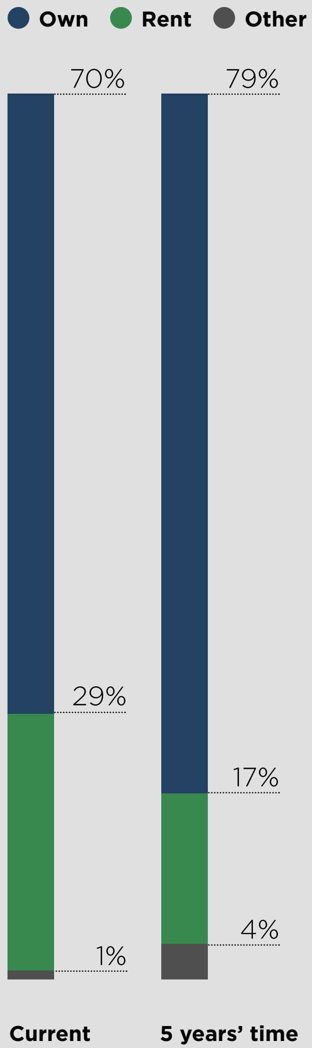
Make-up of UK households

When it comes to household composition, there will be fewer couples with children and a reduction in shared living



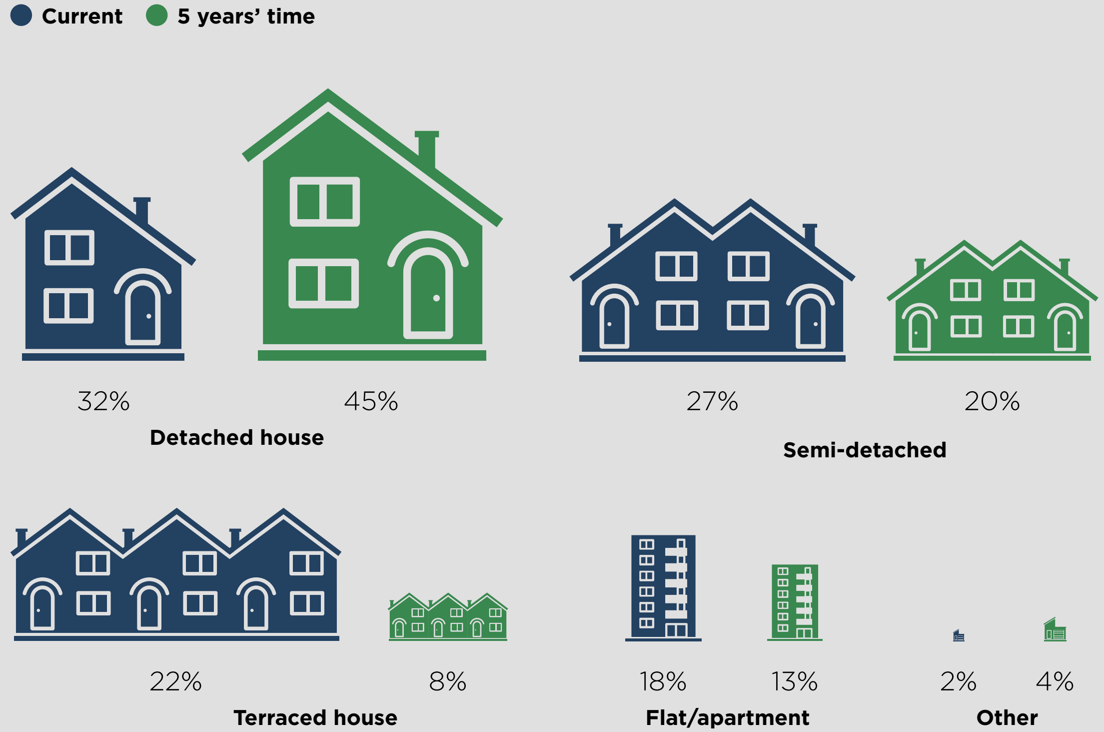
UK housing tenure

More respondents expect to own their home and fewer plan to rent



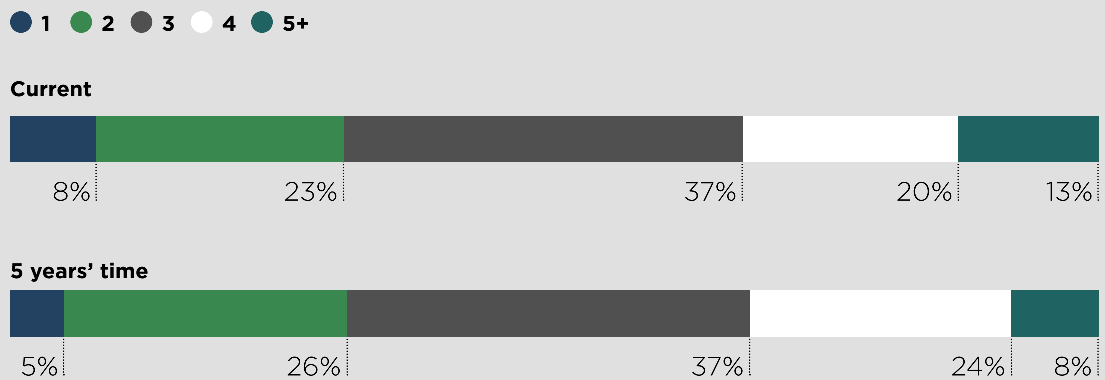
Type of housing

When it comes to desired future housing, only detached houses registered an increase in popularity



Number of bedrooms

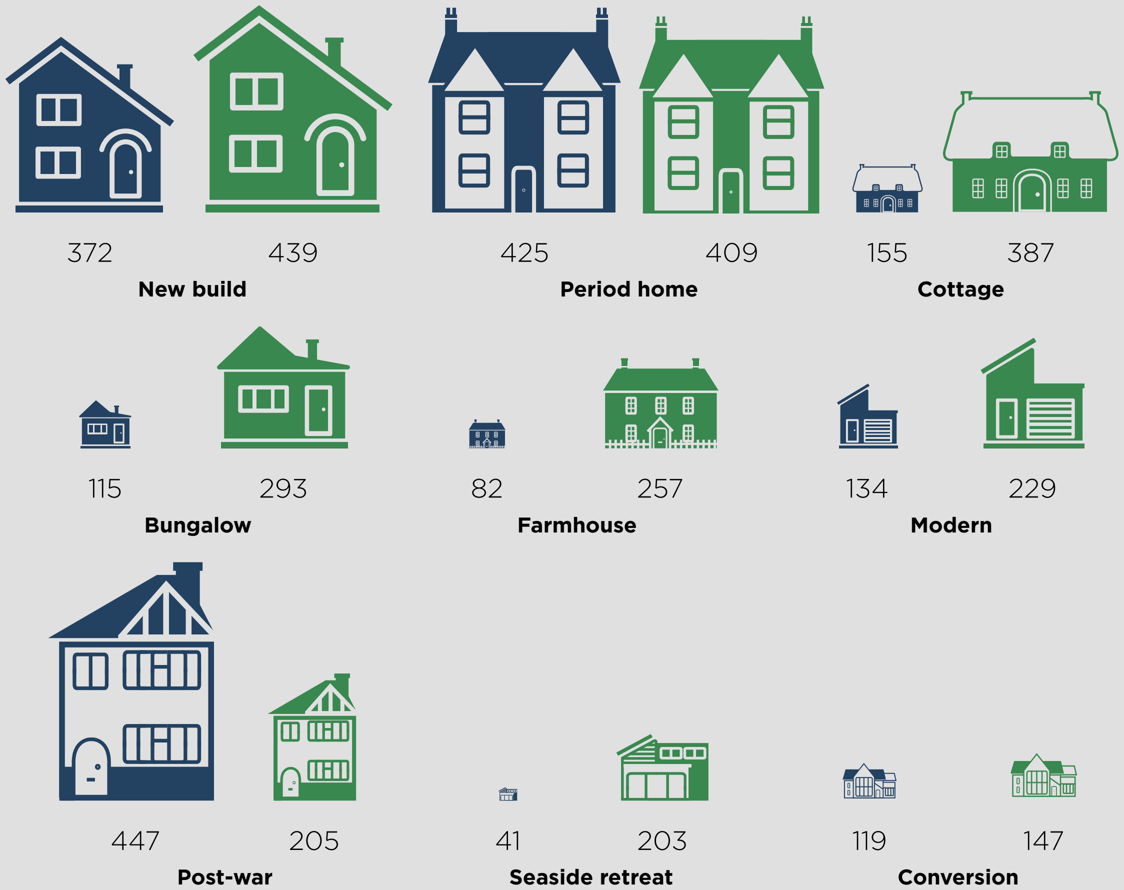
One-bedroom properties and those with five or more bedrooms were the least sought-after options



Housing description

A new build was the most popular choice for a future home, beating a cottage and a period property*

● Current ● 5 years' time

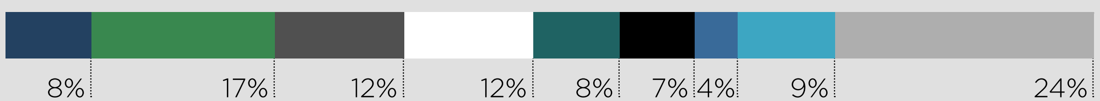


Mortgage/rent prepared to spend

Nearly half of respondents want to spend under 35% of their monthly income on financing their new home

● None ● 1%-24% ● 25%-29% ● 30%-34% ● 35%-39%

● 40%-44% ● 45%-49% ● >50% ● Don't know



*Respondents could select more than one option

Amenities in or near your new home

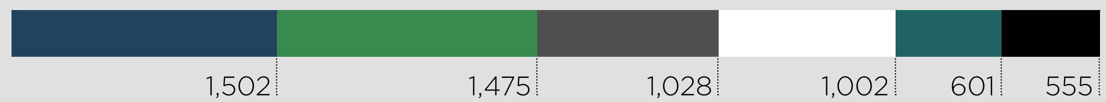
The great outdoors is one of the main attractions for those looking to move to a new home*

Environmental desires

Insulation was the most desirable environmental feature for a new home*

● Insulation ● Double/triple glazing ● Energy-saving appliances

● Energy efficient ● Renewable energy ● Environmentally friendly

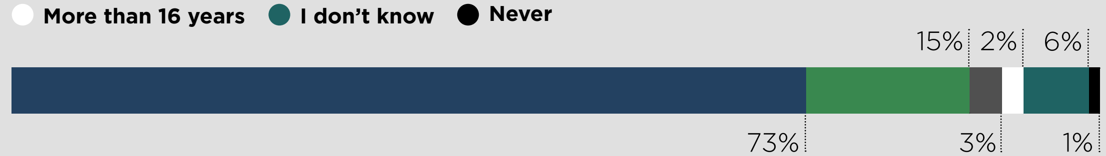


Realistically achieve this new home

Three-quarters of respondents expect to achieve their deam home in under five years

● Within the next 5 years ● Within 6-10 years ● Within 11-15 years

● More than 16 years ● I don't know ● Never



*Respondents could select more than one option

Conclusion

“The rural economy is a core element of national productivity”

The ability to retain young people and families, as well as attract entrepreneurs and a diverse demographic, is fundamental to the village revival. This can be achieved through the appropriate delivery of accommodation, business premises, services, amenities and infrastructure, which will require the co-operation of local governance, developers/investors and dwellers/workers.

Local governance and the public sector
Government policy has increasingly put the focus on local authorities when it comes to planning and development. The rural economy is a core element of national productivity, and an appropriate mix of housing and flexible business accommodation will help to foster local growth and output.

Planning, development and investment
Many villages offer opportunities for smaller-scale development that will not adversely affect the overall character of the existing settlement. The delivery of varied housing for families, individuals and work/life set-ups, both owner-occupied and rented, will help to create a balanced community. The provision of broadband technology is key.

Current and future village dwellers
For those looking to buy and sell, it is fundamental to understand what makes both the property and the village attractive. Our survey outlines that people seek privacy with a strong community feel, opportunity for involvement, affordability and walkability to shops, medical facilities and green space.

A different approach to harnessing insight

Research at Strutt & Parker is about understanding the markets, knowing what the trends are, and identifying and monitoring those drivers that will impact property over the short, medium and longer term. A flexible team, we are focused on the vital insight necessary to assist our clients across all our market areas, from commercial, development and residential through to consultancy, farming and land management. We differ from the traditional property research model in two key ways. The first is that, instead of a group comprising specialists, we have taken an alternative and holistic approach with each of us working across all sectors. This allows us to spot convergence and divergence between property asset types. Secondly, we partner with best-in-class specialist research groups to ensure that we are always open to new ideas, learning new tools and delivering the excellence that our clients deserve.

Head Office
13 Hill Street, London W1J 5LQ
+44 (0) 20 7629 7282
struttandparker.com/housingfutures

Stephanie McMahon
Head of Research

+44 (0) 20 7318 4673
stephanie.mcmahon@struttandparker.com

Vanessa Hale
Partner, Research

+44 (0) 20 7318 4675
vanessa.hale@struttandparker.com

Thomas Grounds
Partner, Research

+44 (0) 20 7318 4676
thomas.grounds@struttandparker.com

Jason Beedell
Partner, Research

+44 (0) 20 7318 4757
jason.beedell@struttandparker.com

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