



# Is housing in Luxembourg on the right path in 2017?

The cost of comfort in Luxembourg, Europe, the USA and Australia

ING International Survey Homes and Mortgages – Home Costs and Prices September 2017

thinkforward



This survey was conducted by Ipsos on behalf of ING



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# About the ING International Survey

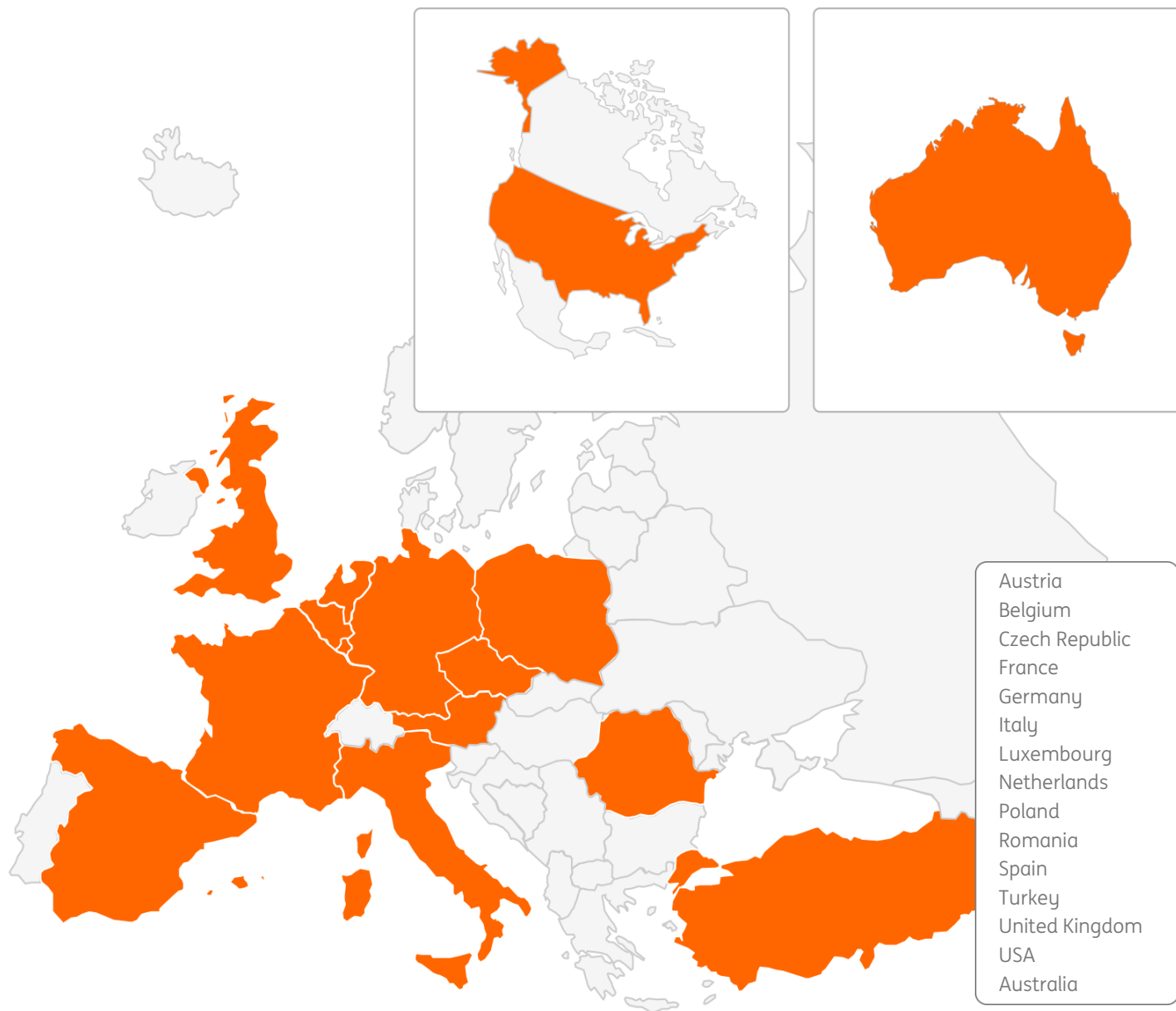
The ING International Survey aims to learn how people around the globe spend, save, invest and feel about money. It is conducted online several times a year, with reports hosted at [www.economics.com/iis](http://www.economics.com/iis).

Ipsos conducted this survey between 2 June and 22 June 2017. Sampling reflects gender ratios and age distribution, selecting from pools of possible respondents furnished by panel providers in each country. European consumer figures are an average, weighted to take country population into account.

**15**  
countries are compared in this report.

**1,000**  
About 1,000 adults over 18 were surveyed in each, **apart from Luxembourg, with 500.**

**14,811**  
is the total sample size of this report.



# Luxembourg residents feel in a similar way about housing as the average European consumer

Are Europe, the USA and Australia on the right track on housing? The ING International Survey Homes and Mortgages 2017 asks this question in the broadest possible sense – and large shares (45% on average across Europe) feel their countries are on the wrong road.

Smaller proportions, overall, say their country is doing well on housing issues – with the Netherlands and Poland the most positive.

More than one in four (26%) across Europe answer “don’t know”.

Women are slightly less likely (26%) than men (33%) to say their country is on the right track on housing.

In the following pages we chart people’s sentiments in response to a series of questions on price expectations, costs and payment difficulty.

## Luxembourg:

Luxembourg, together with the UK (49%), are amongst the countries where a largest population group believes that housing is in the wrong track.

Residents with Luxembourg nationality tend more often to believe that the country is in the wrong track (55%), whereas this is 41% amongst foreign residents.

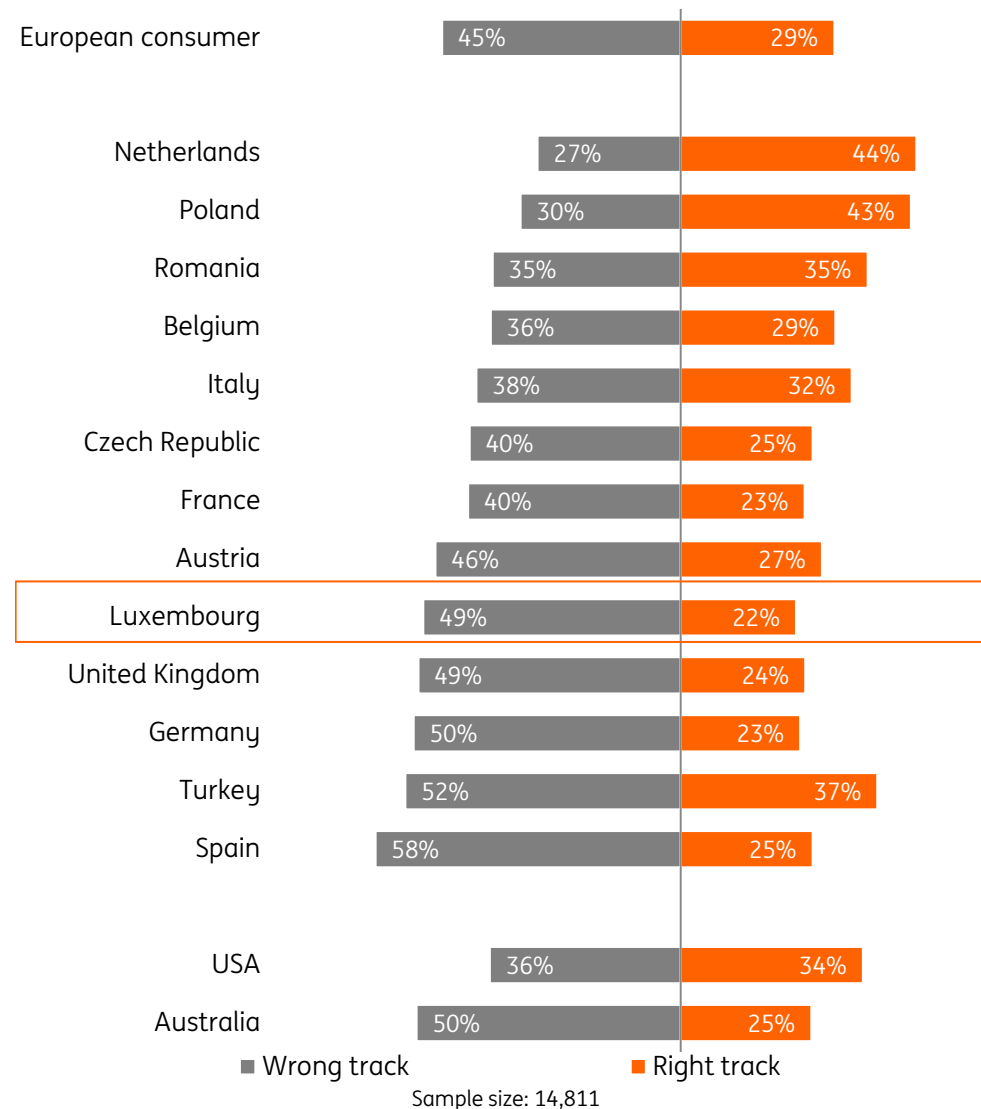
## Why is your country on the wrong road?

We are careful when interpreting the answers to this question, as we did not also ask why people say their country is on the wrong track. Yet our full dataset reveals people who say this are also more likely than those who see their country on the right track to say paying for housing is difficult (26%; 13%), be unhappy with their housing (11%; 5%) or agree they’ll never afford to buy a home (30%; 18%).

The question

In general, do you think your country is on the right track or the wrong track when it comes to housing?

Asked to everyone. People could also reply “don’t know”.



# Is everywhere expensive? Evidence from 15 countries

Our 2017 report, like our 2016 report, confirms that many people believe that current housing prices are expensive in their area. Is this one reason why high shares indicate that their country is on the wrong track when it comes to housing?

Across Europe this year 61% say that current housing prices are expensive – just seven percent say they are inexpensive.

Perhaps this is not surprising given that figures published by the IMF for Q1 2017 reveal that house prices increased relative to incomes in a number of OECD countries in the quarter, including countries in Europe. House prices also increased relative to rents, in more than half of 36 OECD countries surveyed.

Expensive housing is one factor that can squeeze household budgets, leaving less to save or invest. This is important because we know from ING International Surveys on Savings that many people in the 15 countries studied are saving very little, or even nothing at all.

About three percent in Europe replied “I don’t know” to the question.

## Luxembourg:

96% of the resident population believe that housing prices are expensive in their area.

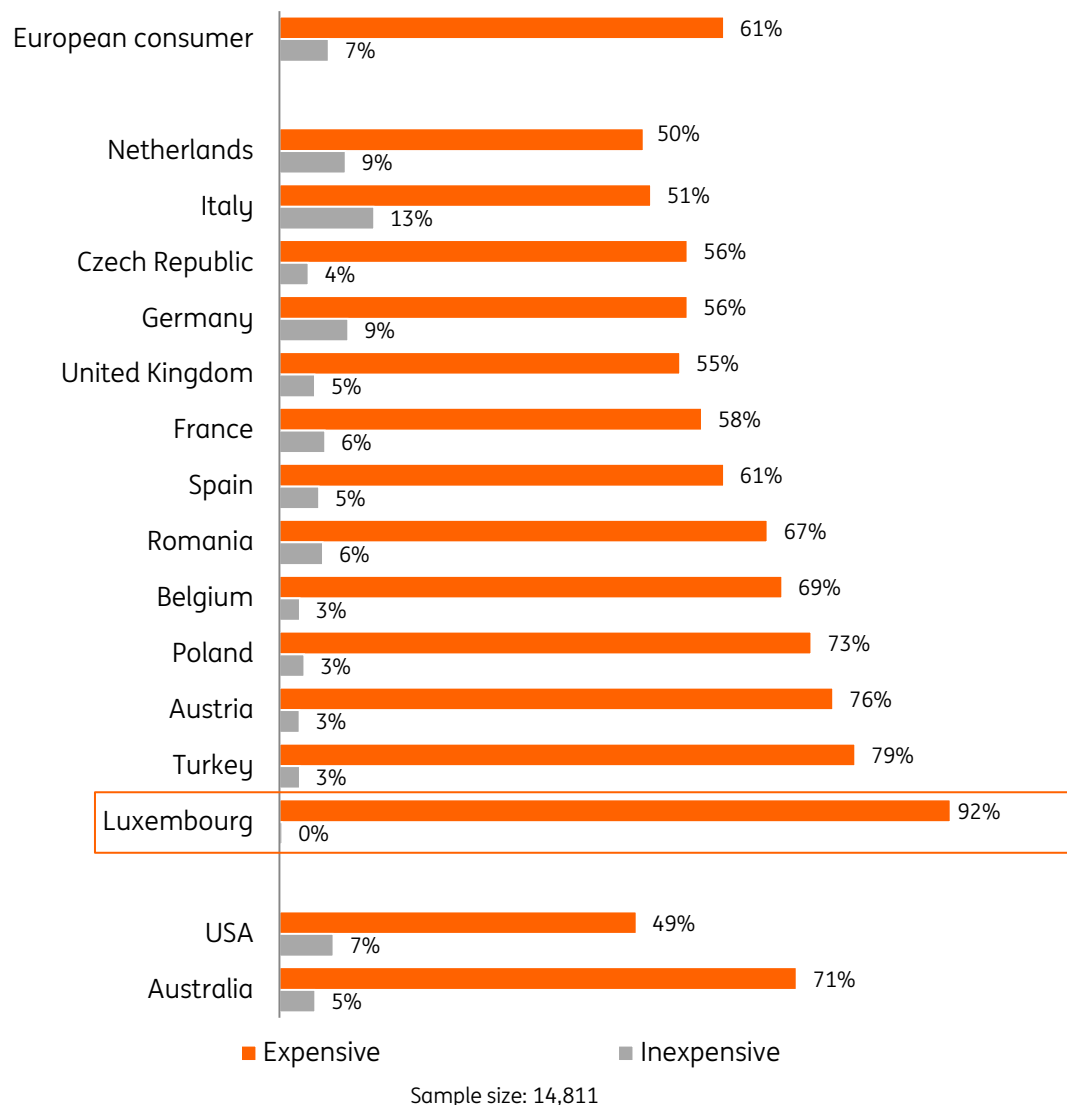
Even if everywhere is considered as expensive, some differences in price perception appear depending on the country area:

	Luxemburg-city	Rest of center	South	North	East
Expensive	91%	93%	92%	87%	97%

The question

What is your opinion regarding current housing prices where you live?

Asked to everyone. People could also reply “I don’t know”.



# And in a year? House prices still expected to rise

Looking to the next 12 months, most people in all countries expect house prices to rise – except in the UK and Italy, where less than half predict increasing house prices.

The share who expect house prices to rise has fallen noticeably in the UK now for two consecutive years.

In Romania, Spain and the Czech Republic this year, much higher shares than previously expect house prices to rise.

No doubt local conditions play a big role – in the UK, for example, uncertainty about Brexit – the country’s vote in June 2016 to leave the European Union – may be part of the reason for smaller proportions of respondents saying house prices will rise.

## Luxembourg:

Year on year, more people in Luxembourg believe that housing prices will continue to rise in the coming year. This sentiment is the same across all age ranges, nationality of the residents or country areas; there are no significant different among respondents.

## What changed in Romania and Spain?

House price expectations seem to have shifted most dramatically in Romania, where prices have reportedly risen throughout the year so far. However, of the Romanians who say prices will rise, most say they will only rise slightly. In Spain, an economic recovery may be key: getting mortgages had been harder during the crisis but now rents have risen while mortgages (and jobs) are easier to secure.

The question

## Do you think house prices will rise or fall over the next 12 months where you live?

Table shows those who said “rise sharply” or “rise slightly”. Other possible answers included “stay the same”; “fall slightly”, “fall sharply” and “I don’t know”.

Rank		2014	2015	2016	2017	Change (2017-16)
	European consumer	53%	56%	56%	59%	+3
1	Romania	46%	53%	52%	72%	+20
2	Spain	35%	49%	52%	66%	+14
3	Czech Republic	47%	50%	52%	65%	+13
4=	Poland	44%	43%	43%	51%	+8
4=	France	42%	41%	46%	54%	+8
<b>4=</b>	<b>Luxembourg</b>	<b>72%</b>	<b>76%</b>	<b>78%</b>	<b>86%</b>	<b>+8</b>
7	Austria	71%	69%	71%	78%	+7
8	Australia	n/a	63%	50%	56%	+6
9	Germany	60%	61%	61%	64%	+3
10	Netherlands	57%	70%	69%	72%	+3
11	United States	56%	60%	57%	59%	+2
12	Italy	30%	33%	37%	38%	+1
13	Turkey	72%	82%	81%	77%	-4
14	Belgium	60%	55%	65%	59%	-6
15	United Kingdom	72%	70%	57%	44%	-13

# Half of the Luxembourg population believes that house prices never fall

From 2014-2017, we have asked whether people agree or disagree that “house prices never fall”. This year, the share who agree in Europe is 33%.

This is a smaller change from last year than the figures opposite suggest, due to a change in this year’s answer categories.

One in three (33%) “neither agree nor disagree” –a new answer category for 2017. In 2016, 10% of respondents selected “don’t know” as their response; this choice was not offered in the survey this year.

It remains clear that a large number of people in all countries continue to believe that “house prices never fall”. House prices may rarely fall but those who assume they “never” fall may be tempted into financial difficulty when investing in a home.

## Luxembourg:

Still more than half of the population in Luxembourg agree to the statement house prices never fall. Indeed, when looking to the Residential Property Price Index evolution by Eurostat, there was only a very small dip between Q3 2008 and Q3 2009. However, past evolution does not guarantee future performance.

## History – doomed to repeat?

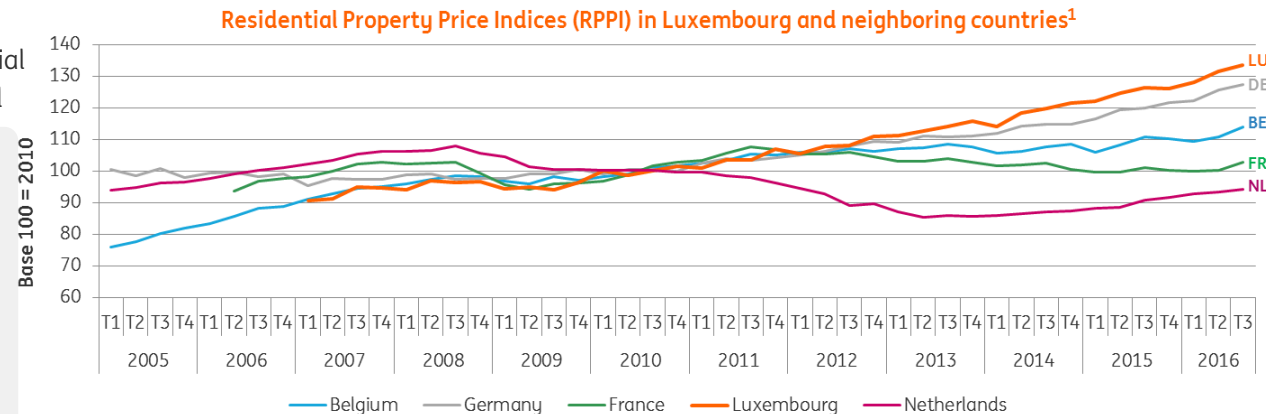
Many continue to believe house prices don’t ever fall – but this does not match reality. Studies have shown that people typically rely on recent experience of rising markets – ignoring times in the past where house prices have fallen, such as the 1970s in some countries. This year, slightly higher shares in all countries may be adopting a more realistic or perhaps risk-averse perspective.

The question

## “House prices never fall”

Shares who indicated “agree” or “strongly agree” with the above statement in 2014, 2015, 2016, and 2017. Participants could also select “neither agree nor disagree”, “disagree” or “strongly disagree”.

	2014	2015	2016	2017	Change (2016-17)
European consumer	41%	40%	42%	33%	-9
Italy	46%	37%	47%	28%	-19
Netherlands	11%	19%	30%	13%	-17
Austria	38%	39%	44%	28%	-16
<b>Luxembourg</b>	<b>75%</b>	<b>68%</b>	<b>69%</b>	<b>56%</b>	<b>-13</b>
Belgium	65%	60%	54%	45%	-9
France	55%	44%	43%	35%	-8
Germany	29%	30%	30%	25%	-5



# Managing housing payments – many find it difficult

For three years in a row, respondents to the ING International Survey on Homes and Mortgages have been asked if they find paying for their home easy or difficult. About 20% of people in Europe say they find it “difficult” or even “very difficult” to keep up with payments.

The figures have been roughly similar for both renters and mortgages over all years, with paying typically slightly tougher for those who rent their home.

Higher shares in Italy, Turkey and Poland say it’s hard to pay the rent; larger proportions of Turks and Romanians indicate difficulty in meeting mortgage payments.

Of residents in the 15 countries surveyed, people in Germany are least likely to say paying rent is difficult, with the Netherlands next. The Netherlands has the smallest share who say mortgage paying is hard.

## Luxembourg:

Luxembourg has the largest gap between mortgagee (9%) and renter (27%) perceptions of payment difficulty: 18 percentage points.

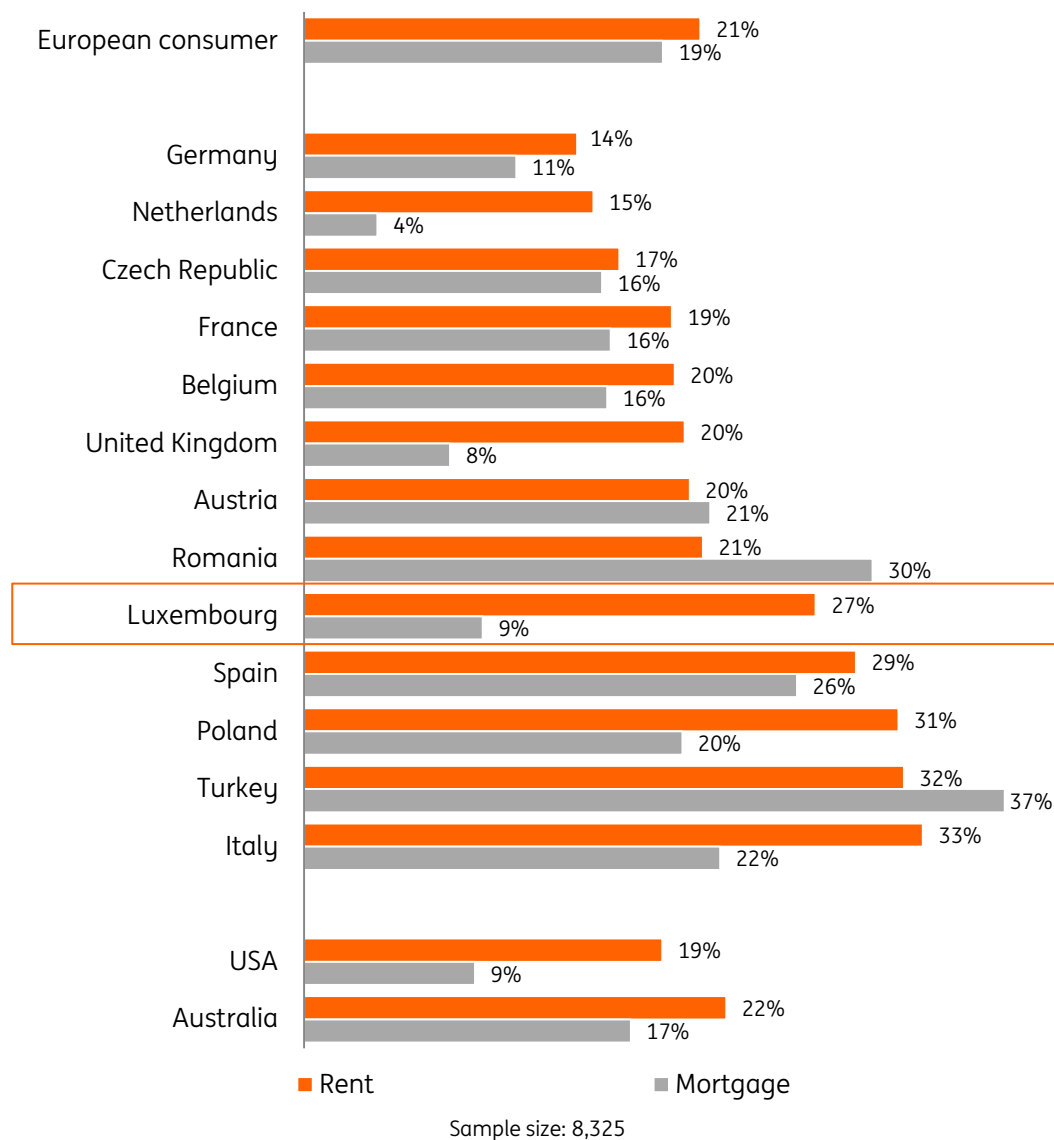
## Any gender or age differences?

Among 18-24s, 22% say paying is difficult, dropping away to 15% at age 25-34, then rising slowly to a peak of 25% for the 55-64s. For the 65+ group, the share falls again to 19%. The pattern differs for those who say paying is easy; the 18-34s are slightly more likely to say this, with the proportion falling gradually as people age. Men are more likely (38%) than women (30%) to say paying is easy.

The question

How easy or difficult do you find it to pay your mortgage or rent each month?

Shares who pay either rent or a mortgage who answered “difficult” or “very difficult” in 2017





## Some end up paying more even if they set a budget

Do people stay within a total budget, whether owning or renting, that includes all costs? Related expenses typically include commuting, maintenance, utilities, furniture, insurance, moving costs, community charges and more, on top of mortgage or rent payments.

We find that 12% in Europe, on average, have chosen a current home that cost more than the price range they originally set for themselves. About three in ten (29%) say their home was at the top end of their initial estimate.

Are people overconfident about finding a suitable home within a certain price range? Perhaps suitable homes aren't even available. Are some persuaded to pay "just a little more" for the home they want, hoping for a future pay rise?

### Luxembourg:

Housing in Luxembourg is expensive compared to other capitals in Europe, this may explain that a larger proportion of respondents in the country have ended choosing a home that costs more or was at the top end of their budget.

### Who might be breaking the budget?

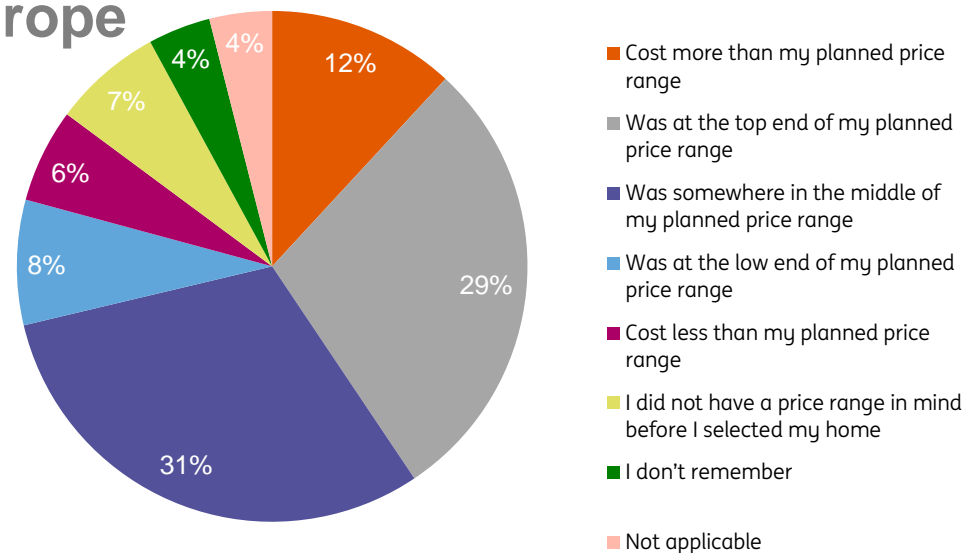
Our full database shows that Turks (57%) and Luxembourgers (53%) are more likely to have paid more or at the top end of their budget. Italians (17%) and Czechs (16%) are more likely to have paid less or at the low end of a price range. Home owners and people planning to move are more likely to say they paid more or at the top of their price range than non-owners and those not planning a move.

The question

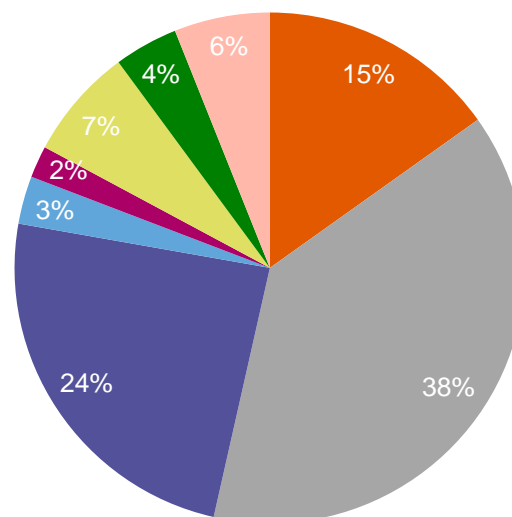
### Did you end up selecting a home that...

Totals in Europe. Asked to everyone, except those who replied "I did not have a price range in mind", "I don't remember", or "not applicable" to a previous question about the housing costs considered when buying.

#### Europe



#### Luxembourg



# Counting the other costs that add to rent or a mortgage

Beyond the cost of paying rent or a mortgage, the expenses involved with running a home can vary vastly – and the total amount to be paid isn't always clear.

For this question, the costs of running a house include utilities such as water, electricity and heating but not rent or mortgage payments.

Nearly half (48%) of people in Europe are finding home expenses work out about the same as expected.

Nearly a quarter (23%) however could be feeling the pinch – this share admits that their home expenses are higher than they predicted.

Looking at our full database, we can see that in Turkey, the share who say this rises to 39%. The smallest shares whose expenses exceed their original estimates are in the Netherlands (15%), Czech Republic (16%) and UK (17%).

Eleven percent say they didn't have any expectations about expenses.

Only a few (seven percent) in Europe indicate their home running costs are actually lower than they thought they would be. In Austria (11%) and the Czech Republic (10%), slightly larger proportions say this.

The full data set also reveals that, among those who say they plan to move, 28% say their expenses are higher than expected – compared with 18% of those who do not plan to do so.

## Luxembourg:

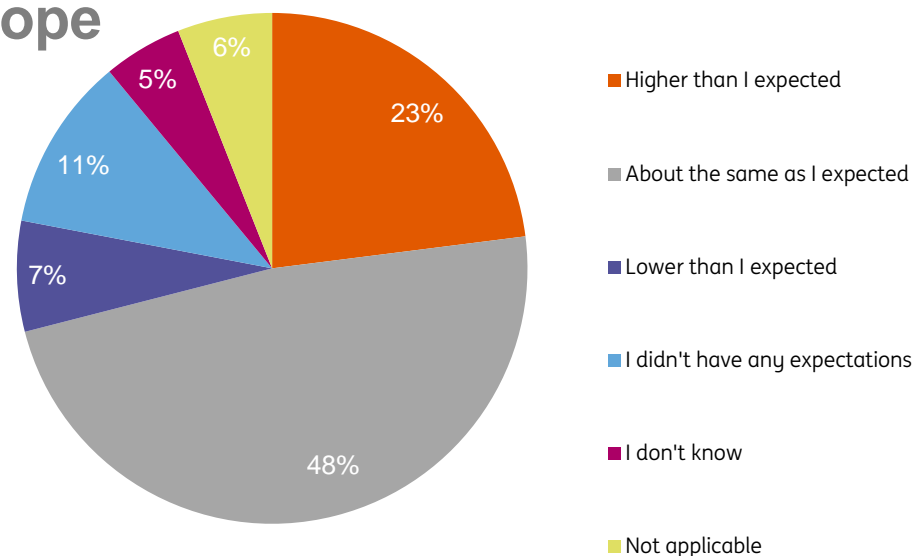
Luxembourg's residents tend to estimate their expenses as well as Europeans. 23% underestimated and 48% tend to say that their calculation was about right.

The question

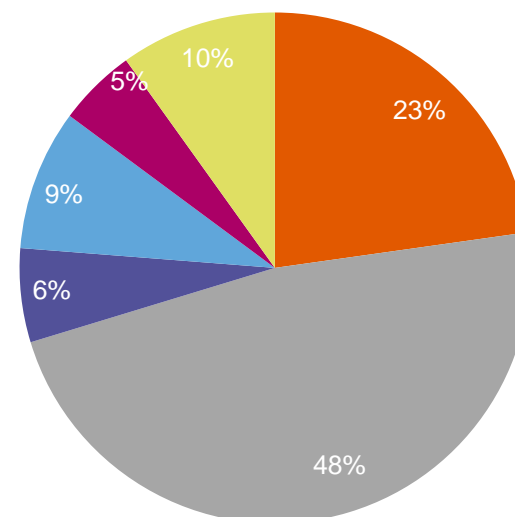
“My actual expenses are ... “

Shares in Europe who chose each option.

## Europe



## Luxembourg



# Luxembourg, “I view my current home as my forever home”

Despite the negative sentiments in replies to earlier questions in this report, many people agree their current home is their “forever” home.

The average share in Europe say this is 43%, including 54% of home owners and 29% of non-owners. As people grow older, they are more likely to agree their current home is “forever”.

Even 37% of those who say they find it difficult to pay for their housing view their current house as a “forever” home.

We don’t know if they choose to stay where they are – or are forced to do so. Is moving too much hassle, or too expensive?

Our full data set reveals that Americans and Australians (not shown on the chart opposite), across most age brackets, are more likely to disagree their current home is their “forever home” than Europeans.

## Luxembourg:

Luxembourg has the largest population stating that they view their home as their forever home. As from 35 years old, more than half of the people in every age group agrees having found their long term nest.

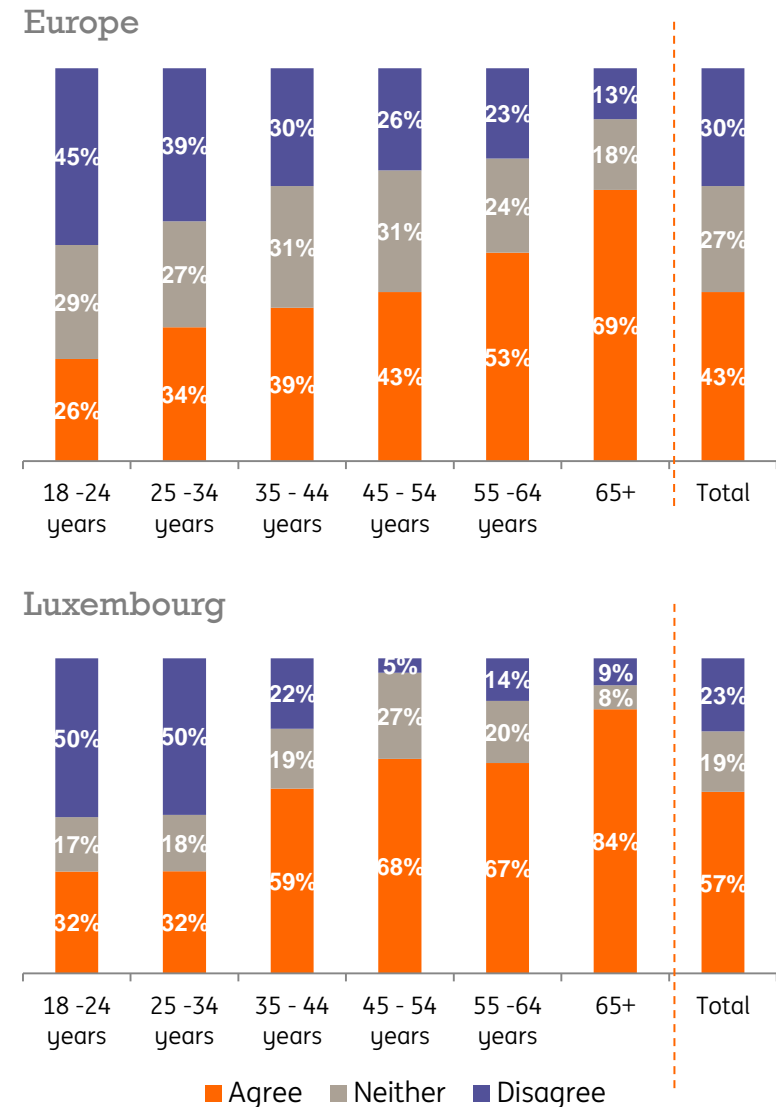
## Stay where you are, don’t change a thing?

People may have many reasons for saying they don’t plan to move – including inertia or adaptation. It takes time, energy and money to move, potentially outweighing expected benefits. Many people may become emotionally attached to their homes, even if their house is not perfect, or may adapt to their home over time.

The question

To what extent do you agree or disagree that “I view my current home as my forever home”?

Chart shows totals in European countries only.



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