UK MILLENNIALS: MYTHS AND REALITIES
INTRODUCTION

WILL THE REAL MILLENNIALS PLEASE STAND UP?

Looking back over history it’s clear that seminal events that happen during the formative adolescent years, help to shape the underlying fabric and ethos of an entire generation. Born between 1980 and 2000, millennials have come of age during a rapid period of technological advances and political change. They are the first generation of digital natives, with access to all the information they need at the press of a button or swipe of a screen. However, they also reached adulthood under the shadow of the global financial crisis. These moments will have shaped their attitudes and priorities, their outlook and the way they act. Typically viewed as the generation who want it all, and want it now, millennials have been described as ambitious and self-confident with high expectations. They are, after all, one of the best educated generations in history.
But are these generalisations accurate? Are millennials really the me, me, me generation? How much of the ‘Mythical Millennial’ is true? There are around fourteen million millennials who are just about to reach their prime working and spending years. Their impact on the economy is huge and so, it is imperative that we understand them.

Understanding millennials’ attitudes towards live, work and play is crucial to ensure we provide adequate real estate solutions.

With this in mind, CBRE, together with Ipsos, undertook a global survey of 13,000 millennials (in our research we surveyed young millennials aged 20 – 29) to examine their attitudes about housing, employment and shopping. The findings were reported in CBRE’S 2016 report, Millennials: Myths and Realities. Of those surveyed, 1,000 live in the UK and we discuss the outcomes of that sub-survey here. This research provides a unique insight into the behaviours and characteristics of this complex generation.

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2 CBRE (2016) Millennials: Myths and Realities
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**How UK Millennials Live**

**Living with Parents**

80% say wages are not keeping up with property prices.

**Attend home**

The unaffordability of housing has led to a boomerang generation with 41% of millennials living at home.

** Owning**

Why did you choose to buy a property?

46% for stability/security of owning a home.

72% say that buying a property means sacrificing lifestyle.

**Current Living Situation**

- At the family home: 45%
- Renting a property: 40%
- Own my own property: 15%
- Other: 0%

**In what ways was the deposit for your property purchase funded?**

- Savings: 80%
- Help from family or friends: 70%
- Inheritance: 60%
- Loan from a bank or financial inst.: 50%
- Other: 40%

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**Millennials: Myths and Realities**
OF THOSE NOT LIVING AT HOME

63% ARE CURRENTLY RENTING

TOP REASONS MILLENNIALS ARE RENTING

- **75%** COST/FINANCIAL CIRCUMSTANCES
- **29%** SHORT TERM CONVENIENCE
- **17%** WAS THE ONLY WAY TO LIVE IN THE AREA I WANTED
- **12%** WIDER CHOICE OF AFFORDABLE PROPERTIES
- **12%** DON’T WANT THE COMMITMENT OF OWNING
- **14%** MORE PRACTICAL TO SHARE/LIVE WITH FRIENDS

61% STILL EXPECT TO BUY AT SOME POINT
**MILLENIALS: MYTHS AND REALITIES**

**HOW UK MILLENNIALS WORK**

**CAREER**

**MILLENIALS MAKE UP 25% OF THE POPULATION OF THE UK**

**WORK/LIFE BALANCE**

**MOST APPEALING WORK LOCATIONS**

- 60% City or large town in the centre
- 66% Suburbs/on the outskirts of a city/large town
- 62% Medium/small town
- 37% Out-of-town location
- 37% Rural location

**56% OF MILLENNIALS THINK WORK AND LEISURE SHOULD BE SEPARATE**

**MILLENIALS’ LONGEST TOLERABLE COMMUTE**

- 2% UP TO 10 MINS
- 8% UP TO 20 MINS
- 30% UP TO 30 MINS
- 24% UP TO 45 MINS
- 24% UP TO 60 MINS
- 4% UP TO 90 MINS
THINK GOOD EMPLOYERS PUT A LOT OF THOUGHT INTO WORK ENVIRONMENTS

TOP TRADE-OFFS FOR A BETTER OFFICE ENVIRONMENT

- **25%** MOVE TO A SMALLER, LESS WELL-KNOWN COMPANY
- **21%** TRAVEL FARTHER TO WORK
- **16%** MOVE TO A LESS ATTRACTIVE LOCATION FOR WORK

WHAT OFFICE FACILITIES DO YOU LOOK FOR...?

- **35%** Canteen
- **30%** Wellness/relaxation facilities
- **25%** Coffee bar
- **25%** Green space in building/rooftop gardens
- **20%** Ability to receive shopping deliveries
- **20%** Sleeping/rest areas
- **15%** Showers
- **15%** Games room
- **15%** On-site convenience store
- **10%** Bike racks
- **5%** Crèche
- **2%** Dry cleaning service

2% WANT TO HOTDESK AT WORK

ONLY 10% OF EMPLOYERS ARE PROVIDING WELLNESS FACILITIES YET 20% OF MILLENNIALS WANT THEM
MONEY

INCOME SPENT ON LEISURE

MILLENIALS SPEND ALMOST 50% OF ALL DISPOSABLE INCOME ON LEISURE – GOING OUT, NON-FOOD SHOPPING AND OTHER NON-ESSENTIAL ITEMS

TIME

6 DAYS IS THE TOTAL UK AVERAGE NUMBER OF DAYS A MONTH SPENT ON ‘GOING OUT’ (GOING TO A LIVE EVENT, EATING OUT, GOING TO THE CINEMA AND VISITING A SHOPPING CENTRE OTHER THAN TO SHOP).

“MILLENIALS WANT IT ALL NOW, BECAUSE, PUT SIMPLY, NOW THEY CAN”

DOM, UK

TIME SPENT ON LEISURE (DAYS/MONTH)
60% of millennials’ shopping still takes place in-store.

16% of millennials use click & collect.

Few millennials want to order online and pick up purchases at the store.

One in ten millennials has never shopped online.

62% like to see the products in-store.

49% can get the product then and there in store.

49% want to try items.

30% enjoy shopping as a leisure activity.

65% use home delivery ‘always’ or ‘very often’.

Current and predicted non-food online shopping:

- UK: Current online shopping is 39%.
- Predicted shopping online is 49%.

Frequency of delivery method:

- Delivered home: Never 70%, Not very often 60%, Sometimes 50%, Very often 40%, Always 30%.
- Delivered office: Never 60%, Not very often 50%, Sometimes 40%, Very often 30%, Always 20%.
- Click and collect: Never 50%, Not very often 40%, Sometimes 30%, Very often 20%, Always 10%.
- Third party collection: Never 40%, Not very often 30%, Sometimes 20%, Very often 10%, Always 0%.

Top reasons why millennials don’t do more shopping online:

- Want to try items.
- Enjoy shopping as a leisure activity.
MEET OUR ‘MYTHICAL MILLENNIAL’

LIVE
Delays moving out of the family home for as long as possible.
Returns to live with parents after university.
Rents in order to facilitate a highly mobile lifestyle, with no desire for the responsibility of owning a home.
Is not saving for the long term.
When buying a property, is dependent on the ‘bank of mum and dad.’

PLAY
Is a digital native whose smartphone is the nerve centre for all interaction with products – a conduit for selection, purchase and fulfilment.
Expects the e-commerce revolution to continue, with all retail activity eventually taking place online.
Desires instant gratification, driving a preference for Click and Collect.
Is ‘entitled’, expecting knowledgeable and helpful service in store.
Is debt-laden and lacks the means to buy anything other than discounted products and fast fashion.
Often prefers to spend their free time and money on experiences.

WORK
Feels entitled to rapid career progression and frequent increases in salary.
Is a job-hopper who works to live, with no loyalty to an employer.
Expects to be always digitally connected, blurring work/life distinctions.
Is a collaborative worker both in terms of workplace and working style.
Is a city slicker who doesn’t want to commute, preferring to live and work in the centre of the city.
HOW MILLENNIALS LIVE
While baby boomers spend an inordinate amount of time discussing how much the value of their house has risen, millennials, who are at the other end of the spectrum, probably spend just as much time discussing how house prices are rising more and more out of their reach. This lack of access to home ownership is creating a generation of renters, and stay-at-homers reliant on mum and dad. Today’s millennials are waiting longer to leave the family home and in many cases returning home even after they had previously left. Even more young people are renting, with seemingly little hope of ever getting onto the property ladder, particularly were it not for support from the ‘bank of mum and dad’. Is this ‘Mythical Millennial’ the reality in the UK? And if so, what does it mean for the real estate sector?
Our ‘Mythical Millennial’:

- Delays moving out of the family home for as long as possible.
- Returns to live with parents.
- Prefers to rent to maintain a flexible lifestyle.
- No desire for responsibility of owning a home.
- Not saving for the long term.
- Is dependent upon the ‘bank of mum and dad’ when looking to buy.

We’re baaaaccckkk…

History has taught us that once you’ve reached a certain age the desire for independence kicks in. Moving out of the family nest into a place of your own is a right-of-passage as a young adult. Research from Shelter revealed that 22 years old is considered the ideal age for young people to move out of the family home. However, recent ONS figures state that since 1996 there has been a 25% rise in those aged 20 – 34 living with parents. This is confirmed by our survey, which shows that 41% of UK millennials are still living in the family home. This compares with 32% in North America and 27% in Germany. Although some may find this high UK-figure unusual enough, of those living in the family home, a somewhat gulp-inducing 50% of them have previously lived elsewhere and have since returned to live in the family home. So despite the fact that 30% of those cited independence as their reason for having initially moved out, they find themselves back with mum and dad.

This begs the question: ‘Why are so many young people still living at home?’ Have this cohort of millennials developed a particular fondness or dependence on their parents? Recent research in the US suggests that the increasing postponement of marriage and increased educational attainment (particularly for women) are key factors driving more young adults to stay at home. As a result, 2014 was the first time in 130 years in the US where adults between 18 and 34 were more likely to be living in their parent’s home than in any other housing situation.

3 Shelter (13 October 2012) ‘Housing costs force 1 in 10 back to Mum and Dad’
5 Pew Research Centre (24 May 2016) ‘For first time in modern era, living with parents edges out other living arrangements for 18- to 34-year-olds’
However, it also mentions a downward trajectory of employment and wages and our research also suggests that finances are key. Research conducted by Shelter\(^6\) also points to high housing costs forcing many aged between 20 and 40 back to live with their parents. Furthermore, a large survey conducted by the Young Women’s Trust has found that of 18 to 30 year olds who still live at home, 25% were forced to do so because they could not afford to live independently and cite housing as their top concern\(^7\).

So those who are currently living at home may not actually want to be doing so. We found that 49% are hoping to leave the family home within the next two years. At which time, of those that do leave, the majority expect to move to rented accommodation rather than buying. The lack of affordability in the housing market appears to be delaying millennials moving out of the family home, and then yet again from purchasing their own home.

\(47\%\) Expect to rent once leaving the family home

**Why did you move out of the family home?**

- 37% To live with spouse / partner
- 32% For study
- 30% To be independent
- 19% For my job
- 8% To start a family
- 6% To live with friends

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\(^6\) Shelter (13 October 2012) ‘Housing costs force 1 in 10 back to Mum and Dad’

\(^7\) Young Womens Trust (2017) ‘No country for young women’
Renters for life, by choice…?

More young people are renting their homes today than ever before. According to a recent report by the Resolution Foundation⁸, by age 30 baby boomers were 50% more likely to own their own home than millennials were at the same age. The same research found that 30 year old millennials have lower home ownership rates than the baby boomers did at age 24, and even lower levels of home ownership than the generation which came 55 years earlier.

This decrease in home ownership and subsequent rise in the rental market has, of course, been driven by rapid increases in house prices. The ratio of average house prices to average annual earnings rose from around 5.3 in 2002 to nearly 9 by 2016 (a figure which is even higher in some regional locations like London and the South East)⁹. This has also been accompanied by the dramatic increase in the typical deposit amount required for first time buyers, moving from around 5% in the 1990s to 20% – 25% today¹⁰. In our study we found that, of respondents who are renting in the UK, 75% said they do so because of affordability issues. This compares with 63% of millennials in France and 56% in Spain saying that they rent because it is easier to finance. This suggests that there is something about the UK housing market in particular, that is making it unduly unaffordable to the average millennial.

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¹ Resolution Foundation (2016) 'Stagnation Generation: The case for renewing the intergenerational contract'
² ONS Annual survey of hours and earnings (2002 and 2016) together with Land Registry UK house price index (2002 and 2016)
³ Council of Mortgage Lenders (14 February 2017): First-time buyers, new mortgages and affordability, UK countries and regions
Despite affordability issues, many UK millennials state they made a mindful decision to rent, and that doing so provides them with some flexibility and practicality. Short-term convenience (29%), a lifestyle that they otherwise would not be able to participate in (18%), and a desire to share with friends (14%) were also cited as key reasons to rent. In total, 33% of our respondents agreed that there are lots of advantages to renting where you live. Indeed 72% agreed that in order to purchase a property there would be some sacrifices in terms of lifestyle.

Why are you unlikely to buy a property in the future?

- 60% Don’t expect to ever be able to afford it
- 37% Could not afford to buy in the area I want to live in
- 18% Prefer convenience of renting
- 18% Renting suits my lifestyle better
- 10% Other/Don’t know

41% Received some financial support from family or friends for initial deposit

Of those millennials who are currently either renting or living at home, 15% said they have no intention to ever buy their own home. The most cited reason was affordability, but short-term convenience, lack of commitment and living in an area that is both affordable and convenient for work and entertainment, also featured prominently as reasons to stay in the rental market.
Deposit? Deposit! You expect me to get a deposit?!

Long-gone are the days of 100% mortgages. Following the global financial crisis of 2007/2008, new mortgage lending criteria have made it more difficult for first-time buyers in the UK to get a foot on the property ladder, and in most cases a 20% – 25% deposit is needed in order to secure a mortgage. With average house prices in the UK now £218,000\(^{11}\), that means a deposit of at least £43,600. And in London, average house prices of £482,000\(^{11}\) means an eye-watering deposit of at least £96,400 is required. The majority of our surveyed UK millennials who purchased a property (with a mortgage) were able to fund at least part of their deposit with their own savings (76%). However, 41% of our millennial respondents indicated that they required either full or additional financial support from their friends or family. This figure rises to 47% of UK respondents who are renting or living at home but expect to purchase a property in the future. In fact, analysis by Legal & General and the Centre for Economics and Business Research (Cebr) showed that last year home buyers received £5 billion of help from family and friends\(^{12}\). This means that families (the ‘bank of mum and dad’) are one of the top-ten mortgage lenders in the UK. Funding a deposit with the help of mum and dad does appear to be heavily favoured in the UK. Just 21% of respondents in France and 34% in North America reported the use of this method to fund their home purchase deposit. It is clear that the current housing market in the UK is simply unable to support those with average salaries or those without the ability to turn to family or friends for financial support.

In what way(s) did you fund your property purchase deposit?

- From my own savings: 76%
- Help or support from family or friends: 41%
- Inheritance: 9%
- Loan from bank or financial institution: 6%

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\(^{11}\) Land Registry (2017) UK house price index  
\(^{12}\) Legal and General (2016) Bank of mum and dad
The consequences for real estate are...

The implication of all of the above is that private renting is inevitably going to continue to rise; according to PwC forecasts, the number of households in the private rented sector will increase by 33% by 2025, with a clear majority of those between 20 – 29, renting. As previously noted, almost half of our UK respondents living at home expected to move out within two years, with most expecting to immediately move on to renting. Of our renters, we found that although affordability of ownership is the largest barrier to purchasing a property, it is not the only reason that some prefer to rent; sharing with friends, lifestyle, convenience and as we will see later, close proximity to work also feature highly. Furthermore, millennials today are delaying big life events like marriage and children, with the average age of women at childbirth now over 30 years, an increase of four years since 1975, according to ONS data. Delaying these life events because of student debt, or in order to further their education, career, or travel, will suspend – temporarily or permanently – potential home ownership decisions resulting in the need for a more flexible and convenient lifestyle and housing tenure.

49% Expect to move out of family home within two years

This does not mean to say that millennials won’t or don’t want to buy their own home. As we have already seen, the majority of UK millennials do want to be homeowners. 45% of those currently living at home expect to go on to purchase a property immediately after leaving the family home. Even 60% of those who are currently living in the family home and will initially rent somewhere when they do move out, still expect to one day buy their own property. This means that different types of housing tenure may need to be considered by developers in their overall business strategies, and by the government through housebuilding policies. Developers and investors have already begun to respond by looking to different ways of living, particularly in the private rented sector, and by increasing the overall build-to-rent market. The government has recently signalled a shift in policy away from a focus on home ownership. In September 2016 the housing minister for England indicated that affordable rental homes may now be included in their targets for starter homes.

13 PwC (2015) UK Economic Outlook July 2015: Housing market outlook moderates but rise of generation rent will continue
16 The Telegraph (13 September 2016) Government edging away from home ownership focus, says housing minister
COMMUNAL LIVING, PRIVATE RENTING

Student accommodation at university is not what it once was. Private sector halls of residences are now often new-build, modern, clean, efficient, accessible and with all of today’s modern conveniences: technology, broadband, shared social areas. The industry and sector have transitioned into this new standard of living for students and it is now a highly sought-after and investable sector. Students and millennials that have recently graduated and moved on from this modern type of tenure may find the transition into the traditionally fragmented, largely second hand, private rented sector a difficult one. This, together with a desire for convenient and flexible living has led some developers to a new style of development in the private rented sector. ‘The Collective’ in Old Oak Common, London, is an example of student accommodation-style living, billed as a ‘co-living’ space with little hassle. The idea is that while you rent your own type of space (bedroom, bathroom, private or shared kitchen), there are large communal areas dotted around the 500+ unit scheme including large dining areas, cinema rooms, terraces, quiet areas, library, for everyone’s use. The all-inclusive rental rate covers rent, bills, cleaners, wireless broadband, management. The idea is to bring together a collection of individuals looking to create their own community in a flexible and hassle-free way. Although this example is more extreme than most other build-to-rent accommodation, there are other schemes across the UK either currently available or about to come on stream, with some of these same attributes: Tipi’s development in Wembley, Tribe Manchester and Moda Living’s proposed Angel Gardens in Manchester to name a few. These schemes are advertising a sense of community, flexibility and a hassle-free renting experience as key selling features, clearly aligning themselves with the most desirable aspects of renting.

So it seems that the ‘Mythical Millennial’ is not just a myth. However, rather than flexibility and mobility, it appears that it is affordability that is the major barrier to home ownership. Affordability is forcing this generation to have an unusually high proportion of renters and, indeed, the cost of even just renting may be preventing some from simply leaving the family home, resulting in high levels of those still living under the wings of mum and dad. The requirement for enormous deposits when they do go on to purchase their property compels many to seek assistance from family and friends. And while some millennials do enjoy the convenience of renting, it seems that most would still prefer to own their own home.
In the UK millennials make up a quarter of the population\(^\text{17}\). Their working habits will have lasting consequences for the UK economy and for real estate as we know it, and to complicate matters, everyone seems to be an expert on what millennials want and how they work. In this section of the report we explore the real working habits of millennials and how these compare to our ‘Mythical Millennial’.

\(^\text{17}\) Inking (2016) UK Millennials
Despite higher educational attainment, millennials feel fortunate to be working.

**Our ‘Mythical Millennial’:**

- Feels entitled to rapid career progression and frequent increases in salary, they expect to walk into a top job without working for it.
- Is a job hopper who works to live, with no loyalty to an employer.
- Expects to be always connected, blurs work life balance.
- Is a city slicker who doesn’t want to commute, preferring to live and work in the centre of the city.

**64%**

Feel lucky to have a job at all

**But we’re entitled to that?**

Our ‘Mythical Millennial’ expects to start their working life in challenging roles with high rewards rather than starting at the bottom and working their way up like their parents did. And why shouldn’t they? After all this is a highly educated workforce, with participation rates for higher education in the UK now at 43%. According to a recent study by the Chartered Institute of Personnel and Development\(^\text{18}\) the expansion of higher education has been greater in the UK than in (most of) the rest of Europe. However, as a result, a degree no longer makes you stand out from the crowd, and instead of being a conduit to a ‘better job’, this has meant graduates are entering jobs that were once done by their non-graduate parents. Even worse, many of this highly-educated workforce graduated during the financial crisis when employment was scarce and insecurity the norm – in fact 64% of our UK survey respondents feel lucky to have a job at all. So despite this high educational attainment they still feel fortunate to be working. However, the UK fared better in our survey than the rest of Europe. Spain, where youth unemployment is over 40%, came out worst, with 77% feeling lucky to have a job.

Having lived through difficult economic times, with house prices and other living costs far outstripping those of their parents’ day, and high levels of student debt, economic security is highly valued. Indeed, UK millennials may be the first generation to earn less than their parents\(^\text{19}\). It is perhaps unsurprising then

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\(^{\text{18}}\) CIPD (2015) Over-qualification and skills mismatch in the graduate labour market

\(^{\text{19}}\) The Guardian (18 July 2016) Millennials may be first to earn less than previous generation
that more than half of UK millennials believe earnings are more important than job satisfaction and 72% believe it is an extremely important factor when considering a new job, the highest level of all the European countries surveyed. This finding was topped by the USA where 77% consider salary to be extremely important.

Perhaps even more telling is that 62% of UK millennials agree that in the current job market it’s very difficult to find a job that really excites them. Japanese millennials have the most exciting working lives, with only 48% feeling this way. Spain again comes out worst in Europe at 72%. This figure suggests that many of our respondents have taken a job that doesn’t interest them in order to ‘just to have a job’. So we dispel the first myth: rather than a sense of entitlement, it seems our young workers still have a sense of insecurity when it comes to their working lives.
Bouncing from job to job?
The idea that millennials have little loyalty to an employer, and expect to change jobs frequently was also at odds with our survey’s findings. Almost 60% of UK millennials from our survey would like to work for one or a small number of companies during their career, with only a small percentage expressing a desire to work for a large number. Perhaps unsurprisingly low income earners are the least loyal – backing our findings that financial rewards are of key importance. However, loyalty cannot be taken for granted as there still remain 49% who believe job satisfaction is more important than earnings.

The ability to get on with colleagues, learning and development and location also feature highly. 58% (rising to 63% among women) of respondents ranked learning and development as important when looking for a new job. A global survey by Deloitte identified that more than six in ten millennials say their “leadership skills are not being fully developed.” Frustration at a lack of opportunities may lead workers to look elsewhere. With our survey showing that the majority of our millennials are working in unexciting roles they are over-qualified for, it is no surprise that they may change jobs. But rather than showing a lack of loyalty, they are looking for development opportunities, financial security coupled with a great location.

Importance of factors when considering a new job (%)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Salary</td>
<td>72%</td>
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<tr>
<td>Ability to get on with colleagues</td>
<td>65%</td>
</tr>
<tr>
<td>Learning and development</td>
<td>58%</td>
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<tr>
<td>Location</td>
<td>57%</td>
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<td>Commute time</td>
<td>54%</td>
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<td>HR policies / benefits</td>
<td>54%</td>
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<tr>
<td>Variety of work</td>
<td>44%</td>
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**Working all hours?**

Millennials are our first generation of digital natives and have a reputation for being always available, electronically at least! It has been assumed this is true professionally as well as socially. Our survey shows quite a different situation. In line with CBRE’s global findings, the majority of UK millennials try to keep work and home life separate (both 56%). In contrast, only 37% of Japanese millennials keep their work and home life separate.

**Collaborative working? Nah I’d rather be on my own**

While the general perception is that all millennials are super-collaborators, our survey suggests otherwise. A third of our respondents would prefer to have their own office – the popular choice of where to work – compared with only 2% of UK millennials who actively want to hot-desk. The US tops the global chart in this regard with 56% wanting their own office, still only 2% want to hot-desk. These findings suggest careful consideration should be given to imposing such a structure even on a younger workforce. The two next most popular responses were “an office that I share with my immediate team” and “open plan where I have my own fixed desk” – proving more conventional office layouts are still a major plus for our millennials. The private office is a traditional symbol of success; therefore favouring this working style may reflect millennial career aspirations (or frustrations, as we have already noted).
Other than giving away corner offices, which is neither practical nor cost effective, what else can be done to keep millennials happy at work? 75% of our employed respondents feel that good employers put a lot of thought into the working environment. Indeed, the recent popularity of co-working spaces such as WeWork, with on-site bars, free refreshments and after work networking events, suggests that employees do appreciate added extras and flexibility at work. Serviced office take-up in Central London over the last three years is more than all the take-up since the year 2000 combined (CBRE data). Increasing competition and changing work styles have made operators become more innovative with their offerings. A study of engagement by Steelcase found that an employee’s satisfaction with their workplace correlates with higher engagement at work, and therefore increased productivity. Almost 70% of millennials in our survey believe good design has a positive impact on employees. What appeals to them that we can do more of as real estate professionals? Certain facets that have become ubiquitous in recent years (such as bike racks, showers, coffee bars, and ability to receive deliveries) are in fact over-provided in UK offices according to our respondents. In contrast facilities such as on-site convenience stores, wellness/relaxation facilities and green space in the building/on the roof are under provided.

21 Steelcase (2016) Employee engagement and the global workplace
This generation is the first where not owning a car or a house is seen as normal; a report by Inkling noted over half of UK millennials would rather spend money on an experience versus a possession (versus only 23% who valued material goods more than experiences)\(^2\). While a future where people don’t buy ‘stuff’ probably has economists quaking in their boots, the idea that millennials value ‘experiences’ over things could produce some useful strategies for the workplace.

Sky’s UK flagship headquarters in Osterley provides an on-site cinema, convenience store and gym with personal trainers for staff. While business parks may have been the least popular location option in our survey, companies can tap into the idea of providing experiences in the work place thus helping to overcome the hurdle of location, a theme we explore in the next section.

\(^2\) Inkling (2016) UK Millennials
Transport links will remain key, with 30 minutes being the longest tolerable commute.

City fever?
The pervasive belief that millennials are city slickers who won’t set foot outside the concrete jungle to live or work is perhaps borne out by the fact that most of our respondents do work in a city. But, do they prefer it? 60% believe the city is an appealing place to work, but 66% of millennials find the suburbs appealing; a boon perhaps for companies wishing to cut costs by moving to more affordable markets. This phenomenon is already occurring in the UK with the growth of office clusters such as Chiswick Park and Croydon both on the outskirts of London.

Transport links, however, will remain key wherever the office is located, 30 minutes being the longest tolerable commute for most of our UK millennials. The high numbers of renters amongst millennials enables them to live close to the office, and also theoretically to ‘up sticks’ to a new location. However, as we have seen, 41% of millennials still live with their parents. So any office move will have to come with a pay rise or much cheaper cost of living (perhaps another tick in the box for office relocations to cheaper areas).
So how mythical are millennial workers?

Our research finds that the millennial worker is markedly different from the mythical stereotype we started with. Rather than feeling entitled, they feel lucky to be employed. Economic uncertainty and high costs of living have resulted in the UK millennial favouring financial rewards but at the same time taking jobs where they may be over-skilled. Job hopping is also a misinterpretation; surprisingly millennials would prefer to work a small number of jobs over their working lives. However, a preference for personal development and need for financial security may lead them to look elsewhere for opportunities.

Enhancing the workplace with green space and wellness facilities, amongst others, can have a positive impact on employees, with workplace-based experiences driving engagement. The idea that young workers expect always to be connected occupationally as they are in their personal lives is also debunked by our survey; 56% like to keep work and home life separate. The belief that the millennial will only work in the city also differs from our survey findings – a useful fact for employers looking to cut costs.
HOW
MILLENNIALS
PLAY
HOW MILLENNIALS PLAY

Many millennials are financially constrained. The average income of the UK millennials is now 8% lower than it was in 2008, according to the UK’s Institute for Fiscal Studies\(^23\). And yet this group is predicted to have the greatest spending power of any generation by 2018\(^24\). However, the most interesting question is not how much they spend, or what they buy, instead, it is how they spend their income. The millennial generation is one of the largest and best-educated populations in history\(^25\). They grew up in the shadow of the global financial crisis during a digital revolution with unprecedented access to information at the end of their fingertips. They use technology to research products, assess reviews and compare prices. With over 90% of UK millennials owning a smart phone\(^26\), they are transforming predetermined shopping patterns. Millennials are incredibly connected, well informed and expect a customer-centric shopping experience.

All too soon this group will reach their prime spending years. With this in mind, it is essential retailers adapt to millennials’ changing habits to gain and maintain loyalty. If retailers cannot connect and keep up with millennials now, they are certain to struggle in ten years’ time.


\(^{24}\) The Huffington Post (11 December 2015) Marketing to a millennial

\(^{25}\) The Economist (23 January 2016) Generation uphill

Our ‘Mythical Millennial’:

- Is a digital native whose smartphone is the nerve centre for all interaction with products; a conduit for selection, purchase and fulfilment.
- Expects the e-commerce revolution to continue, with all retail activity eventually taking place online.
- Desires instant gratification, driving a preference for Click and Collect.
- Is ‘entitled’, expecting knowledgeable and helpful service in store.
- Is debt-laden and lacks the means to buy anything other than discounted products and fast fashion.
- Often prefers to spend their free time and money on experiences.
Is it all about online?
Millennials are the first truly digital natives. Rather than having to adapt, they grew up alongside the internet, and understandably it has had a large influence on how they shop. The UK millennial is more digitally connected than their international counterpart conducting, 40% of their non-food shopping online. In contrast, only 22% of Japanese millennials’ non-food shopping is done online (despite Japan often being considered at the forefront of retail innovation). Similarly, just across the channel the French only conduct 26% of their non-food shopping online. The only countries surveyed whose millennials shop online more frequently than they shop in store are the UK and US, where millennials each spend over five days a month shopping both online and in physical stores. This is likely to be driven by millennials spending time online researching products before deciding to make the purchase in store.

Why are the British so different? It is partly because they are keen adopters of new methods and innovations. With the UK millennial expecting half of their non-food shopping to be bought online in three years, it is vital that retailers keep abreast of the rapidly changing technology so they can adapt to their customer’s needs. Retailers need to be at the forefront of developing strong online offers not only to complement the stores they operate, but to also build a new generation of loyal customers.

Proportion of non-food shopping online, current and in three years

One in ten UK millennials have never shopped online.
It’s all about clicks and mortar

Although considered the generation glued to the screen, millennials are really no different to previous generations. Our survey shows 64% want to visit the shop; they want to see, touch and test the product before buying. This is especially true if the product is personal and specialised. The desire to physically handle the product to check for defects and to test its quality – mainly to avoid a potentially difficult returns policy – still rings true with all of us. There is still a level of uncertainty towards online deliveries that it may not deliver what was promised.

Millennials prefer using multiple retail channels whether online, in-store or from the app store, more than any other generation as the usage of online only shopping, is lowest among the under 35.

Why shop in store? Top three reasons

<table>
<thead>
<tr>
<th>Reason</th>
<th>Male %</th>
<th>Female %</th>
</tr>
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<tbody>
<tr>
<td>Like to see the products</td>
<td>63</td>
<td>62</td>
</tr>
<tr>
<td>Want to try the items on</td>
<td>43</td>
<td>55</td>
</tr>
<tr>
<td>Can get the product there and then</td>
<td>53</td>
<td>45</td>
</tr>
<tr>
<td>Enjoy shopping as a leisure activity</td>
<td>23</td>
<td>37</td>
</tr>
<tr>
<td>Want to be served by a person</td>
<td>11</td>
<td>6</td>
</tr>
</tbody>
</table>

% of responses

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27 British Land (2016) True value of stores – quantifying the importance of stores in an omnichannel age
Only 5% of millennials go to a store to be served by a person

While it was once thought that online and shopping in physical stores were in competition, this is not actually the case. Both channels are blending together rather than one superseding the other. 89% of UK retail sales touch a store\(^\text{36}\). However, nowadays the research and discovery would have been done on the internet before stepping into the store. The UK millennial believes they know as much as the sales assistant. They won’t enter a store ‘to be sold an item’, they have walked in knowing exactly what model they want and how much they expect to pay for it.

What will influence your online shopping in three years?

We asked millennials what might influence their future level of online shopping; convenience and choice was the overwhelming reason. 50% of millennials believe they will increase their online shopping if delivery options become even easier. However, 18% would reduce their online shopping if delivery became more inconvenient.

\[^{36}\text{British Land (2016) True value of stores – quantifying the importance of stores in an omnichannel age}^\]
UK millennials are more concerned about threats to their privacy than for improvements, and would opt out of online shopping if security was compromised.

Although already low in the UK, delivery costs will be a key focus for retailers, with 36% of millennials stating they would increase their online shopping if these costs further decreased. 25% will reduce their online shopping if these delivery costs increase. UK millennials are concerned about threats to their privacy.

How often do you use these methods?

- **Home Office**
  - Never: 59%
  - Not very often: 8%
  - Sometimes: 19%
  - Very often: 14%
  - Always: 7%

- **Click and collect**
  - Never: 52%
  - Not very often: 19%
  - Sometimes: 19%
  - Very often: 7%
  - Always: 1%

- **Third party collection**
  - Never: 52%
  - Not very often: 19%
  - Sometimes: 19%
  - Very often: 7%
  - Always: 1%
I need it now!
The increase in choice and convenience has created a large range of ways for retailers to deliver the products. As the CBRE study ‘How We Shop’ found, Click and Collect is a great way for retailers to increase additional spend in-store. Given that delivery options will be the driver of future online purchases, which delivery option does our millennial prefer?

When millennials shop online, having it delivered to the home is the most popular method. Two thirds of millennials will ‘always or very often’ use this method. Despite this being the most expensive method, it is the low income millennials who use this over 70% of the time, compared to just 60% of the high income millennials. A recent study by Baymard suggests that 70% of online baskets are abandoned as customers do not complete these transactions when encountered with unexpected high delivery costs at the checkout stage.

But what about Click and Collect?
In recent years retailers have invested in Click and Collect. This fulfilment method simplifies logistics, reduces delivery costs and increases footfall to their physical store. British Land found physical stores benefited by an uplift of 9% in sales in stores where customers’ sole reason for visiting was to collect purchases that they had made online. CBRE’s study also discovered that those who pick up pre-ordered items tend to buy additional products. However, our millennial study shows only 16% use Click and Collect. Recently, retailers such as John Lewis and Debenhams have started charging in order to use this method if the basket is under a certain price.

29 CBRE (2013) ‘How we shop’
30 Baymard (2016) Cart abandonment rate statistics
31 British Land (2016) True value of stores – quantifying the importance of stores in an omnichannel age
32 CBRE (2013) ‘How we shop’
33 Drapers (29 September 2016) ‘Debenhams Introduces Click and Collect charge’
30% of millennials will always have their shopping delivered to their home.

Deliver it to my desk please

59% of UK millennials will never have their shopping delivered to the office; this does however vary greatly between income brackets. One third of high income earners will frequently have it delivered to the office, compared with just one in ten low income earners. This may be due to longer working hours or varying working locations. In future years, we could see this delivery method decrease. The London Assembly Transport Committee has drafted plans recommending banning personal deliveries to the office. If this is replicated across other UK metropolitan areas, millennials might be forced to use Click and Collect or Third Party Lockers. These are the least popular delivery option for millennials with over 70% ‘never or not very often’ using these lockers.

34 Time Out (20 January 2017) The London Assembly wants to ban you from ordering deliveries to your office
Is all this choice a good thing?

Many retailers offer free home delivery subject to a minimum spend threshold. Millennials will seek to exploit this. Ten percent of millennials ‘very often or always’ said they order more than they actually expect to keep. This is a huge cost burden for the retailer. According to this report, women are over two and a half times more likely to order more than they need than men. With millennial customers holding the power, it is the reverse logistics services that will see the largest pressure. Clear Returns, a UK company specialising in returns technology, estimates returns costs UK retailers £60bn a year, a third of which is generated by online purchases35. How do retailers change millennials’ behaviour to only order what they need?

Millennials want it all now, because now they can. But millennials are not the only generation who expect next day delivery. Every generation now expects it. Business Insider found a premium delivery service’s user base is adopted by the baby boomer generation (those over 60) who make up 20% of the service compared to millennials who only hold 16% of the customer base36.

I want it all... but for less...

Millennials do their research and are aware of how much an item ‘should’ cost. Huffington Post claims millennials are keen to sniff out discounts and deals. This could be a consequence of the global financial crisis. Huffington Post add that, their sense of value will not diminish and they will maintain a bargain savvy mentality when purchasing goods and services. This is supported in a survey37 where two thirds of millennials said they would visit a website to get a coupon.

Access over ownership

As millennial spending power changes, retailers need to be aware of how ownership habits are changing. Many are driven by technology and the shared economy. Millennials are the renting generation, and this is not purely isolated to housing. This ‘sharing economy’ is beginning to break into the retail sector. They are turning to services that provide products without the financial burden of ownership. For example, Rent the Runway (which recently opened its first physical space in New York) allows customers to rent high-end clothing for a specific period, while Dixons Carphone provides a system where for a monthly subscription fee you can ‘lease your computer’ and receive a new device on a regular basis. Fat Lama focuses on renting possessions through a peer-to-peer community, negating the need for purchasing items which will only be used once.

35 Clear Returns (2017) Data solutions to predict and prevent returns
36 Business Insider (2015) older people are more loyal to Amazon Prime
37 The Huffington Post (2016) 8 key differences between gen Z and millennials
How does a millennial spend their free time?

This cost-conscious mantra is not isolated solely to products. It is also linked to entertainment and leisure. Millennials are targeting experiences over things. But which experiences are they after?

Over the coming years financial constraints (such as higher inflation, and lower wage growth) could hit millennials’ disposable income. Currently 17% of expenditure goes on going out, with 20% spending less than 5% of their income eating out, going to bars and the cinema. Unsurprisingly, high income earners spend the highest proportion going out, but each of the demographic groups surveyed believed they will spend less going out over the next few years.

I’ll take it to go...

Millennials are looking for convenience not just when buying items but also when dining out. They are three times more likely to choose ready meals than baby boomers, and will do so eight times a month. This is twice as often as German millennials. UK millennials will only get a takeaway twice a month, compared with almost three times a month across the rest of Europe. There has been a changing consumer attitude in the UK towards healthier eating and living. With an increase in the number of quality fast food chains entering the market offering healthier fast eating.
Millennials do appear to still prefer cheap and convenient food, but they are also focusing more on where their food comes from, supporting local and organically produced food as opposed to the scientific content of what is in it. However, the cash-strapped millennial eats out less than three times a month, which is similar to the rest of Europe but compared with almost 12 times per month for those living in Hong Kong.

Surprisingly, despite the perception that millennials are fitness focused, less than 6% of their income is spent on exercise (and this also includes watching sport), while almost 20% of millennials expect to spend even less on this in three years’ time. Millennials are challenging the idea of ‘health’ to include smart eating and exercise.

Proportion of income spent on...

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Forbes (4 September 2012) How millennials are changing food as we know it
40% of income is spent on leisure.

Going out or staying in?
Almost half of leisure spend is on going out, including eating out and entertainment. The cinema is less popular with UK millennials compared to some other global counterparts. 81% of UK millennials visit less than once a month, while only 4% go four times a month. In the US, 14% of millennials will visit at least four times a month; Indian millennials lead the way as 30% will go at least four times a month.

A similar trend appears to be true with the music scene, with streaming services such as Spotify – where 72% of all weekly streams are by millennials who are listening to 1.3 billion songs a week\(^{39}\). However, as the younger millennial begins to become more financially stable, they appreciate live events more and will be able to go out more as the older millennial goes to live events 34% more than the younger group.

\(^{39}\) Adweek (17 April 2016) 72% of spotify listeners are millennials. Here’s how they use the service
So how mythical is our millennial?

Although certain beliefs about millennials turn out to be true in reality, the belief that all retail activity will eventually take place online is some way off. Our survey has discovered that millennials still prefer to shop in brick-and-mortar stores, but they will use a number of ways to research the product. And, as keen adopters of new methods and innovations, they expect the retailer to be just as forward thinking. After purchasing, delivery options and costs are huge influences for millennials, with our millennials strongly indicating home delivery is the preferred option while any changes to delivery costs or options will greatly affect their shopping pattern. They are well-informed, price savvy and value-conscious giving them new found power in the marketplace. Another reality is that they are challenging the sense of ownership with the growth of the shared economy. When going out, they value the experience and are attracted to food and beverage operators who maintain a local and sustainable offering.

The belief that UK millennials want it all now, is true, because of the convenient delivery network we live with, they can have it all now. Their innovative nature means they shop online more than any other country. But this is not isolated to UK millennials, but those shopping in 21st century UK. Millennials want access to products and content on the go – whenever and wherever. Our study also discovered that one third of millennials do not shop online because they want it there and then with the ability to see and physically touch the product. Retailers need to ensure they gain consumers trust and loyalty. This can include offering services such as free delivery, free returns or offering personalised offers. Personalised offers are becoming more popular with 70% of young millennials saying they are interested in this offer. Retailers need to be increasingly flexible with their offer.

Implications for real estate

These results have allowed us to dispel, and also reinforce, certain myths and assumptions about our millennial from a retail perspective. The physical store is still important for millennials. Leisure is of upmost importance for millennials – as much of the experience can never be replicated online.

Our survey shows that physical stores still have a vital role in today’s society. But they must be able to adapt to consumers’ demands and market dynamics. The store itself has become a combination of a marketing opportunity, a logistical hub, and a sensory experience. Retailers need to be just as dynamic and flexible. Their offer needs to be diverse enough to attractive millennials to their stores. With UK millennials expecting to do half of their non-food shopping online over the next three years, retailers need to manage this demand through further investment into their supply, logistics and delivery network.

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40 Coupons Incorporated (2015) Uncovering truths of millennial spending
CONCLUSION
Unsurprisingly perhaps, we find that while some characteristics ring true, our ‘Mythical Millennial’ doesn’t really exist in its entirety. However, one characteristic that was less myth and more reality was generation rent. The primary reason for this is an inability to afford to purchase their own home. Similarly, high living costs have forced some millennials back into the family home. Some choose to rent for flexibility and mobility, but affordability is the major barrier to home ownership. Despite the cost, the lure of homeownership appears to straddle the generations with many millennials still dreaming of owning their own home.

The challenge for the real estate industry is to provide accommodation that is both desirable and cheap. The embryonic build to rent market in the UK is one part of the solution. But, key for government and developers is how to service the underlying demand for home ownership.

In contrast to the widespread belief that millennials are job hoppers with a sense of entitlement, the majority feel lucky to have a job. Nearly half of the respondents said job satisfaction is more important than earnings. However, employers need to beware, and not become complacent – salary is of highest importance when considering a new job.

The working environment is important to millennials and is a key take-away for office providers. Many felt that good design has a positive impact on employees. Growing on the recent trend of bike racks, showers and coffee bars, respondents are now calling for on-site convenience stores, wellness areas and relaxation facilities while green space in the building or on the roof are felt to be under-provided.

The digital natives certainly embrace e-commerce. However, they haven’t turned their back on the physical store. They use the internet for researching products and prices, but like to collect the goods from a ‘real shop’. The store itself has become a combination of a marketing opportunity, a logistical hub, and a sensory experience. Retailers need to be just as dynamic and flexible. Their offer needs to be diverse enough to attract millennials to their stores.
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