

## A new housing ecosystem: \$3.8 trillion under one roof

**Digital platforms open new opportunities for connecting, integrating, and reimagining a traditional sector. Zeroing in on specific segments and pain points shows how.**

*by Miklós Dietz, Paul Jenkins, and Miklós Radnai*

**For decades**, home buying has been about as traditional as it gets. Real-estate agents, home listings, mortgage applications, movers, contractors—we all know how this works. In the emerging world of digital ecosystems and sectors without borders, however, the way that housing works is on the threshold of significant change. With many consumers eager for better solutions, massive value will be in play. McKinsey projects that by 2025, housing ecosystems will generate annual revenues approaching \$3.8 trillion globally.

To better understand new opportunities, we conducted focus groups among recent home buyers in both the United Kingdom and the United States, as well as surveys of some 3,000 such buyers. Looking closer, six distinct segments of recent home buyers, with notably different characteristics, emerged (exhibit).

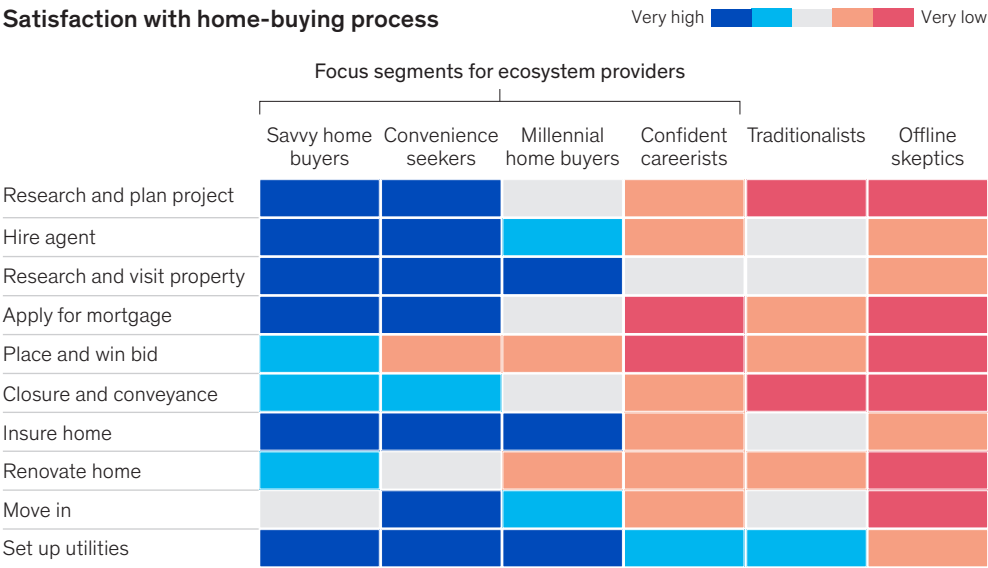
All told, about half of the home buyers surveyed were receptive to digital platform solutions, and an additional 25 percent would be receptive under the right conditions. Of the six segments we identified, four were markedly enthusiastic—and two of those segments especially so. In one, which we designated the “convenience seekers,” respondents were on average about 40 years old and accounted for 23 percent of the

survey sample. The group indicated a marked willingness to share much of their personal data with ecosystem developers and to pay for the guidance and convenience of an integrated digital search and purchasing process. Convenience seekers are a young demographic, yet they are seasoned; more than half had gone through the home-buying process previously.

Less experienced but still keen for an ecosystem solution is a second group of consumers, comprising 23 percent of those surveyed, whom we termed the “millennial home buyers.” For these people, their recent home purchase was their first. Age 33 on average, this segment also relies on digital solutions and social media and is willing to share comprehensive data to enable an ecosystem to guide their home buying.

One key aspect of our findings zeroed in on purchasers’ satisfaction with critical components of typical home transactions, including search, financing, purchase, maintenance, and eventual sale. Certain steps turned out to be crucial in determining home buyers’ level of satisfaction: applying for a mortgage, bidding for properties, closing the purchase, and using the knowledge resources available to plan the home-buying journey from start to finish.

Home buyers can be sorted into different segments, four of which are prime for ecosystem solutions.



Source: McKinsey global ecosystem survey; Panorama by McKinsey

Not coincidentally, these steps tend to inflict the most pain on home buyers. Pain points, however, also spell opportunity. By identifying not only which customers are most amenable to using a digital housing platform but also which components of the home-buying process fall short in their eyes, the integrating power of an ecosystem can be applied to greatest advantage, connecting customers and businesses across the value chain. In markets such as the United States, an array of professionals—attorneys, title-search providers, home inspectors, and, of course, brokers—can be entrenched as established players. As well, given the size of the expenditure and the emotional stakes of

home buying, we'd expect the human element to endure. An ecosystem brings consumers and professionals together. That will not only make home buying and selling easier, it can maximize the value of what, for many people, will be the most important investment of their lives.

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