

Molo Research

Introducing Generation Rent



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Executive Summary



It is incredibly concerning to learn that one in four aspiring house buyers feels hopeless about the prospect of ever being able to achieve homeownership.

At Molo, we have been talking to over 1,000 members of the growing generation of renters aged 25 to 40 to find out what they think about homeownership, and have worked with the insurer, Rothesay, to develop a genuinely innovative way to finance property purchases. In addition to the far too high number of people feeling hopeless about their ability to ever own their home, this is what we also found out:

- Almost everyone we asked - nine in ten people - said it was hard to achieve homeownership
- 48% say affordability is the biggest barrier to buying a home
- More than a third worry about saving a big enough deposit
- Half see a home as providing security, the same number see it as a place to build a family
- 48% want an easier mortgage process, with 30% preferring online providers and over half seeking advice on social media

This group is engaged with the realities of homeownership and they are saving hard. 60% are putting money aside and 70% are confident that they will eventually succeed in buying a house, but they need more help to get on the ladder.

These renters are a generation of digital natives who are increasingly turning to their peer group for advice on social media, or searching for the best mortgage for themselves online, rather than going down previously traditional routes. Almost half of them want an easier mortgage process.

The good news is that we have listened to this generation of home-buyers. After years of the mortgage market being slow to modernise, Molo has developed a new type of mortgage, along with a new, fully digital application process, that makes the path to homeownership easier.

Francesca Carlesi - Co-Founder and CEO, Molo

Introducing Generation Rent

Why Millennials are 'Gen R', and the challenge to buy a home

Millennials today represent the new generation of first-time home buyers in the UK. Aged 25-40, they grew up at a time when conversations about property often came back to ideas of aspiration, status and prestige. MTV's Cribs showcased the private lifestyles of the rich and famous, establishing luxury as an ideal to work towards, and talk of flipping for profit made homes as much about money as meaning.

In this era of cultural awakening, those buyers are now answering back to these formative experiences with a different attitude to property. Safety and security, not glitz and glamour, are the watchwords for a more authentic vision of homeownership: rather than a place to be seen, they desire a place to belong. With a focus on what gives a home genuine meaning, millennials are working hard towards becoming the UK's next generation of homeowners, but for now, though, they could also be seen as Generation Rent.

Faced with steep financial barriers, they are waiting longer to purchase, are more reliant on help from family and are more anxious about being tied into a mortgage than any generation before them. They are struggling to save for a deposit while keeping up with other spending commitments and, ironically, too often turned down for mortgage loans which could be more affordable than their current rent payments.

In a heated housing market, they could be forgiven for turning away from ownership entirely – but their desire for the security, lifestyle and belonging that comes with owning a home is undeterred as they look to shed the Gen R tag and turn their renting journey into one of homeownership.

How this generation navigates its challenge will inform the direction of the property market for years to come. That's why we decided to find out more, speaking to over 1,000 of today's renters who hope to become tomorrow's homeowners. We asked them about their aspirations of buying a home, how they feel about the current UK housing market after Covid-19 and where they're going next.

The anatomy of Gen R

Gut

Financial Fear: 💰 Affordability is the biggest barrier for 48% of Gen R, with over a third worrying about saving a big enough deposit to purchase their first home

Right arm

Work-Life Balance: 🧑 Gen R still sees the home as a place to live, not work, with just 31% seeing it as a work/live hub, compared to 55% who see it as a place for wellbeing. A rural lifestyle seems also more tempting after the pandemic, with 58% favouring a remote location over a bustling metropolis

Legs

Moving Differently: 📦 Gen R is finding its own journey into the market: 48% want an easier mortgage process, 30% prefer to engage with providers online and 54% seek advice on social media

Head

Under Pressure: 🩸 Nine in ten say that homeownership is hard to achieve. It's seen as a bigger source of pressure than having a successful career – but it's still a more popular life goal than having a family

Heart

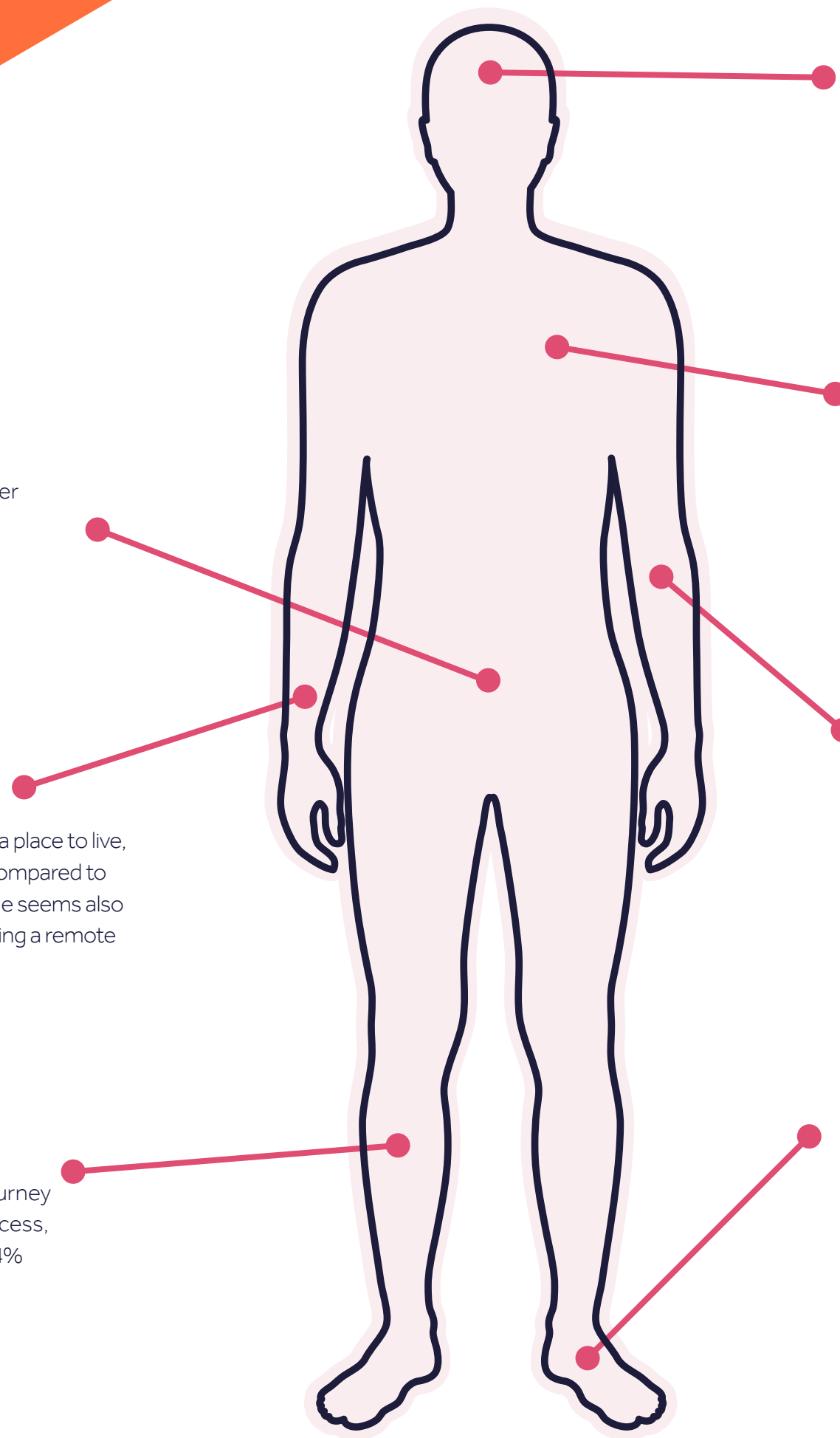
Realistically Optimistic: 💖 Gen R don't expect it to be easy, with 82% postponing buying plans due to the pandemic, although only one in four feel hopeless about the idea of buying a home

Left arm

Family & Safety: 🧑 Nearly half say that a sense of security is a priority to them and over half see the home as a place to build a family

Feet

Toe Dipping: 🏠 For a group that sees homebuying as unlikely, Gen R is highly engaged. 60% put aside money every month for a deposit and 70% say they are confident about the process





What Gen R wants and why

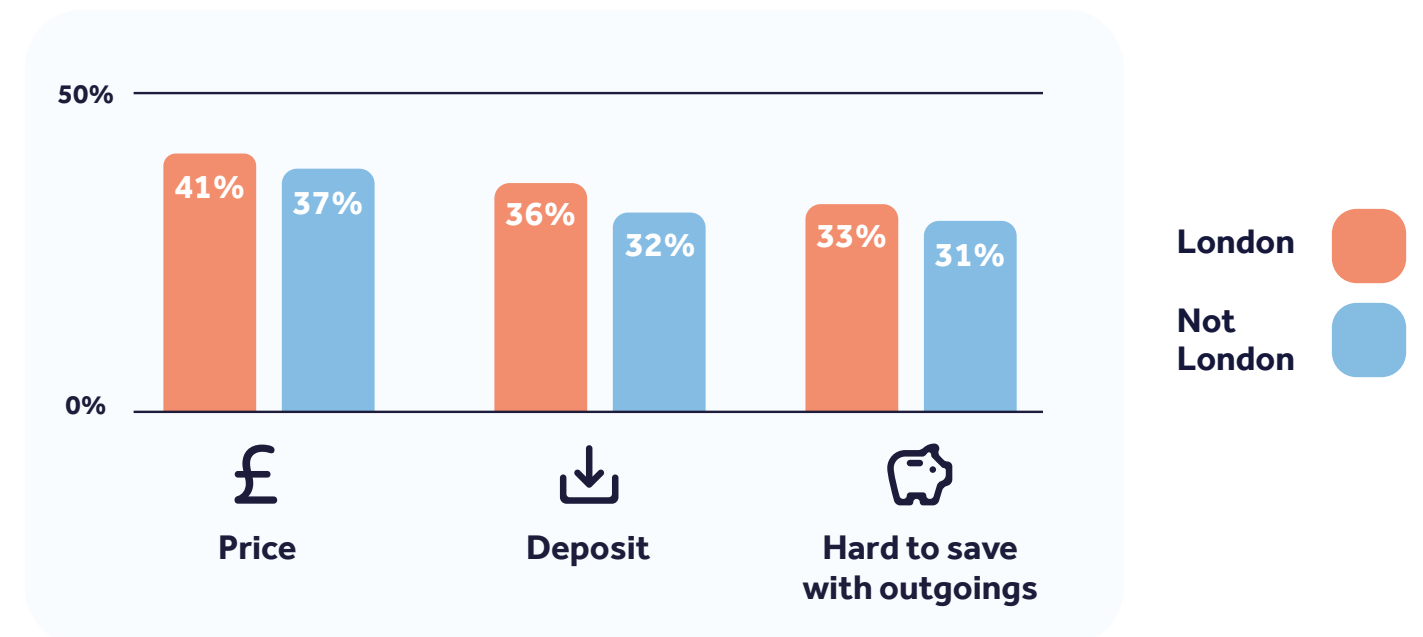
When asked about the future of home buying, our respondents lived up to the idea of being Generation Rent. Asked to choose which of a range of statements they strongly agree with, the most popular option was that younger people will have to rent for longer. The second most popular choice was that renting will decrease as more people choose to live with their parents, which isn't deeply reassuring. Meanwhile, the statement that resonated the least was that millennials and following generations will no longer be cut off from buying property.

There is a significant difference between prediction and desire, however. It's important to understand exactly what's preventing them from reaching homeownership, especially as Gen R see owning a home as a greater priority than starting a family.

It comes as no surprise to learn that affordability tops that list, with overall price, necessary deposit, and difficulty in saving being the three biggest obstacles stopping Gen R from buying property. When asked about what worries or frustrates them about the buying process, however, the second biggest issue was stress. In a hectic and often chaotic world, it makes sense that few want to run the gauntlet of the property market on top of everything else.

London weighting: buyers in the capital are even shorter of capital

What currently stops you from buying a house?



This goes some way to explaining why, even when given the option of buying alone, two-thirds of Gen R would prefer to buy with help from their family or a partner. In fact, while our respondents were attracted to the idea of a spacious rural lifestyle, they are anything but solitary. Being part of a community is significantly more important in house buying considerations than owning a status symbol.

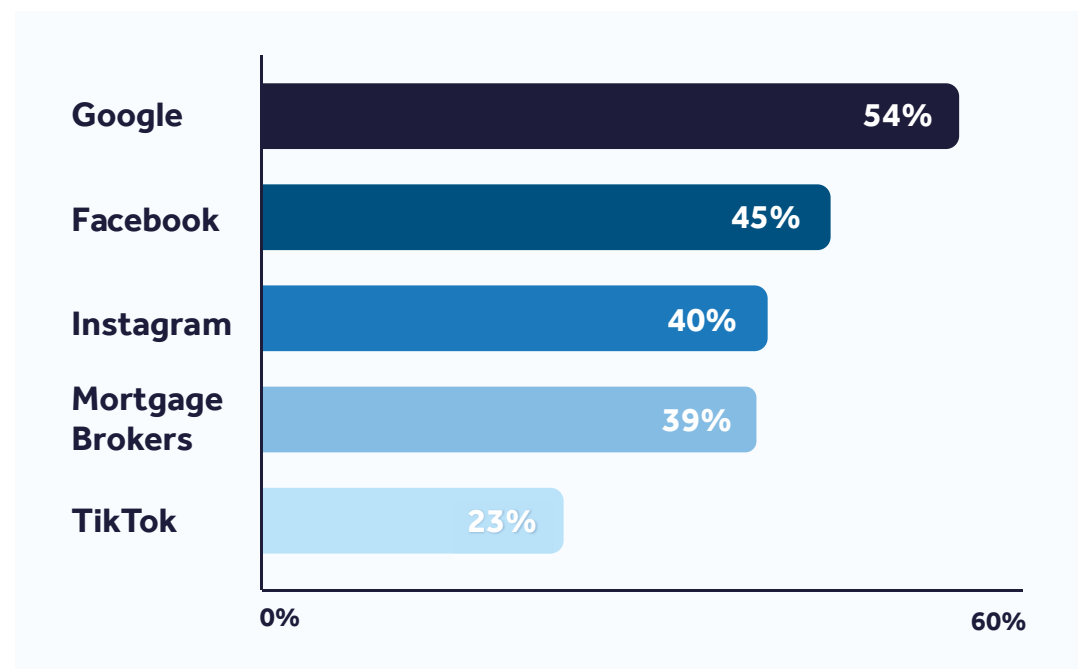
The deep emotional significance of homeownership for Gen R is underlined by the fact that, in spite of the hurdles, they largely do not feel hopeless about the prospect of buying a home. When asked about which attributes are most important in a home, it's clear that a vision for a better quality of life is what keeps them motivated, with outdoor space and family-friendliness topping a list in which an office area and the latest technology are ranked last.

How Gen R wants to buy and live

Even though Gen R sees the home buying process as difficult and painful, they are still highly engaged with the property market and actively explore options. This reveals a deep motivation as well as high level of understanding of how the process works. In fact, our data suggests that Gen R are neither hopeless dreamers nor endless pessimists, but people with a realistic awareness of and venturing attitude towards property buying.

Seeking advice: online channels prove popular for Gen R's looking for mortgage guidance

Where do you believe are some of the best places to get mortgage advice?



When asked where the best place to get mortgage advice is, for instance, just 5% said that they don't know, and seven in ten say that they are either confident or very confident about the house buying process. This knowledge is also matched with action: 60% of Gen R put a set amount of money aside for a deposit each month, while a further 37% save what they can even though they can't commit to a regular amount.

Generation Rent has the motivation, knowledge, and drive for buying property. Yet, their mindset might be different to their parent's generation of property buyers when it comes to how they buy a home. While traditional sources for mortgage advice like mortgage brokers and banks were still relevant, over half of Gen R selected at least one social media channel and one third also chose help from websites - more than family and friends (25%).

Likewise, this digitally savvy generation of homebuyers anticipate coming into a mortgage market which has moved with the times. Thirty per cent say that their ideal application process takes place online, and 48% want it to be easy to understand – which is not something the industry has traditionally been known for.





“I planned to purchase a house two years ago, but realised I had to save up more money to get what I wanted. Then Covid came... so I’m expecting to rent for at least another 2-3 years.”

Harry, London

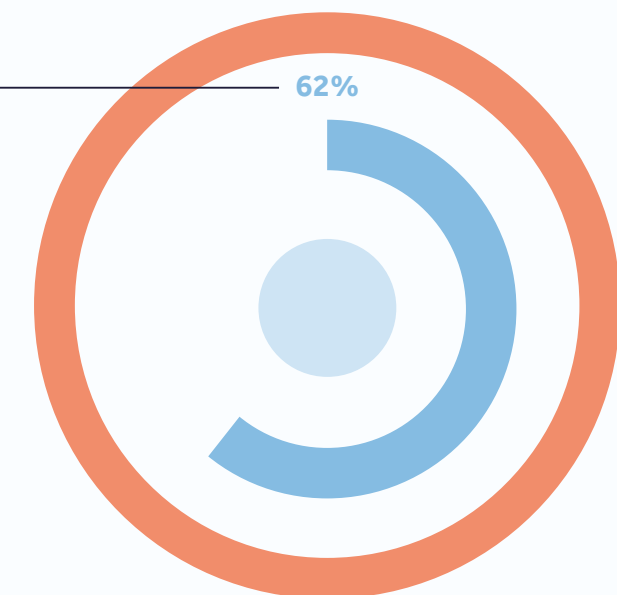
Following the pandemic, it’s easy to see why Gen R might prioritise access to outdoor spaces and local amenities; these were identified as the two most important factors for choosing a community to live in, ahead of transport links. There’s evidence, however, that while Gen R are willing to explore less obvious routes to buying and are more flexible about where they would live, the underlying reasons for their homeownership desires are age-old.

Perhaps surprisingly, Gen R don’t see the home as a truly integrated place for their personal and work lives. Wellbeing and family consistently outrank work amenities and office space as priorities, showing that the core values of owning a home still apply to this generation.

When buying a house do you see it as any of the following?

**A place for wellbeing -
to live, relax and
recharge** ————— **100%**

A work/live hub ————— **62%**



Getting real with Gen R

This research reveals a picture of a split group of people. They expect themselves and their peers to rent for longer than previous generations – but they desire owning their own home and engage sincerely with what that could mean for them. They are willing to be inventive and flexible about their journey to homeownership – but they're doing so to fulfil deep, traditionally recognisable human needs. They are keenly aware of the challenges and inequities they experience in the housing market – but they aren't turning away or succumbing to gloom and doom.

In short, Gen R represents a group of home buyers who need and deserve more support, better options and more empathetic understanding of the journey onto the property ladder. The financial hurdles they face are what inspired Molo's decision to offer its new FlexLife mortgage loans. With a long-term fixed rate, borrowers are provided more certainty around affordability while giving flexibility in the case of life-changing events. And with possibilities with a 95% LTV option, FlexLife offers a modern-day approach to buying a home. It meets the needs and expectations of Generation R.

Tomorrow's first time buyers deserve better options for their journey to becoming homeowners – because, for Generation Rent, both the challenges and the meaningfulness of buying a home really are real.

“Buying a home always felt a bit like an unachievable dream. And while it's still much more difficult than 20/30 years ago, the introduction of 5% deposits helps make the idea of owning a house a reality again”

Anna, Manchester





Methodology

An online survey was conducted by Atomik Research with over 1,000 respondents from the UK, all of whom were first time buyers. The research fieldwork took place on 15th – 18th October 2021.

Atomik Research is an independent creative market research agency that employs MRS-certified researchers and abides to MRS code.

About Molo

Molo is an award-winning fintech start-up that is transforming the mortgage industry as Europe's only digitally native mortgage lender. Since it launched in 2018, the start-up uses technology to deliver simpler and faster online mortgage lending – making homeownership easier for everyone. Since its launch, Molo has led change in the UK mortgage industry, delivering online buy-to-let mortgage loans to customers with both speed and efficiency. With over 30x year-over-year growth in 2021, it has served more than 5,000 customers, originating over £300m in online mortgage loans to date. Molo was selected by Tech Nation's fintech and Upscale programs for the leading UK start-ups, and has won several awards, including 'Best Digital Mortgage Lender' at the Fintech Awards and 'Best Online Mortgage Lender' at the Lending Awards. Following FCA authorisation, Molo is entering the regulated residential mortgage market with its FlexLife Mortgage range, taking another step towards its goal to make homeownership easier for everybody in the UK.

For further information about Molo Finance please visit www.molofinance.com

Molo FlexLife Mortgage Loan

Molo is working to put an end to archaic mortgage application processes with loans that are easy to apply for. Paperless processes completed online mean that the current generation of renters can access mortgage finance in a way they are comfortable with, in a time frame that suits them.

To overcome the affordability challenges facing young home buyers, Molo has teamed up with the insurer Rothesay to develop a new way to borrow from a new type of lender that offers low deposit loans with an interest rate fixed for life - removing the worry of interest rate increases at a time when inflation, and the cost of living, continues to rise.

By offering an attractive APR for the entire life of the loan, not just for 2-5 years like most traditional products, and removing the need to re-mortgage, these new loans also require a smaller deposit and avoid recurring application fees.

As well as providing certainty and security for the life time of your mortgage, Molo's FlexLife Mortgage are also designed to be flexible enough to make it easier and less stressful to deal with the challenges and changes that life can throw our way. Along with a market-leading annual overpayment facility, they can also be paid back early in full, without penalties or charges, if your income significantly increases, you receive an inheritance, or you simply want to move house. You also have the ability to move your FlexLife mortgage to a new house if that's what makes the best sense and apply for a loan increase if you're moving in to a larger property.

FlexLife mortgages are Molo's response to the challenges facing Generation R. They are a new type of mortgage designed for the modern housing market: one that helps you achieve your homeownership dream and then stays with you for as long as you need it to.



