

INDUSTRY INSIGHTS

Mutigenerational living is on the rise

As we gradually edge towards a post-pandemic era, we've all been forced to think differently - no more so than how and where we live. During lockdown we saw numerous examples of families moving in together to share resources and save money; care for older generations or sick family members and isolating together so face to face human contact could be maintained. The question is, could this become a more permanent arrangement?

THE RISE IN FAMILIES LIVING TOGETHER

Intergenerational living has been the norm in many European countries, particularly in Southern Europe, dating back centuries. It's a lifestyle that continues today and could become a more widely adopted model here in the UK.

In Italy and Spain the last economic down turn of 2008 forced thousands of the younger unemployed to weather the financial storm by living with parents and wider family of various age groups. In the decade after the global financial crisis, the share of Italians between the ages of 25 and 29 who were living with their parents rose to 67 percent from 61 percent, according to Eurostat.

In Spain, the same cohort expanded to 63 percent from 51 percent.* With the Bank of England predicting the worst recession in 100 years here in the UK ** intergenerational living could become part of the 'new normal' here too.

Even before Covid-19 took hold, figures from the Office for National Statistics stated that Households containing multiple families (which represents 1.1% of all households) were the fastest growing type of household over the last two decades, having increased by three-quarters to 297,000 households. From what we're seeing, the pandemic has only added numbers to these figures.

BUYING PROPERTY TO FILL THE NEED

Over the past few months at Harpenden we have noticed an increase in the number of enquiries for intergenerational purchases and families buying a property together.

This may be driven by the factors touched on earlier, longer term financial planning or future thoughts of being closer to parents as they get older and caring for them. Often both the parents and their adult children with their partners are selling their current homes to fund the purchase of the new, bigger property that can accommodate everyone.

In scenarios like this the property being purchased is likely to comprise either an annexe attached to the main house or a separate dwelling. Both living spaces will appear on the same property title. In either instance we are happy to consider these for mortgage security purposes. Specialist lenders, like ourselves, who provide individual underwriting for every mortgage application, are more readily willing to accept this type of property whereas we know from our experience that other, more mainstream lenders often shy away from property where more than one dwelling appears on the same legal title.

This type of intergenerational purchase may also require, for example, up to 4 parties to be named on the mortgage and property title with all 4 incomes being used to assess the affordability of borrowing required.

When this includes older parents, the aspect of their ages and lending into retirement is often queried. Again this does not present a problem for a specialist lender like ourselves, provided that we are satisfied that the term is appropriate for the individuals involved. Many other lenders are less flexible with regard to the maximum age to which they will lend.

We recommend that mortgage customers choose a lender that considers salary, dividend & net/retained profit for Ltd Co self-employed; include up to 100% of other income including commission and bonus; and accept unearned income such as pension, rental, investment and maintenance. This deeper dive into a customer's financial circumstances provides them with more flexible options when considering a mortgage for this more complex, intergenerational property purchase.



CREATING RELEVANT OPTIONS

As we develop intergenerational mortgage products we carefully assess the opportunity for the customer, the mortgage intermediary and ourselves as the lender. Part of this development process is speaking with people from our local community to understand their situations and future needs.

Gary Cooper, who lives in Hertfordshire where our Society is based, created an 'intergenerational' property 2 years ago. Gary told us: "Our situation was probably like many. We wanted to personally care for my mother in law Molly (96). She sold her own place allowing us to arrange finances so we could all share a property with an added 'Granny Annexe'. Since moving into the adapted property Molly has her own bedroom; lounge and wet room affording her privacy but also the opportunity to join us for family meals and the like. For us as carers, we are seconds away from her when we're needed. This set up has allowed a more relaxed way of living knowing Molly is safe, my mother in law is enjoying being surrounded by family, including spending time with her granddaughters and we can look after her in the way we want to.

As a family we're able to spend additional, precious time with her which is priceless. I think intergenerational living will only increase in popularity."

All the signs point towards an increase in intergenerational living. Partnering with an experienced lender in this specialist field is a strong option for mortgage intermediaries looking to grow business in this sector.



Graeme Aitken

Graeme Aitken, Business Development Manager,
Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.

Source: <https://www.nytimes.com/2020/04/08/world/europe/adults-parents-home-coronavirus.html>

<https://www.dailymail.co.uk/news/article-8601891/Worst-recession-100-years-not-300-years-feared-Bank-England-predicts.html>

 www.harpendenbs.co.uk