

**Residential  
Analysts**

# **Understanding Local Housing Markets**

**Advice and Guidance for Local Authorities**

**A report for the Local Government Association**

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# Introduction

This report was commissioned by the Local Government Association. Its purpose is to provide local authorities with advice and guidance on how to best understand the various complexities within their local housing markets in order to inform their decision making.

Local authorities have a range of duties and wider interests in ensuring the most effective functioning of their local housing markets. They want to ensure affordable, appropriate, good quality housing for everyone in the community within successful and sustainable places. Therefore, a better understanding of their local housing markets will empower local authorities to make decisions best suited to maximise positive added value in local markets.

This is especially timely as more local authorities are: developing interests in directly delivering new homes alone or in partnership, embedding housing as part of wider strategies for the health and well-being of individuals and places; building relationships with the reshaped Homes England or the Greater London Authority (GLA), and; taking forward new planning responsibilities within the new NPPF guided by the locally assessed housing need numbers.

## Multiple Housing Issues

There is growing public and political recognition that there is a crisis in housing but there has been little consensus around what constitutes the current housing crisis and how to solve it. The national housing debate can be over-simplified and regularly fails to recognise that housing is a complex and interconnected system within the economy and society.

There is no simple single housing market. Instead there are multiple markets defined by location, property type, tenure, and price. The housing need and demand within these markets is perhaps even more varied, driven by demographics, income, wealth, health, employment, migration, education, family and personal relationships, consumer confidence, and an array of preferences.

Given this complexity, it is clear there is no simple single housing crisis. There are multiple overlapping issues that affect different parts of the country and different types of people in different ways and to varying degrees. There may be factors that influence all housing markets across the UK, indeed across much of the globe. There will, however, be others that impact more locally and within specific housing sectors. It appears there are several different and sometimes overlapping issues that mean housing is unaffordable, unavailable, and unsuitable for everyone that needs it.

# Report Guide and Summary

This section provides a guide to using this report and summary of the issues within it.

The report is split into three main sections, each one containing an introduction to measuring the issues and the issues themselves. The three sections are:

1. [Affordability of Housing](#)
2. [Availability of Housing](#)
3. [Suitability of Housing](#)

Each of the three main sections starts with an introduction to measuring the issues falling within the section. The introductions provide links and guidance to using publicly available data to measure these issues. They also highlight some of the common errors and misinterpretations found when using these data sources. As such these introductions to [Measuring Affordability](#), [Measuring Availability](#) and [Measuring Suitability](#) may be of most interest to those who deal directly with data and produce analysis. However, other readers may still find them useful in furthering their understanding of housing.

The three main sections then provide summaries of 15 issues facing housing across England. These are:

<a href="#">High House Prices</a>	<a href="#">High Cost of Housing</a>	<a href="#">Low-Income Renters</a>
<a href="#">Financialisation</a>	<a href="#">Falling Home-Ownership</a>	<a href="#">Social Mobility</a>
<a href="#">Weak Economic Demand</a>	<a href="#">Lack of New Supply</a>	<a href="#">Market Turnover</a>
<a href="#">Distribution</a>	<a href="#">Homelessness</a>	<a href="#">Weak Demographic Demand</a>
<a href="#">Housing Quality</a>	<a href="#">Ageing Population</a>	<a href="#">Climate Change</a>

There are other housing issues but we consider these the most significant at this time. Some of the identified issues are unique while others are interconnected with each other. Some of the issues will be recognisable across the country while others will only be recognisable in certain areas. The exact mix of housing issues will vary across every local authority with each one facing its own unique set of challenges. However, while the exact mix will vary, there will inevitably be other local authorities facing some of the same challenges. It is hoped that this report and its supporting [Local Authority Reports](#) can help diagnose and begin to explain some of the issues contributing to the housing challenges in your local area.

You as the local authority are best placed to know your local circumstances. Therefore, rather than seeking to diagnose the challenges from afar, this report is intended to help guide you in determining the issues and challenges facing your local area. To aid this, we have provided a table overleaf containing some of the most common housing related symptoms found across England. We have then identified which of the fifteen issues discussed in this report that they are most likely linked to. It is quite likely that you may recognise more than one symptom within your local authority. Given the ease of misdiagnosis, we have also highlighted situations where this might occur. The report also highlights symptoms where limited data prevents accurate identification, these may require you to go out to collect data and ask questions about your own market.

Once diagnosis is complete, it will be necessary to identify the action required. While this is beyond the scope of this report, some suggestions may be found within.

Symptom	Diagnosis
<b>Stretched House Price Affordability</b>	<a href="#">High house prices</a> are commonly attributed to a <a href="#">lack of supply</a> . This may be the case in some areas but the <a href="#">financialisation of housing</a> and changes in mortgage lending conditions have played bigger roles in driving up national house prices. Other issues including the <a href="#">distribution of housing</a> and <a href="#">social mobility</a> may also play a role.
<b>Falling Home-Ownership</b>	<a href="#">Home-ownership is falling</a> partly thanks to <a href="#">high house prices</a> but more so due to mortgage lending conditions since the credit crunch. A <a href="#">lack of supply</a> may constrain household formation but is unlikely to have significantly impacted on home-ownership. The <a href="#">high cost of renting</a> , particularly for <a href="#">lower income households</a> , is a barrier for many trying to save a deposit. For others, it is a lack of <a href="#">economic opportunity</a> . Falling home-ownership has negatively affected <a href="#">social mobility</a> and, in combination with an <a href="#">ageing population</a> , has lowered <a href="#">housing market turnover</a> .
<b>Stretched Rental Affordability</b>	The <a href="#">high cost of housing</a> can be difficult to diagnose given the lack of private rental data. A <a href="#">lack of new supply</a> may be responsible in many of the most stretched markets where high rents make it difficult for many to save a deposit and access <a href="#">home-ownership</a> . However, stretched rental affordability is an issue across all areas with external factors including mortgage lending criteria, investor behaviour, and government policy all impacting on <a href="#">low income renters</a> and potentially leading to <a href="#">homelessness</a> . It's not just the cost of housing that needs to be considered but also the <a href="#">quality of housing</a> being purchased. Many renters consume less space or poorer quality housing than would otherwise be desired.
<b>Low Market Turnover</b>	The <a href="#">low turnover of existing housing stock</a> is a big barrier to a functioning housing market. It partly reflects <a href="#">high house prices</a> and <a href="#">falling home-ownership</a> but is also linked to mortgage lending conditions, <a href="#">weak economic demand</a> , and the <a href="#">ageing population</a> . Some markets have been negatively affected by tax changes in recent years while others have seen activity rise. A low turnover market risks negative consequences for first-time buyers that rush into home-ownership and may prevent the optimal <a href="#">distribution of housing</a> while limiting <a href="#">social</a> and <a href="#">economic</a> mobility.
<b>Rising Household Sizes</b>	Household sizes have been static or rising in recent years as more young adults live with their parents or in over-crowded private rental housing. A <a href="#">lack of new supply</a> is partly responsible along with <a href="#">high house prices</a> but in some areas it may be due to local preferences. Building more homes is the simple solution but the unequal <a href="#">distribution of housing</a> raises some questions as new supply could be purchased as second-homes or even left empty in extreme cases. New homes must match the needs and affordability of those who require them.

# Local Authority Reports

This main report is accompanied by an individual report and two maps for every local authority in England. **The reports and maps for each local authority area can be downloaded via the [Residential Analysts website](#).**

The local authority reports provide a summary of publicly available data for the local authority in question along with some national comparisons. The analysis highlights some of the challenges faced by that local authority in the context of the housing issues covered in this main report. As such, this main report should be used as a guide to help understand the data and analysis in the local report.

The local authority reports are accompanied by two maps. The first map shows house prices across the local authority at a lower super output area geography while the second map shows transactions by type of property at a full postcode level.

The primary purpose of these two maps is to highlight how housing markets and the issues they face can vary not just across different local authorities but also within each one.

The local house price map highlights how median house prices vary across the local authority. For example, blue areas on the map have house prices below the local authority median while red areas have house prices of two-times or more the local authority median. The map also provides a summary of the ONS house price index since 2007, median house prices by property type, and the relative share of transactions by property type (bar chart).

Understanding Local Housing Markets 

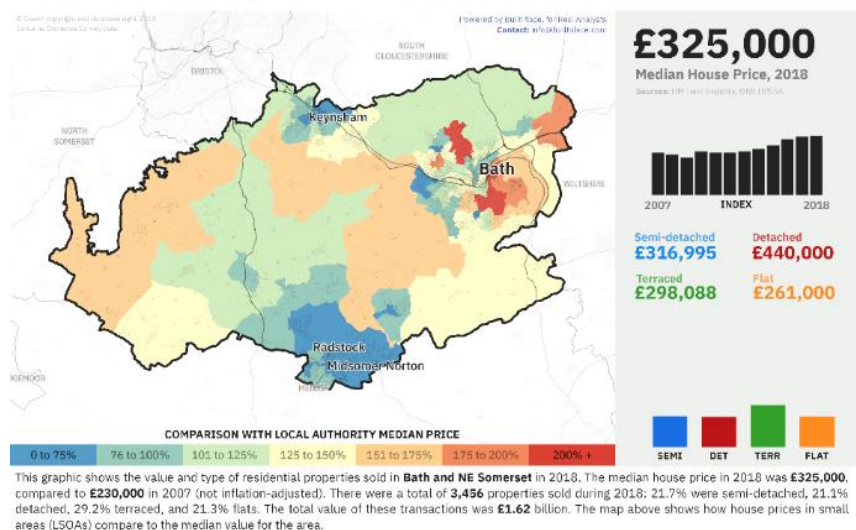
## North Kesteven



Figure 1 – Local House Prices

Source: BuiltPlace for Residential Analysts

## Bath and NE Somerset

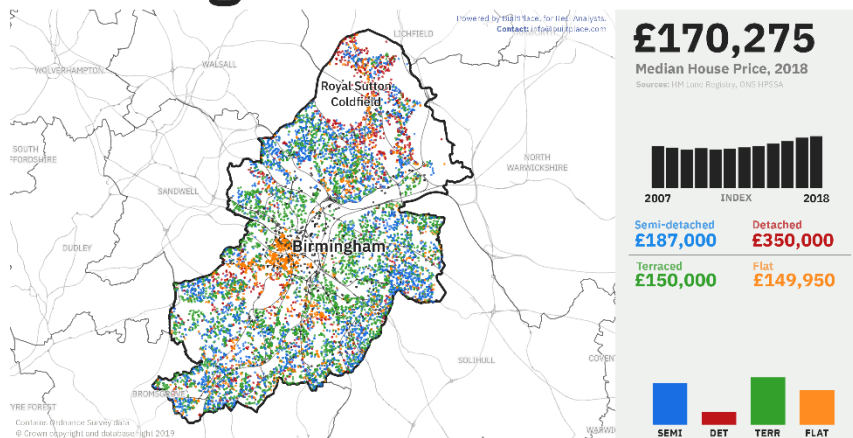


The local transaction map shows the location of residential transactions during 2018 by postcode and property type. It also provides a summary of the ONS house price index since 2007, median prices by property type, and the relative share of transactions by property type (bar chart). The local transaction map provides a guide to the geography of the local authority's housing market as can be seen in the Birmingham example below. The city centre is highlighted by large numbers of flats (yellow) surrounded by terraced property in green and semi-detached in blue. A concentration of detached properties (red) can be seen in the north of the local authority.

Figure 2 – Local Transactions, Birmingham

Source: BuiltPlace for Residential Analysts

## Birmingham

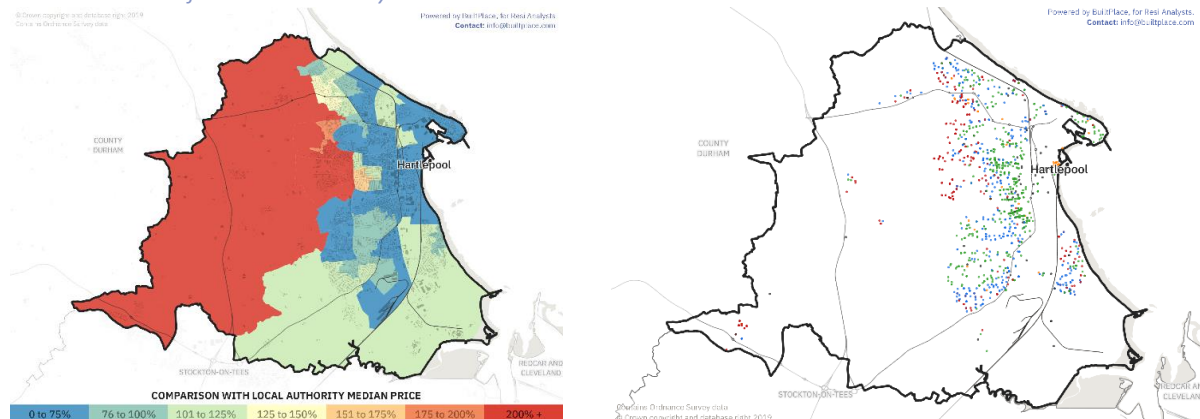


This map shows the location and type of all residential properties sold in **Birmingham** in 2018. The median house price in 2018 was **£170,275**, compared to **£137,500** in 2007 (not inflation-adjusted). There were a total of **15,403** properties sold during 2018: 28.8% semi-detached, 8.8% detached, 32.9% terraced, and 23.9% flats. The total value of these transactions was **£4.20** billion.

Ideally, the two maps should be used in tandem. For example, the house price map shows prices by lower super output area but tells us nothing about the type of property selling or how many sales there have been. An extreme example of this can be seen in Hartlepool as per Figure 3. The house price map highlights a large red area with house prices of two-times or more the local authority median to the west of the district. However, the transaction map shows this area is lower density with fewer sales of typically detached homes. Therefore, higher prices on the price map may reflect differences in the stock of property selling.

Figure 3 – Local House Prices and Transactions, Hartlepool

Source: BuiltPlace for Residential Analysts

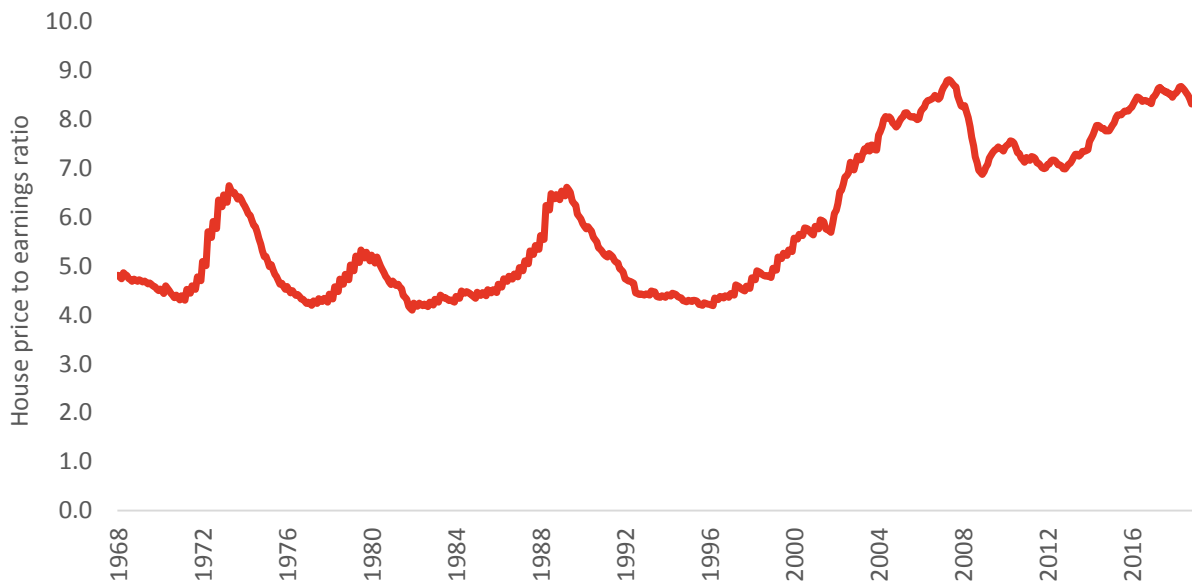


# 1. Affordability of Housing

Housing affordability is an issue because it is stretched for many people in this country. National house prices are near record highs relative to earnings (Figure 4) and rents in many London boroughs are over 50% of [local earnings](#). The most popular explanation for this stretched affordability is a lack of new supply. But there are several different ways of measuring affordability and this suggests there are several different affordability-based challenges affecting local markets to varying degrees across the country.

Figure 4 – House Price to Earnings Ratio, UK

Source: ONS Average Weekly Earnings and ONS House Price



For example, the high price of houses (and flats) tends to reflect the cost and availability of credit rather than a lack of new supply. Instead, a high and rising cost of housing (rents) is a much better indicator for a lack of new supply.

Meanwhile, mortgage repayments are well within historic affordable levels for most owner-occupiers, even recent first-time buyers. For many renters the barrier to home-ownership is saving up a big enough deposit. This deposit barrier means access to home-ownership for many renters is dictated by how much wealth their parents or grandparents can give them. This suggests a growing issue with social mobility. Meanwhile, for others, a bigger barrier to home-ownership is the lack of secure and well-paid employment opportunities. The issue is economic rather than purely housing related.

This section of the report will look at the different ways of measuring housing affordability and what they tell us about local housing challenges.



## 1.1. Measuring Affordability

This section provides a brief look at the various ways of measuring affordability.

### 1.1.1. Measuring House Prices

There are several different house price measures, with different methodologies and covering different parts of the market. This GOV.UK [website](#) provides a summary of the five main indices. The national house price indices are useful indicators of macro trends but there can be significant variation across regions and local authorities.

The [ONS UK House Price Index](#) (UK HPI) is the only index that provides publicly available data at geographies below regional level. [LSL Acadata](#) and [Hometrack](#) also publish sub-regional indices, but the data are not freely available to download.

The UK HPI is based on several data sources, one of which is the Land Registry [price paid data](#). This data contains individual property details on nearly all residential transactions across England and Wales since 1995. The price paid data can be matched to other address level data such as [Energy Performance Certificates](#) to create house price per square metre data (for example as in this [interactive map](#)). The ONS have matched house price data to Council Tax valuation lists from the Valuation Office Agency (VOA) to create price per square metre and price per bedroom data ([link](#)).

### 1.1.2. Measuring House Price to Earnings Ratios

House price to earnings (or income) ratios are perhaps the most popular way of demonstrating the stretched affordability of housing (e.g. Figure 4) and are regularly used to highlight an affordability crisis. They are also an important component in the standard method of calculating housing need, using the ONS [ratios](#).

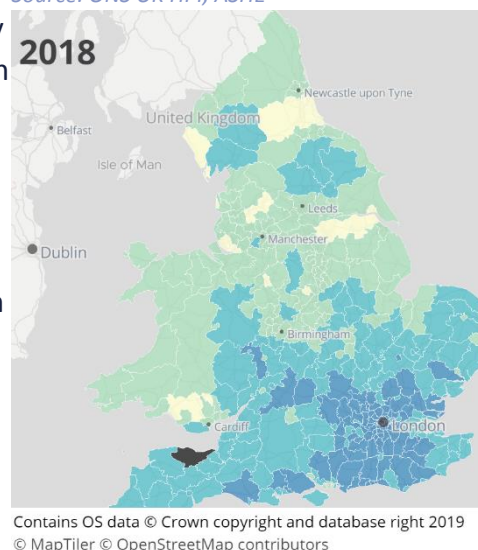
Unfortunately, these ratios can be simplistic and misunderstood due to the limitations of what and how they are measured. They have no regard for changes in interest rates and do not distinguish between the cost of buying and the cost of owning.

Additionally, the comparison of a single house price to a single earnings figure ignores issues such as the size of the local rental market, any self-employed earners, and the shift to multiple earner households.

It is also important to avoid assuming that the lowest ratio markets do not have constrained house price affordability. Even the lowest priced areas have seen large increase in their ratio over the last twenty years and [recent work](#) by Geoff Meen showed that 30% of renters in the North East could not afford a property at the lowest house price decile.

Figure 5 –Price to Earnings Ratio

Source: ONS UK HPI, ASHE

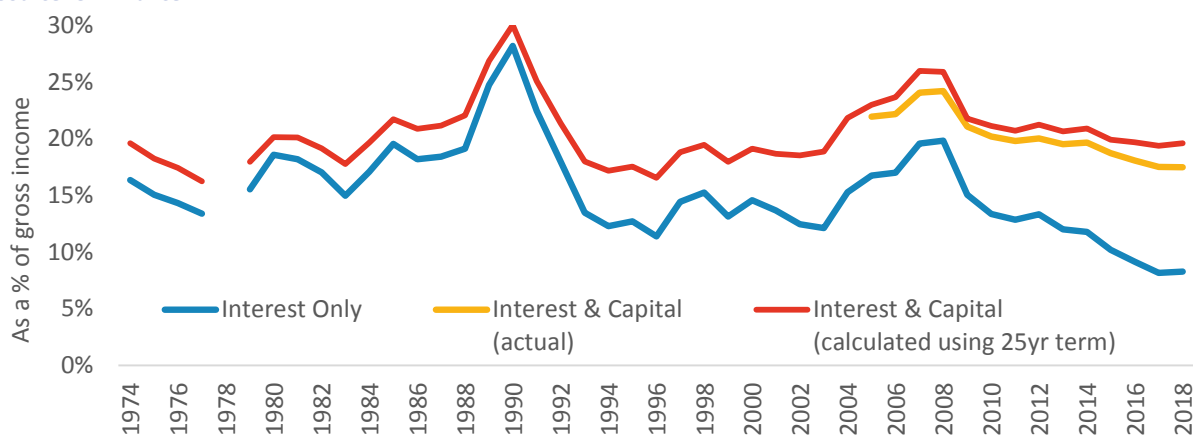


### 1.1.3. Measuring the Cost of Owning

House price to earnings ratios may be near record highs but the cost of servicing a mortgage is well within historically affordable levels (Figure 6). [UK Finance data](#) shows the median new first-time buyer is currently spending around 17% of their gross income on mortgage repayments. This reflects record low mortgage rates, longer mortgage terms, and a shift to higher income buyers (see box-out). Unfortunately, local level measures of actual mortgage affordability aren't publicly available though estimates can be modelled.

Figure 6 – First-Time Buyer Initial Mortgage Costs as % of Gross Income, England

Source: UK Finance

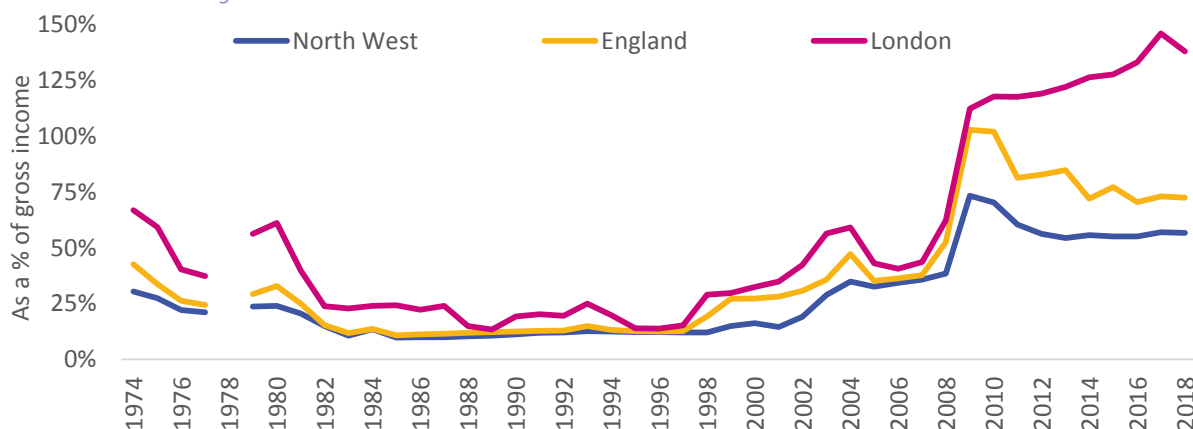


### 1.1.4. Measuring the Cost of Buying

For many prospective first-time buyers, the cost of buying is the biggest barrier to home-ownership. High house prices relative to incomes and the withdrawal of higher loan-to-value mortgages during the credit crunch are a large barrier. While the availability of higher loan-to-value mortgages has increased in recent years and their cost has fallen, UK Finance and [ONS](#) data show the typical deposit required to become a first-time buyer is still substantial. Local level estimates for the deposit barrier and need for housing equity can be inferred from house price to earnings ratios. However, it is very difficult to directly measure the access to savings/deposits for prospective first-time buyers at a local level.

Figure 7 – First-Time Buyer Deposits as % of Income

Source: calculated using UK Finance medians



## Beyond Averages and Aggregates: First-Time Buyer Incomes

First-time buyers have always tended to have higher incomes than average. The chart below shows how 64% of recent first-time buyers are in the top 40% of the income distribution. Meanwhile, only 13% are in the bottom 40% of incomes. This suggests that calculations using simple average earnings and incomes may over-state the affordability constraints for those managing to buy and under-state affordability constraints for those unable to buy.

**Figure 8 – Income Distribution of Recent First-Time Buyers**

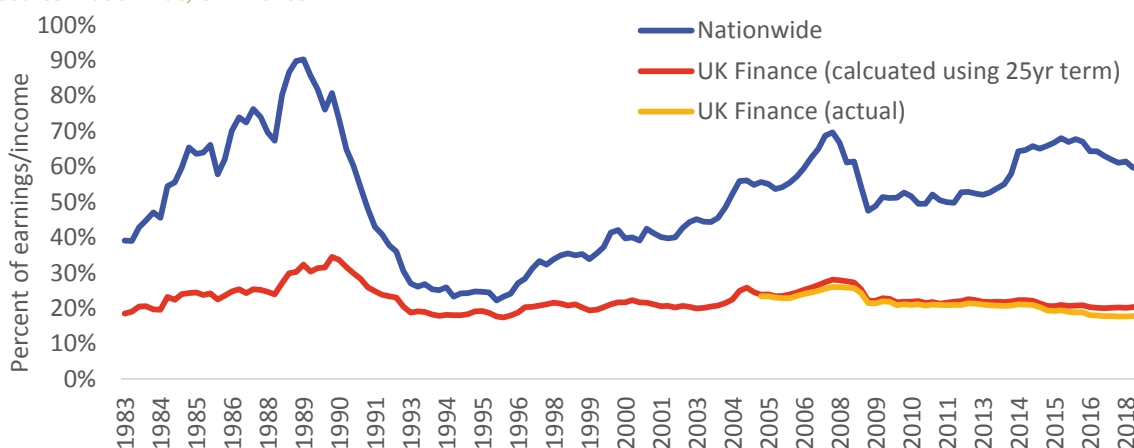
Source: English Housing Survey 2015/16 and 2017/18



This issue can be seen in the comparison of two sources for first-time buyer mortgage repayment affordability in London (Figure 9). The [Nationwide data](#) is based on the mean sole earnings of a full-time worker and shows the stretched repayment affordability they would be experiencing if they could buy alone with a 90% loan-to-value (LTV) mortgage. However, as [UK Finance data](#) shows, the repayment affordability for actual first-time buyers in London is well within affordable levels based on their much higher than average joint gross household income. Buying with a partner or others has become more important with 60% of [new mortgages](#) now based on joint incomes. A 90% LTV mortgage would probably be unavailable for most London buyers due to the soft cap on mortgages with loan-to-income ratios above 4.5. ONS published [analysis](#) in 2018 comparing the affordability of potential first-time buyers to actual ones across local authorities.

**Figure 9 – First-Time Buyer Initial Mortgage Repayments, London**

Source: Nationwide, UK Finance



### 1.1.5. Measuring the Cost of Renting

Over one-third of households now live in the rented sector but limited publicly available rental data is a big challenge, particularly for the private rented sector. It hampers our ability to measure how much renting households actually pay and their affordability at a local level.

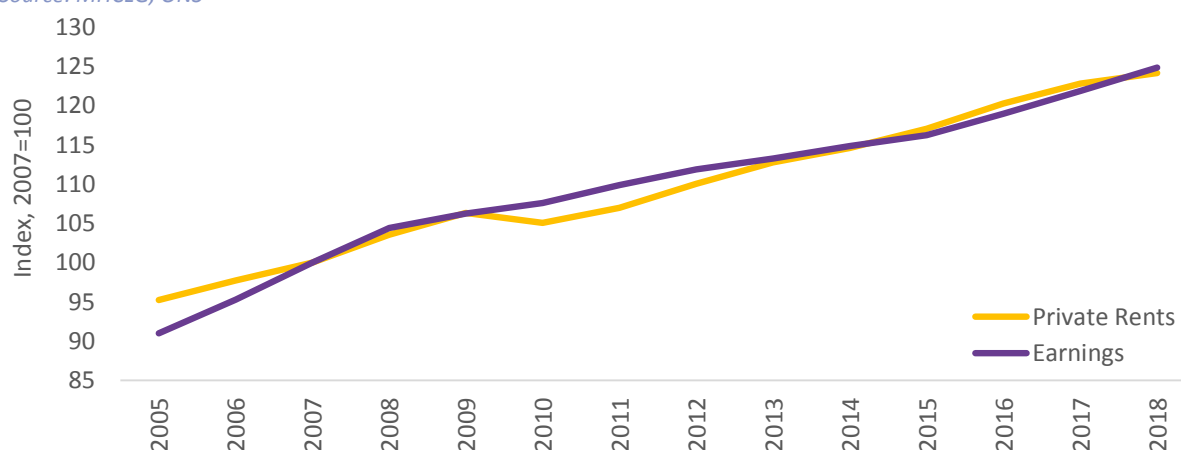
In the private rented sector, the [VOA](#) publishes useful summaries of local market rents by number of bedrooms and quartile. These can also be supplemented with data from property listings sites as the gap between asking and achieved rents is less of an issue than for house prices though some agents may manipulate the listings giving a false impression of turnover.

Unfortunately, the VOA data cannot be reliably compared across time due to changes in the mix of properties measured. For national and regional geographies, the [ONS index](#) provides a useful time-series for the stock of private rents paid. This is different to most other published rental indices that measure the flow of new rents agreed (e.g. [HomeLet](#) and [LSL](#)).

The ONS index shows that national private rents have risen broadly in line with earnings (Figure 10), suggesting private rental affordability has not worsened in recent years. This is looked at in more detail in Section 1.3. Unfortunately, the lack of sub-regional indices means there is no easy way to measure rental growth at a local authority level. We can assess affordability at fixed points in time by comparing the VOA data to ONS [earnings data](#). However, doing so raises some of the same issues as when comparing average house prices to average earnings.

Figure 10 – Private Rents and Earnings, England

Source: MHCLG, ONS



There are more data sources available for Local Authority and Registered Provider rents including averages from [MHCLG](#). However, these are not adjusted for differences in properties over time and any change in affordable rents may reflect housing policy rather than underlying need. For example the recent declines in average rents may reflect the obligation on social landlords to reduce rents by 1% per year from April 2016.

### 1.1.6. Measuring the Long-Term Costs of Housing

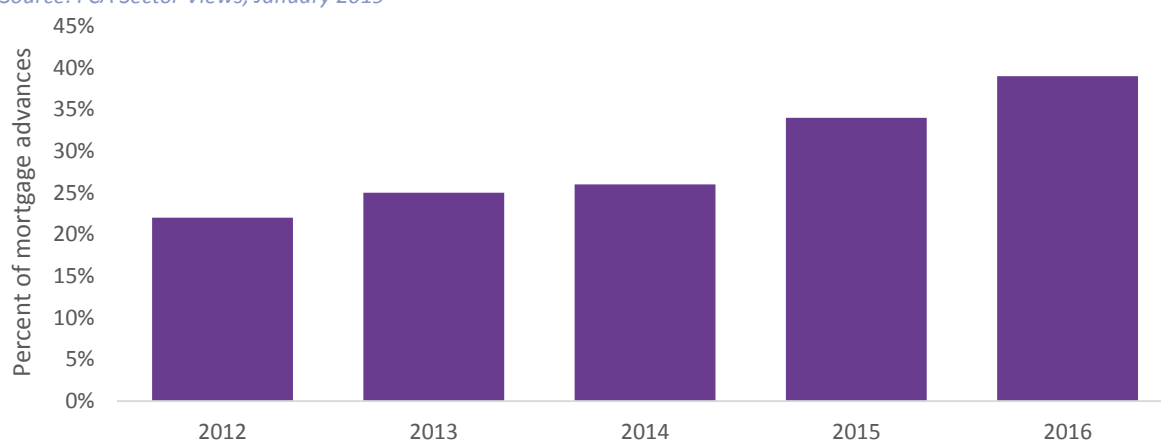
Home-ownership has consistently been the preferred housing tenure for most people in this country. Owning your own home has typically provided stability, a hedge against rising housing costs in the future, and a successful financial investment. However, the current economic conditions suggest that those stretching themselves to 'get on the housing ladder' may face unwelcome side-effects in the future.

The housing ladder was a common feature of the UK housing market of the last fifty years. Unfortunately, it appears the economic conditions that enabled it are unlikely to return (high inflation of the 1970s/80s and falling borrowing costs in the 1990s/00s). Households are finding it harder to move to a new home thanks to high house prices, low income growth, and limited capacity to borrow more. Stamp duty and other transaction costs are also a constraint but the single biggest one is the lack of sustained income growth.

Meanwhile, to afford current house prices and pass affordability stress-tests, first-time buyers now have longer mortgage terms (66% have a term longer than 25 years) and new borrowers appear more likely to have a mortgage post retirement (Figure 11).

Figure 11 – Borrower Aged Over 65 At End of Mortgage

Source: FCA Sector Views, January 2019



All these factors suggest that any household stretching themselves to buy a home that meets their current needs but may not meet future ones (e.g. more space due to a growing family) could find themselves trapped and unable to move. This could be particularly risky for households using financial products beyond just a simple mortgage such as those where they have to share in capital growth and/or pay rent on secondary borrowing.

Meanwhile, there are a growing number of people who may be stuck living in the private rented sector into retirement. Without the ability to limit any future rises in housing costs, these people may find retirement a very different proposition than for those living in a home they own outright.

Measuring the long-term cost of housing is clearly difficult if not impossible. Much of our understanding and expectations of housing are based on our historic experiences. However, the future could be very different and is unknowable. Therefore, we need to plan carefully to avoid any unwelcome side-effects in the event the future is not like the past.

## 1.2. High House Prices

High house prices are perhaps the most recognised and easiest to identify of all the housing challenges given the availability of house price data (Section 1.1.1). The affordability problems created by high house prices are also well known, including the need for large deposits and the resultant barriers to home-ownership. However, there is much more debate about why house prices are high and how to fix them.

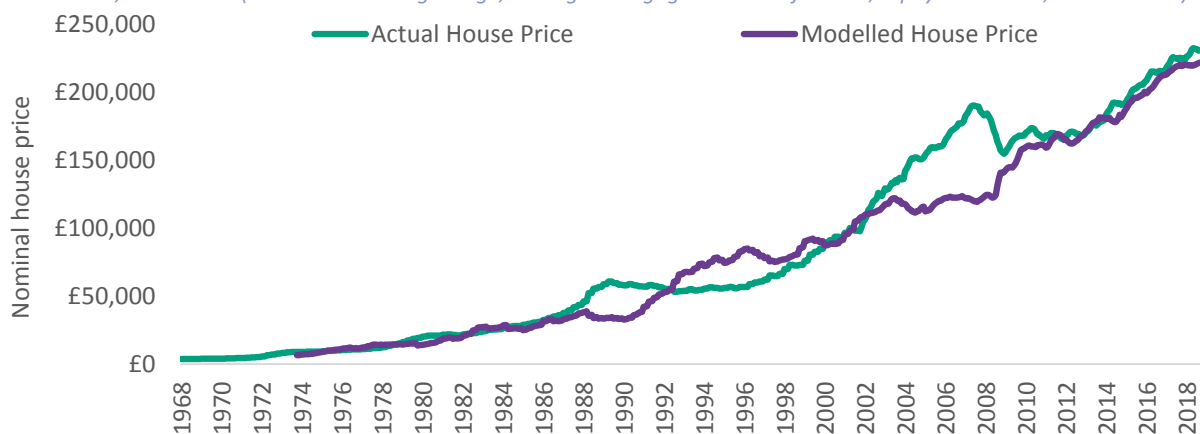
The most popular explanation and the one underpinning [central Government policy](#) is that the long-running under-supply of new homes is at fault. While a lack of new supply may contribute to rising housing prices, a lack of supply is typically seen in the rising cost of housing. It is these two uses of a home that can create confusion: house prices reflect the value of a home as an asset while housing costs reflect its use as somewhere to live.

An asset can be priced by capitalising its income with a discount rate. For a home, the income is reflected by the housing cost (see next section) while the discount rate reflects mortgage rates and alternative investment returns. Under this model a lack of supply would typically be seen in rising housing costs which would then push up house prices via capitalisation.

Instead, if housing costs are fixed, the other way for house prices to rise is changes in the discount rate. Figure 12 compares a simple model of house prices to actual ones. The model is based on average earnings as a proxy for housing costs and prevailing mortgage rates as the discount rate. The model suggests that falling mortgage rates have had the biggest impact on house prices over the last three decades, though the late 1980s and early 2000s booms clearly require further explanation.

Figure 12 – House Prices – Actual and Modelled, UK

Source: ONS, UK Finance (model uses average wage, average mortgage rate net of MIRAS, repayments:30%, and LTV:70%)



As the local level analysis shows, high house prices are a serious issue across the country. However, it is dangerous to simply assign the challenge of high house prices to a lack of supply, low interest rates or some other cause without assessing other measures such as the cost of housing and demographics.

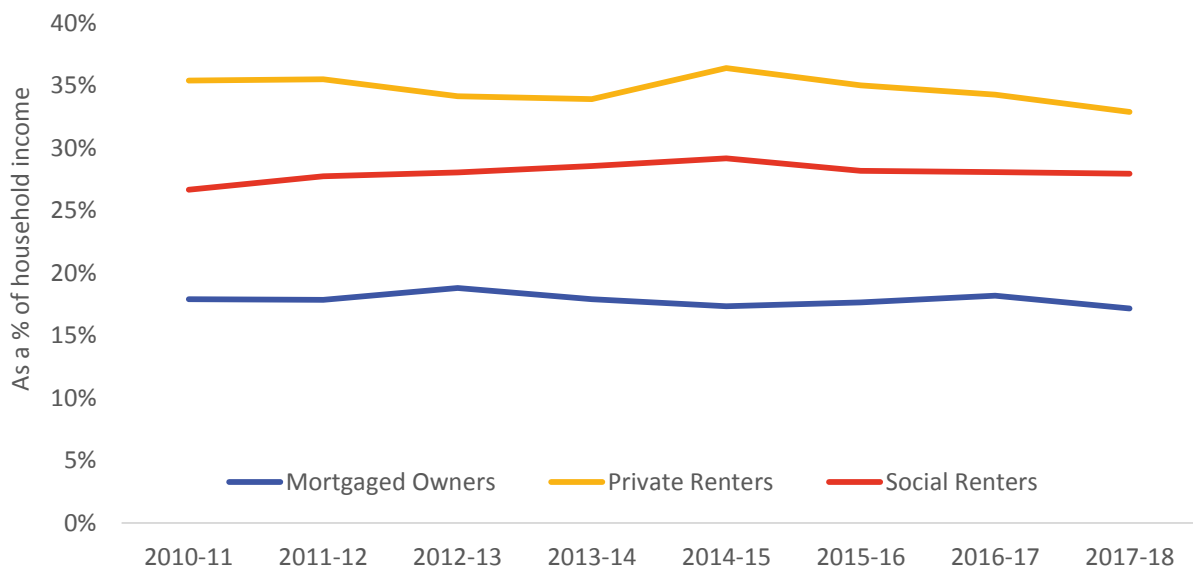
**HIGH HOUSE PRICE SUMMARY: High house prices are a very useful measure of housing market stress, but local authorities should avoid interpreting them as simply reflecting a lack of new build supply or some other singular issue.**

### 1.3. High Cost of Housing

High house prices may get more newspaper headlines but the high cost of housing (rents) is the more pressing issue, especially for those struggling or unable to buy. As Figure 13 shows, there is a clear difference in average housing costs across tenures. For most owner-occupiers, including recent first-time buyers, the cost of owning their own home is well within affordable levels despite high house prices (see section 1.1.3). However, as the chart shows, households in the rented sectors spend a much larger proportion of their income on housing, even once housing benefit is factored in.

Figure 13 – Housing Costs as % of Household Income Including Housing Benefit, England

Source: English Housing Survey



The high cost of housing for renters creates multiple problems and is directly linked to other housing issues, including over-crowding, tenure insecurity, and poor-quality housing. It also accentuates the issues with high house prices by constraining renters' ability to save for a deposit and become home-owners.

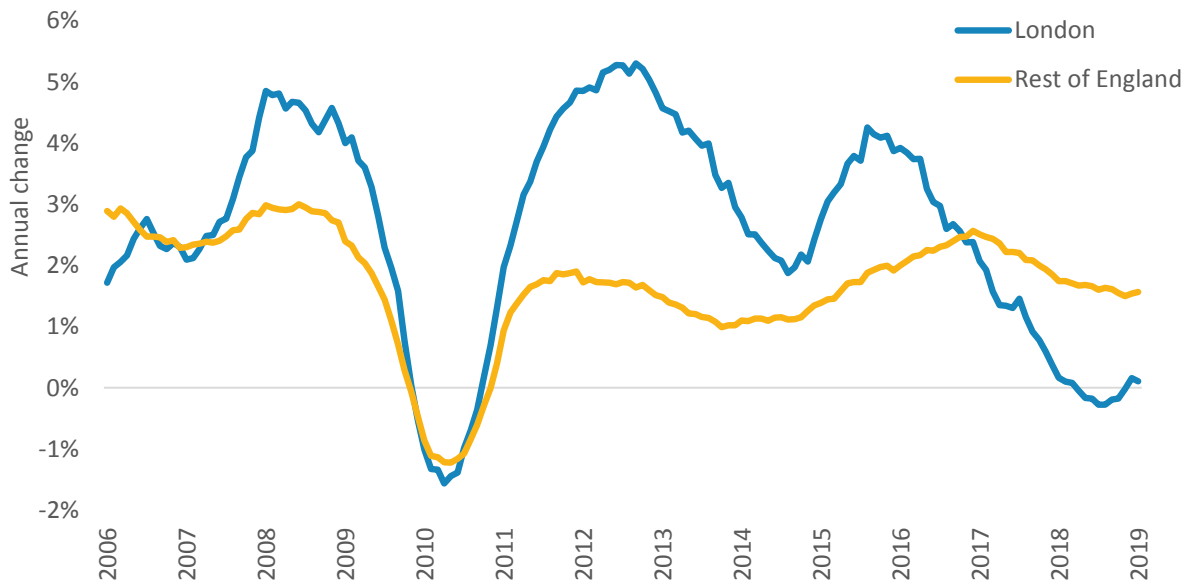
Tackling the high cost of housing should be a priority but the lack of data makes it difficult to assess how much of a problem it is and where it is located, particularly in the private rented sector. As Section 1.1.5 showed, it is possible to make simple assessments of rental affordability across local authority at fixed points in time by comparing rents to average earnings. However, this is too blunt to accurately assess how issues like Local Housing Allowance and changes to housing benefit impact on different household types.

Unfortunately, it is nearly impossible to accurately track the change in rental costs over time below regional level. Tracking changes in rental affordability over time is important because a high cost of housing does not necessarily indicate a lack of supply. A lack of supply would normally be associated with a rising cost of housing. However, as Figure 9 showed, rents across England have risen in-line with earnings in recent years. Combined with the above chart it appears national housing costs are high but have been stable in recent years.

The stability of housing costs at a national level may possibly suggest there is no national lack of supply. However, the lack of local data tracking rents and housing costs over time makes it more difficult to definitively assess whether there is or isn't a lack of supply in local housing markets. For example, as Figure 14 shows, the ONS private rent index suggests rental growth has been relatively low across most English regions over the last decade with the exception of London, at least until 2017.

Figure 14 – Annual Change in Private Rents

Source: ONS Private Rent Index



**HIGH HOUSING COSTS SUMMARY:** High housing costs are a significant issue for renters in many markets but the lack of data will make it difficult for local authorities to accurately assess the pressures in their local market. Ideally local authorities would be able to measure the change in housing costs over time.



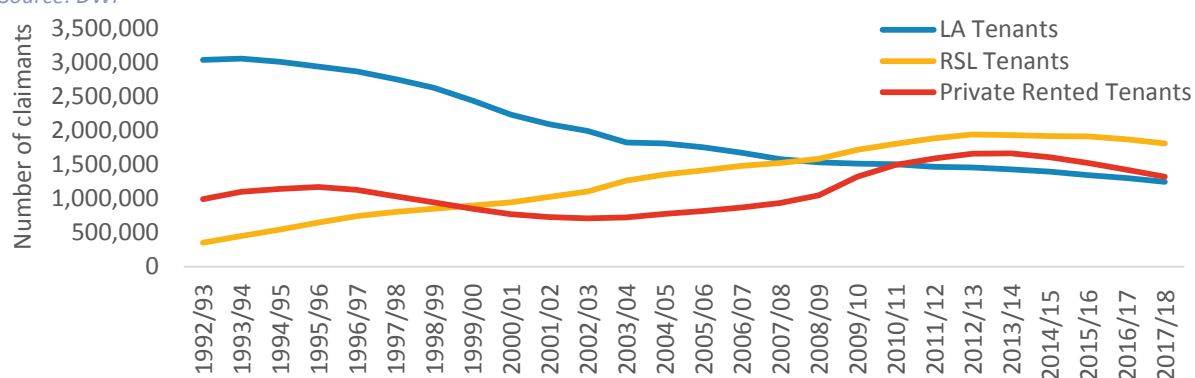
## 1.4. Low-Income Renters

Housing benefit plays an important role in enabling low-income renters to afford their rent. For example, the [English Housing Survey](#) shows the average social rented household's housing costs were reduced from 37% to 28% of their income by housing benefit.

The total number of housing benefit claimants has fallen in recent years (Figure 15) and government expenditure on housing benefit has also [fallen](#). Despite these falls, there are still many local markets where housing benefit claimants make up a large proportion of the private rented sector leaving them exposed to changes benefits. These changes include the household benefit cap and a freeze to Local Housing Allowance (LHA) which are causing issues for many low-income households, particularly in the [private rented sector](#). Given the wider affordability picture, it is likely the fall in housing benefit claimants results from reduced welfare spending rather than reducing demand.

Figure 15 – Housing Benefit Claimants by Tenure

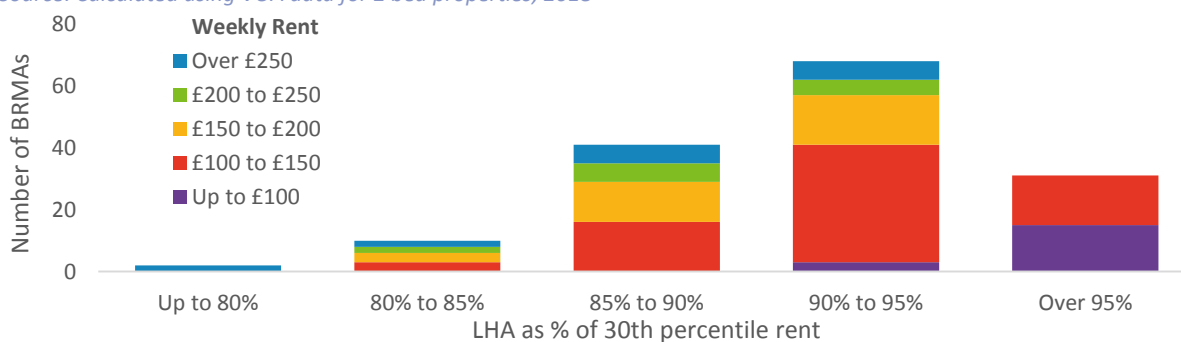
Source: DWP



LHA was originally intended to be equivalent to the 30<sup>th</sup> percentile of private rents across the Broad Rental Market Area (BRMA) for a given property type. However, the freeze in LHA since 2016 has resulted a growing gap between LHA and 30<sup>th</sup> percentile rents. Figure 16 shows that LHA only covers 95% or more of rent in just 31 of 152 of BRMAs. It also shows the gap is bigger in BRMAs with higher rents. Households must make up the difference from other income, including other benefits. However, this is made more difficult for those subject to the cap in total household benefit. It is also important to consider the impact on different household types including single parents and young people.

Figure 16 – Local Housing Allowance as % of 30<sup>th</sup> Percentile Rent by BRMA and Weekly Rent

Source: Calculated using VOA data for 2 bed properties, 2018



**LOW INCOME RENTERS SUMMARY: Local authorities need to be aware of how changes to housing benefit (cap, LHA freeze etc) are affecting different groups of renters.**

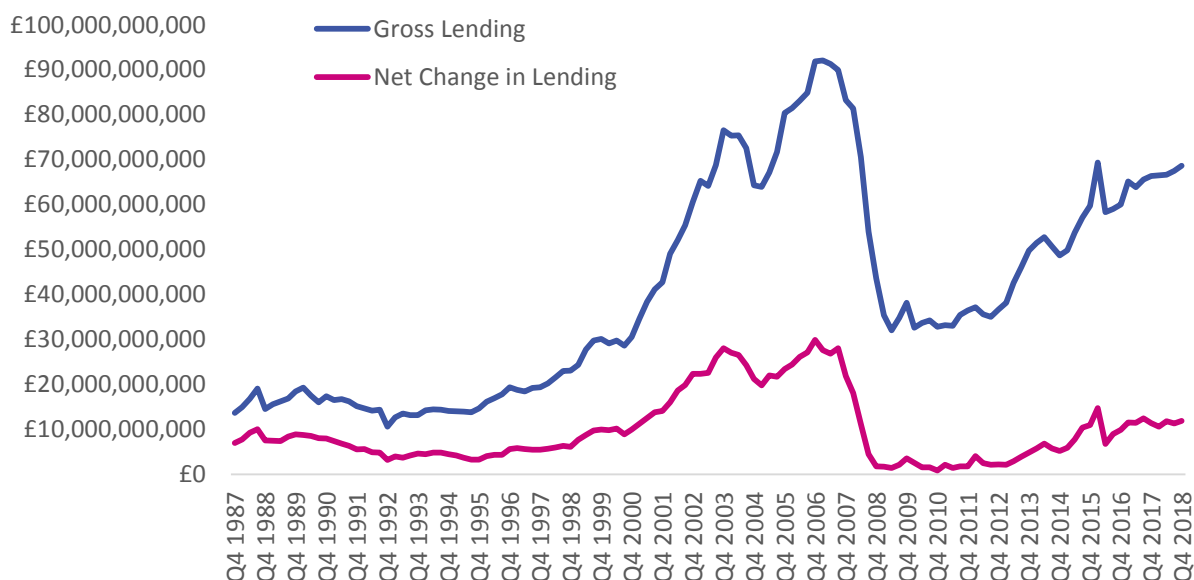
## 1.5. Financialisation of Housing

The fall in global interest rates has played an important role in the substantial rise of UK house prices over the last thirty years. The fall in interest rates was seen in most developed economies across the world but not all saw a similar rise in house prices. There are numerous reasons for this including the responsiveness of new supply but the links between the UK's economy, lenders, and housing market make UK house prices very susceptible to any changes in macro-economic conditions, banking regulation, and housing policy.

All the post-war housing booms and busts featured a combination of these factors but the late 1990s/early 2000s have had a lasting impact. It's more likely that looser mortgage lending conditions followed rather than led house price rises during the boom but it's clear that the massive increase in the volume of lending (Figure 17) along with relaxed lending criteria (higher loan-to-income and loan-to-value ratios, income self-certification, interest-only, and sub-prime lending amongst others) contributed to rising house prices.

Figure 17 – Gross and Net Lending Secured on Dwellings, UK

Source: Bank of England



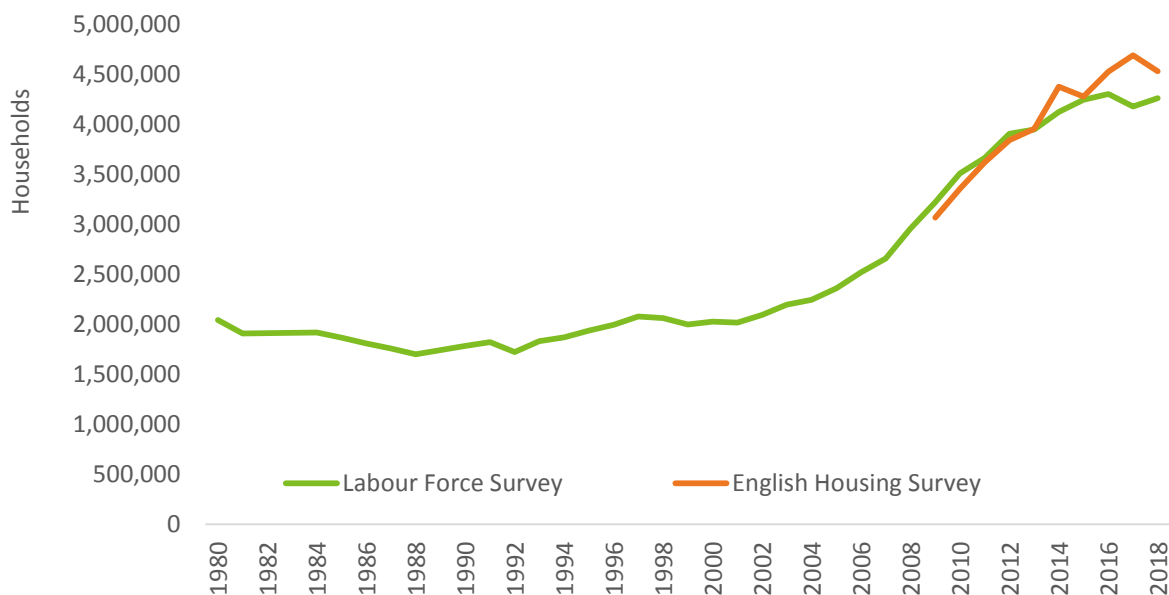
The combination of rapidly rising house prices, an advantageous tax system, and readily available mortgage debt enabled more people to move home, buy second homes, and buy investment properties. Many did so under the assumption that house prices would continue to rise in the future and saw significant benefits when prices did. Housing was increasingly viewed by many as a financial asset rather than just a home.

The financialisation of housing may have benefited most home-owners but there are many others who have been negatively impacted by it. For example, the growth in landlords and the private rented sector was enabled by the introduction of the assured shorthold tenancy and the buy-to-let mortgage lending market. Prospective first-time buyers soon found themselves competing with and being outbid by investors.

First-time buyers are no longer being outbid by investors thanks to a combination of tax changes and the greater availability of higher loan-to-value mortgages. This has seen first-time buyers take the place of investors in most markets outside London. As Figure 18 shows, it appears the rise in private rented households has levelled out in the last couple of years but it's still important to understand how these changes have negatively impacted people.

**Figure 18 – Private Rented Household, England**

Source: English Housing Survey



It's not just first-time buyers that investors have priced out. The financialisation of property also coincided with the rapid growth in the number of students attending higher education. The growth in student numbers was far greater than could be housed in existing university accommodation and so local markets were left to deal with the surplus of rental demand. Potential home movers found themselves crowded out by investors able to pay much higher prices thanks to the rents generated by squeezing students into what had been family homes. While the activity of investors has diminished in most markets and the growth in purpose-built accommodation has helped, the high concentrations of student households living in family homes has had a lasting effect on many local housing markets.

Many of the problems described in this report fit into more than one issue. For example, the student housing issue above is not just about financialisation but also housing distribution (see section 2.4). This is also the case for second homes. The conditions created by the financialisation of housing enabled more people to buy second homes in city centres, and desirable rural and coastal locations. This has had a direct effect on house price affordability in many of these locations, leaving local residents less able to afford to buy in their local markets.

**FINANCIALISATION OF HOUSING SUMMARY: The effects of financialised housing are varied and will depend on the geographic, social, and economic profile of your local authority.**

## 1.6. Falling Home-Ownership

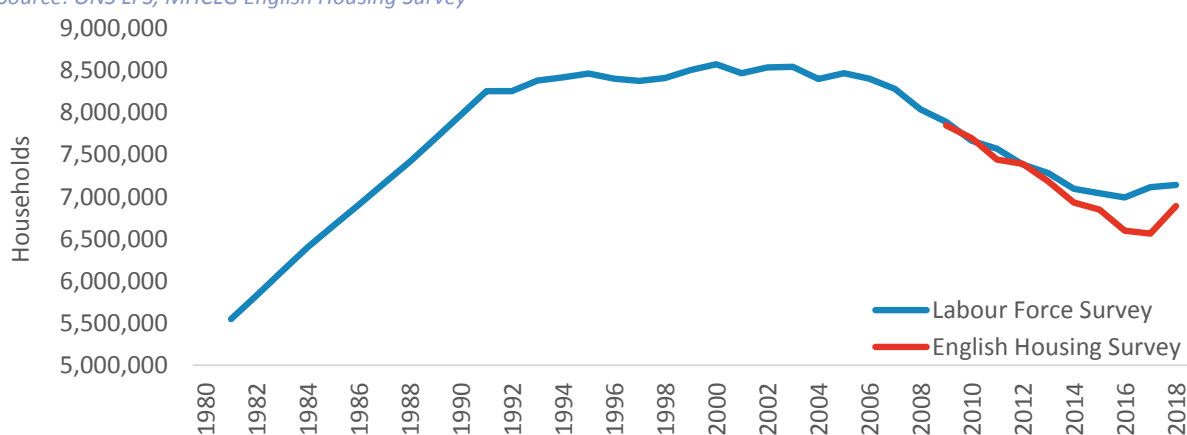
Home-ownership is this country's preferred tenure, housing nearly two-thirds (64%) of household and surveys repeatedly show that most people aspire to own their own home. Unfortunately, that aspiration has become increasingly unrealised for many people.

Home-ownership has fallen from its peak in the early 2000s (71% of households) while the number of mortgaged home-ownership stagnated through the 1990s and early 2000s. That stagnation reflects several factors including the ageing baby boomer generation moving into outright ownership and constrained housing affordability amongst lower income households. However, it was the credit crunch that is responsible for most of the decline in mortgaged home-ownership.

The credit crunch led to the withdrawal of higher loan-to-value mortgages and this created a massive deposit barrier preventing many prospective first-time buyers from buying (see Section 1.1.4). Mortgaged home-ownership has fallen by over one million households since 2007 (Figure 19 below).

Figure 19 – Mortgaged Home-Owning Households, England

Source: ONS LFS, MHCLG English Housing Survey



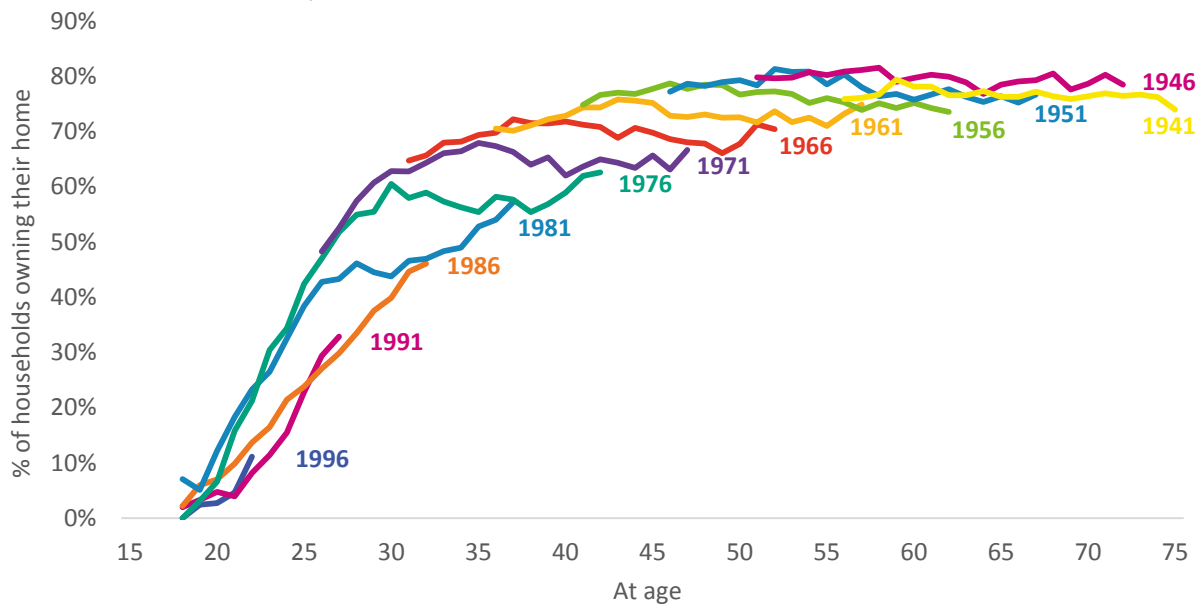
The fall in home-ownership would not necessarily be a problem if the alternatives offered similar benefits such as security of tenure, cost, quality, advantageous tax incentives, and the ability to minimise housing costs in retirement. Unfortunately, many of those priced out of home-ownership end up living in the private rented sector, which has none of those benefits. Reforming the private rented sector to offer at least some of those benefits would be an improvement but home-ownership remains the preferred tenure, not least thanks to the continued assumption that house prices will rise in the future.

Recent years have seen housing policy target first-time buyers with the intention of increasing home-ownership. Higher loan-to-value mortgages have increased in availability and have reduced their mortgage rate premium to lower loan-to-value products. Meanwhile, the changes to Stamp Duty Land Tax have hit investors and helped first-time buyers replace them in all but the highest house price markets. Surveys now suggest that mortgaged home-ownership has started to rise again in the last couple of years (Figure 19).

Home-ownership may be rising again but many people have and will continue to be affected by both the credit crunch and high house prices relative to incomes. As Figure 20 shows, home-ownership rates for younger generations are recovering but are still lower than for previous generations at any given age. It's possible that these generations could see lower home-ownership rates forever even if the mortgage market continues to improve as house price affordability remains a constraint, particularly for less wealthy and lower income households.

Figure 20 – Home-Ownership Rate by Age Cohort (Year Born), UK

Source: ONS Labour Force Survey



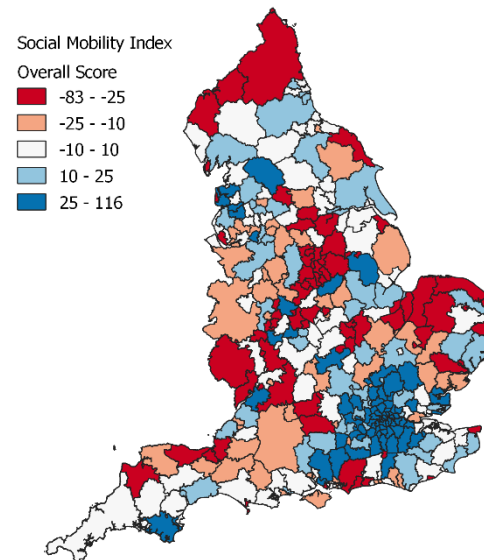
**FALLING HOME-OWNERSHIP SUMMARY:** People were already struggling to access home-ownership prior to the recession but mortgage lending conditions following the credit crunch have been the biggest barrier. Local authorities may struggle to influence local home-ownership rates given the importance of wider economic conditions and limited evidence that building new homes has an effect on home-ownership rates

## 1.7. Social Mobility

Social mobility is a much bigger issue than just housing, but housing plays an important part in both enabling and preventing disadvantaged people from making social progress.

The barriers to social mobility can take many forms. The Social Mobility Commission published their fifth '[State of the Nation](#)' report in 2017. It noted that: "The divide is not just an economic or social one. It takes the form of a widening geographical divide". As part of that report they published a [Social Mobility Index](#). Figure 21 shows the overall score across all local authorities with blue representing areas of high social mobility and red representing areas of low social mobility. The report highlighted that: "There is no simple north/south divide. Instead, a divide exists between London (and its affluent commuter belt) and the rest of the country – London accounts for nearly two-thirds of all social mobility hotspots."

Figure 21 – Social Mobility Index by LA  
Source: Social Mobility Commission



London and its affluent suburbs may rank most highly overall for social mobility, but the underlying unaffordability of its housing markets are a big problem as pointed out by recent LSE [research](#). Young peoples' ability to access home-ownership is increasingly determined by whether their parents are home-owners or not. As section 1.1.4 showed, managing to raise a deposit is a big barrier for many prospective first-time buyers. This has meant that increasing numbers are now reliant on the 'bank of mum and dad' as shown by Figure 22 below. This is an even bigger issue for the most expensive markets like London where the required deposit is so large that there's little hope of saving up and it requires borrowing from a very wealthy 'bank of mum and dad', one probably already based in London.

Figure 22 – Source of First-Time Buyer Deposit, England

Source: English Housing Survey (more than one answer could be given)



**SOCIAL MOBILITY SUMMARY: Social mobility is a bigger issue for local authorities than just housing but it is an important factor to include in any assessment.**

## 1.8. Weak Economic Demand

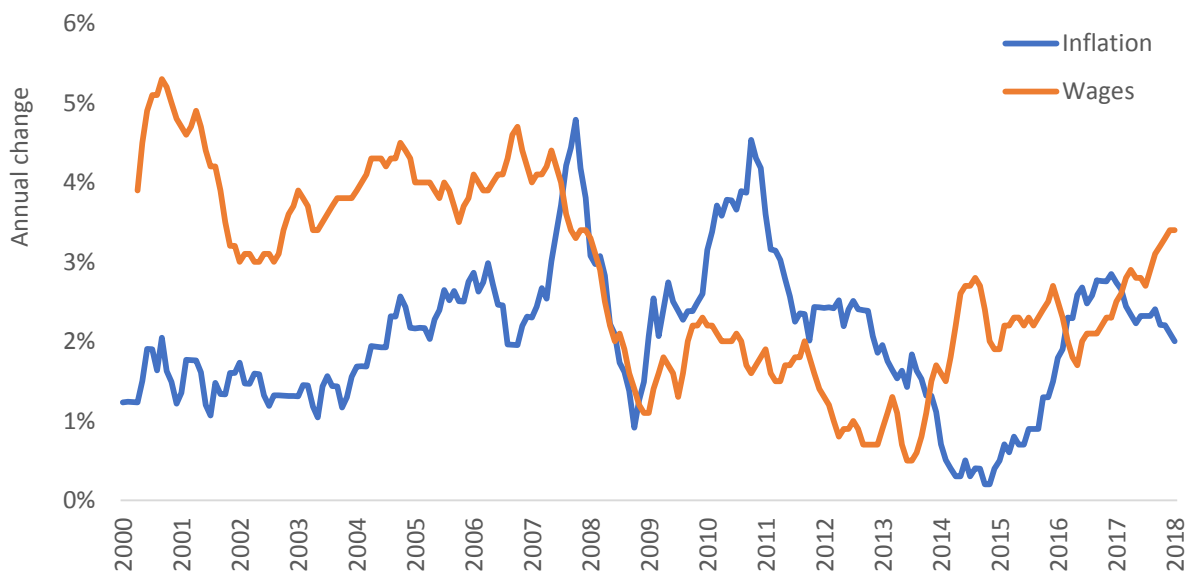
The challenges described above have generally focussed on the most unaffordable of markets, usually in terms of house price. However, even the markets with the lowest house price to earnings ratios have considerable affordability challenges. As highlighted in section 1.1.2, recent work by Geoff Meen showed that 30% of renters in the North East could not afford a property at the lowest house price decile. For many people in this area and others, the challenge is not just the cost of a home but also the underlying economic conditions.

Recent years have seen many people across the UK experience a cost of living squeeze as wages have risen slower than inflation (Figure 23). Meanwhile a lack of job opportunities and employment insecurity all contribute to a situation where people are unable or unwilling to rent or buy appropriate housing.

With much stricter mortgage lending regulations, many prospective first-time buyers in economically weaker areas may struggle to pass affordability tests. Even when they do, the underlying insecurity of their employment situation may leave many wondering whether a long-term commitment to paying a mortgage is a sensible decision, especially when the cost of renting is relatively affordable.

Figure 23 – Wage Growth and Inflation, UK

Source: ONS



Measuring the economic challenges in local areas is relatively easy thanks to large amounts of ONS data. However, it can be more difficult to assess who is most affected by these issues below a regional level without primary data collection through surveys.

**WEAK ECONOMIC DEMAND SUMMARY: Even local authorities with apparently ‘affordable’ house prices will contain households struggling with unaffordable housing due to local economic challenges and other issues.**

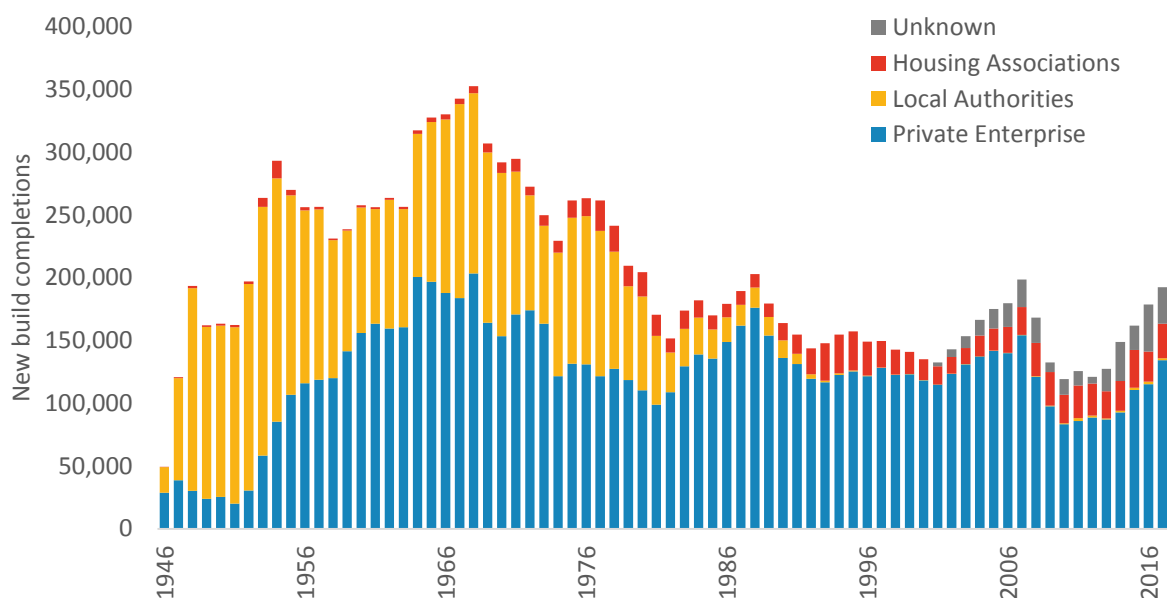
## 2. Availability of Housing

Housing is unavailable for everyone that needs it because we have not been building enough new homes is the most popular housing crisis narrative. The typical argument is that new-build supply has consistently failed to meet the rate of projected household formation and increasing new housing supply to this rate or above is widely seen as the solution.

Building new homes is essential to making housing available for everyone that needs it and new supply has been increasing in recent years (Figure 24 below). However, the lack of new homes is only part of the problem for many local markets. New homes only account for around 10-12% of all residential transactions and so the second-hand market tends to provide most of the available housing supply at any given time.

Figure 24 – New Build Completions by Tenure, England

Source: MHCLG Tables 213 and 120



The dependence on existing housing stock for most housing transactions means that the low turnover of existing homes is a big problem for many areas. This is particularly the case where housing is unevenly distributed. Housing can be unevenly distributed in terms of space and location. For example, many older households have more space than they regularly need while younger larger households squeeze into homes that are too small for their needs. Meanwhile some areas with strong demographic demand may not have enough homes while other areas with weak demographic demand may have too many homes. Understanding how the availability of homes varies across local markets is essential to ensuring new supply is most effective. Ideally, it should also be cross-referenced against plans for economic growth and infrastructure improvements.

This section of the report will look at the different ways of measuring the availability of housing and measures of housing need and demand. It will then look at what they tell us about local housing challenges.



## 2.1. Measuring Availability

This section looks at the various ways of measuring the availability of housing.

### 2.1.1. Measuring Existing Housing Stock

The first step in measuring the availability of housing is to understand the existing dwelling stock. Fortunately, there are several different sources for data on dwellings in England with varying levels of detail and geography. These include:

- [Census](#)
- MHCLG [English Housing Survey](#)
- MHCLG [Dwelling Stock](#)
- MHCLG [Council Taxbase](#)
- VOA [Council Tax](#)

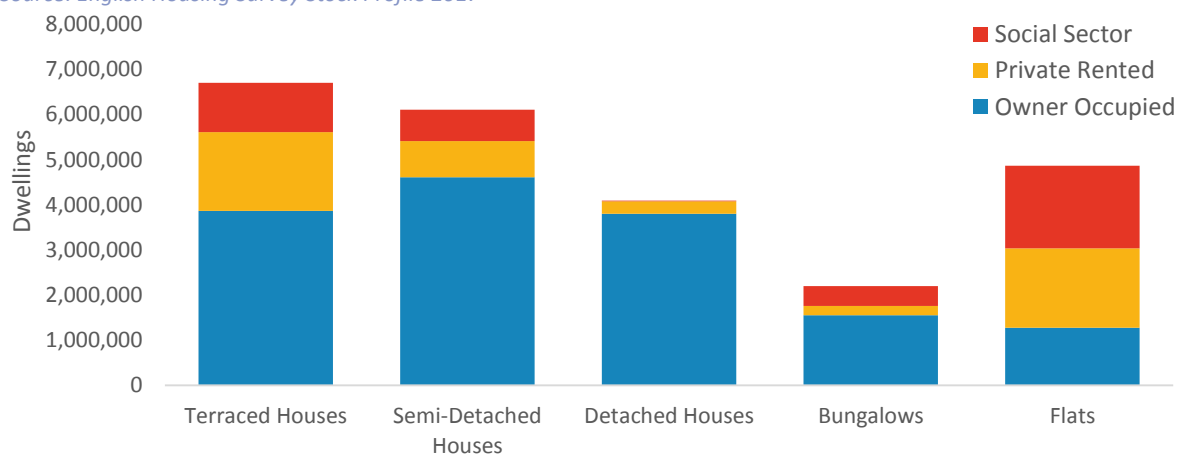
The Census provides a very useful and detailed decennial look at the population and housing profile of residents in England and Wales. It provides very granular geographic data which is available from the slightly intimidating [Nomis](#) website and has been used to create resources such as the mapping website [DataShine](#). One difficulty with the Census is that it is based on population so there are some differences in definitions and variables. For example, accommodation type is measured by household space rather than dwelling (there can be multiple household spaces in one dwelling) while tenure and number of bedrooms is typically measured by households.

The English Housing Survey provides a more detailed annual look at dwellings than the Census (and the housing circumstances of households as it is two surveys in one). However, it is a much smaller sample and published data is usually limited to former government office region level or above. It is weighted using MHCLG's Dwelling Stock so matches these numbers. The detailed survey responses are available by request from [UK Data Service](#).

MHCLG's Dwelling Stock data also provides estimates for the number of dwellings at a local authority level by tenure. Meanwhile the Council Tax based statistics from MHCLG and VOA provide more detailed information on Council Tax exemptions and property characteristics (tax band, property type and build period) respectively.

Figure 25 – Housing Stock by Tenure and Type of Dwelling, England

Source: *English Housing Survey Stock Profile 2017*



### 2.1.2. Measuring New Supply in Dwellings

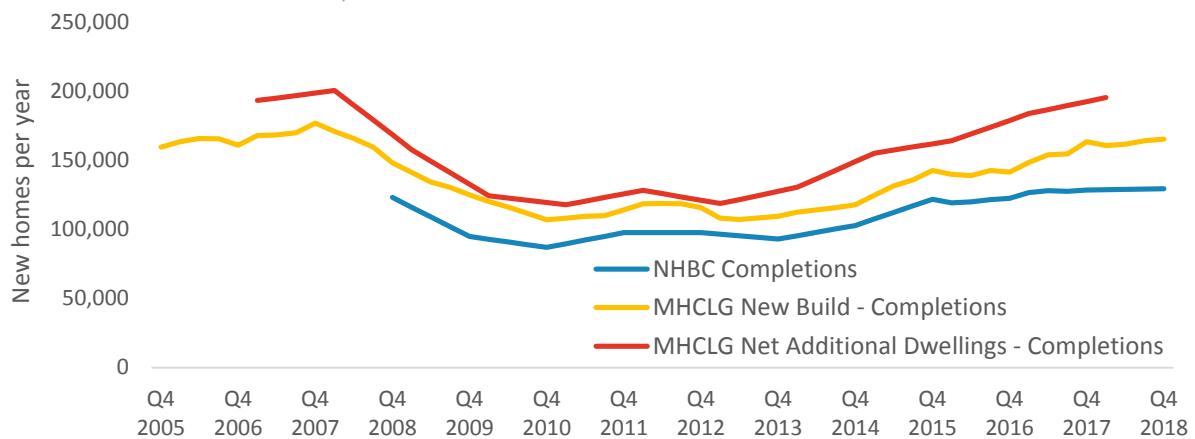
Counting new homes should be easy as there's a physical object you can see and feel but it turns out to be quite difficult. Limitations with the available housebuilding data mean we don't accurately know how many new homes are being built, where they are being built, and who is building them. That is a big problem.

The most frequently used data is MHCLG's [House Building: New Build Dwellings](#) series of tables. The data is published quarterly, at local authority level, covers starts and completions, has a long run of historic data, and includes tenure splits. It is regularly used to create charts such as Figure 24 to demonstrate numerous issues including a lack of new supply and the historic importance of local authorities in building new housing.

Unfortunately, there are several issues with MHCLG's New Build data and it is frequently misused. The biggest issue, as Figure 26 shows, is an undercount in the number of completions when compared to the housebuilding completions recorded in MHCLG's more comprehensive [Net Additional Dwellings](#) data. Recent MHCLG [statistical releases](#) have relegated the New Build data to 'leading indicator' status and so they should not be relied on as an accurate measure of the number of new homes started or completed. There are suggestions that this undercount started in the 1990s and this [video](#) of a presentation by Neal Hudson of Residential Analysts goes into more detail on the possible reasons for the undercount.

Figure 26 – New Build Completions, England

Source: MHCLG Tables 213 and 120, NHBC



Another issue is that the undercount appears to be bigger in urban areas where housing is less likely to be delivered by the volume housebuilders. The new build data and underlying NHBC data appear to be missing some of the recent increases in delivery by small and medium sized housebuilders, build-to-rent developers, premium developers, and housing associations. It therefore doesn't reflect the widening range of companies and organisations delivering new homes. Any analysis or policy suggestions using NHBC's data on small and medium sized housebuilders may not accurately reflect the actual recent trends in housebuilding by these organisations.

Identifying who is building new homes raises a further problem with the New Build data: the tenure split. It is frequently assumed that the tenure split, as seen in Figure 24, reflects the tenure of the homes being built. This is not the case. The tenure reflects the status of the organisation building the homes and more accurately the organisation registering the completion. This is a problem in situations such as joint ventures, where housing associations are building market housing, or when the main contractor registers the home.

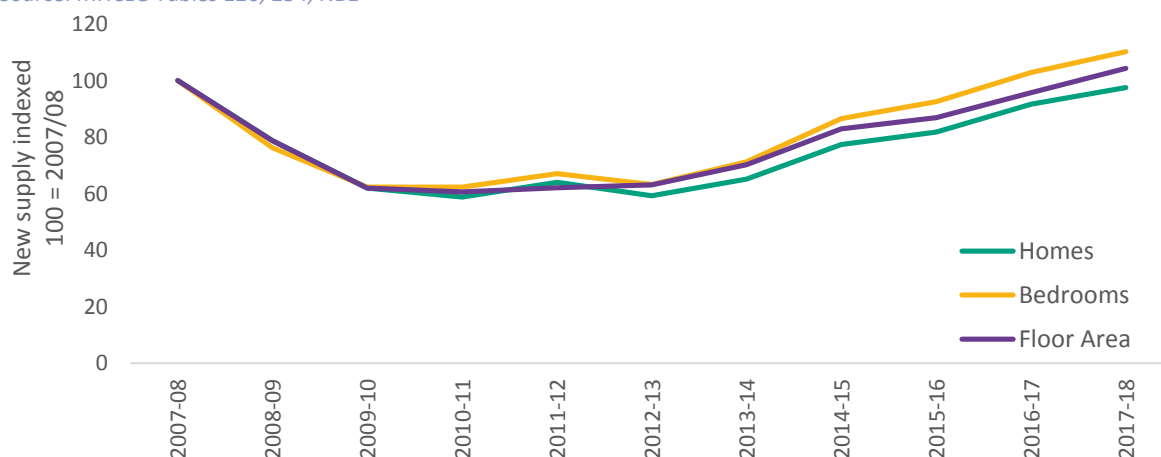
Given all the above problems, it is advisable to treat the MHCLG New Build data with caution. Unfortunately, the more comprehensive housebuilding completion data in MHCLG’s [Net Additional Dwellings](#) release is only available annually with a 9 month delay. However, while the Net Supply data is more comprehensive, it is not perfect as it only reports the data provided at the time of measurement and is not updated. For example, comparisons with local authorities’ annual monitoring reports may highlight differences in delivery that will only be revised in MHCLG’s Net Additional Dwellings data following the next Census.

### 2.1.3. Measuring New Supply

Measuring new supply in terms of number of dwellings is the preferred option and reflects the government’s housebuilding target but it is not the only way. For example, Figure 27 below shows the trend in total new housing delivery not just in terms of number of dwellings but also total floor area (i.e. square metres) and total number of bedrooms built. However, the ability to measure delivery in this way at a local level is compromised by a lack of data.

Figure 27 – New Supply by Dwellings, Bedrooms and Floor Area

Source: MHCLG Tables 120, 254, NB1



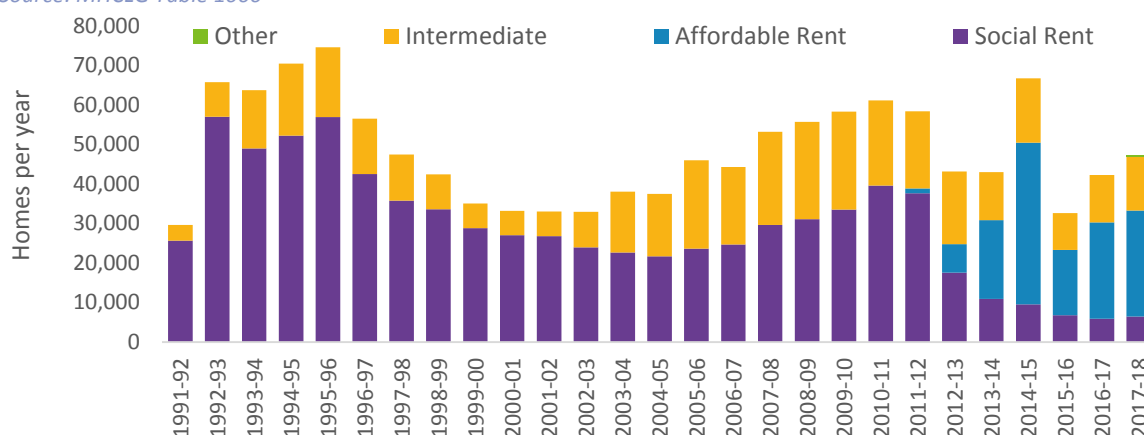
Measuring new supply in units of more than just dwellings would better enable local authorities to ensure they are meeting local housing need and demand. It would also help avoid the risks created by a housebuilding target based on a single headline number of dwellings. For example, a target based just on dwellings could unintentionally lead to the construction of homes that are smaller than appropriate for that local market. So far, that does not appear to be happening at a national level as Figure 27 shows delivery by number of beds and floor area rising faster than by number of homes since the recession.

## 2.1.4. Measuring Affordable Housing Delivery

As Section 2.1.2 highlighted, the tenure variable in MHCLG’s [new build dwellings](#) data reflects the tenure of the organisation registering the completion and not the tenure of the home built. Fortunately, MHCLG also publish separate [affordable housing delivery](#) data as shown in Figure 28. The National Housing Federation also publish data on [housing delivery](#) by housing associations. However, this data covers all new homes involving a housing association and so there may be overlaps with other published sources.

Figure 28 – Affordable Housing Delivery, England

Source: MHCLG Table 1000



## 2.1.5. Measuring Development Land

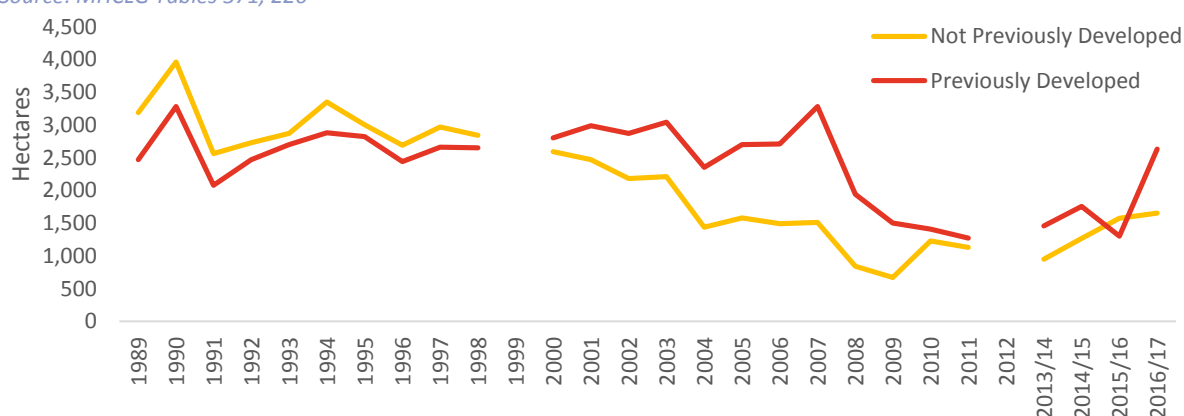
Identifying land for development is an essential step in planning for new homes.

Unfortunately, there is limited publicly available data on land ownership and control, though the situation has improved with the release of Land Registry’s title ownership data ([Commercial & Corporate](#) and [Overseas Companies](#)). However, the use of this data is limited without the addition of the [National Polygon](#) dataset though there are some 3<sup>rd</sup> party products that provide cost-effective access.

[Brownfield Land Registers](#) are frequently cited as a [significant source](#) of land for new homes but there are concerns about how much can realistically be delivered. [Land use change](#) data from MHCLG provides a useful summary of the land used for new homes though changes in methodology make comparisons over time difficult (Figure 29).

Figure 29 – Land Changing to Residential Use by Previous Use, England

Source: MHCLG Tables 371, 226

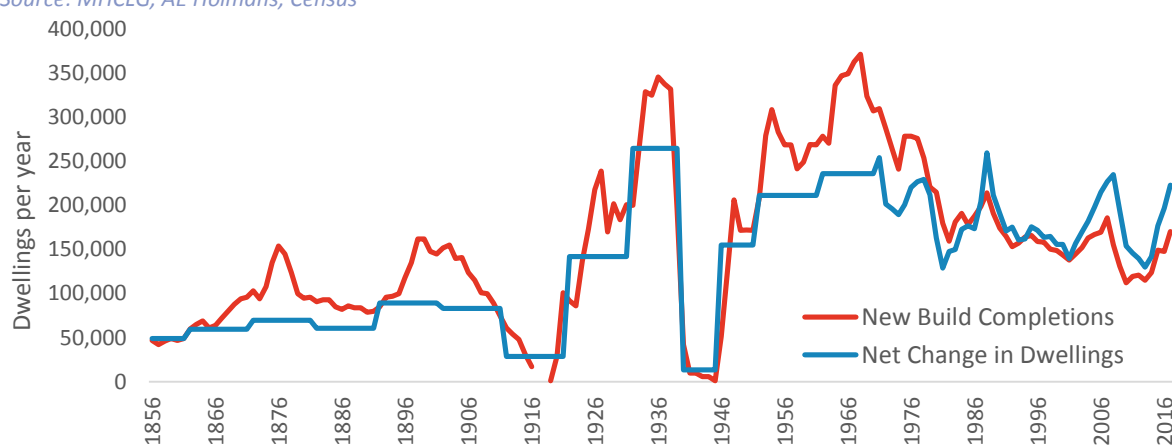


## 2.1.6. Measuring the Change in Existing Stock

Housebuilding completions may be the single biggest factor in how the housing stock changes each year but it is not the only one. Figure 30 shows how the net change in dwellings can vary significantly when compared to completions. Historically, the total number of dwellings increased by less than the rate of housebuilding as existing homes were demolished. This is an important point to bear in mind when looking at the large volume of housebuilding during the post-war period. More recently, the stock of existing homes has been increasing by more than the rate of housebuilding. This reflects the importance of conversions and changes of use, including permitted development rights, in the supply of new homes.

Figure 30 – Gross and Net Housing Supply, England and Wales

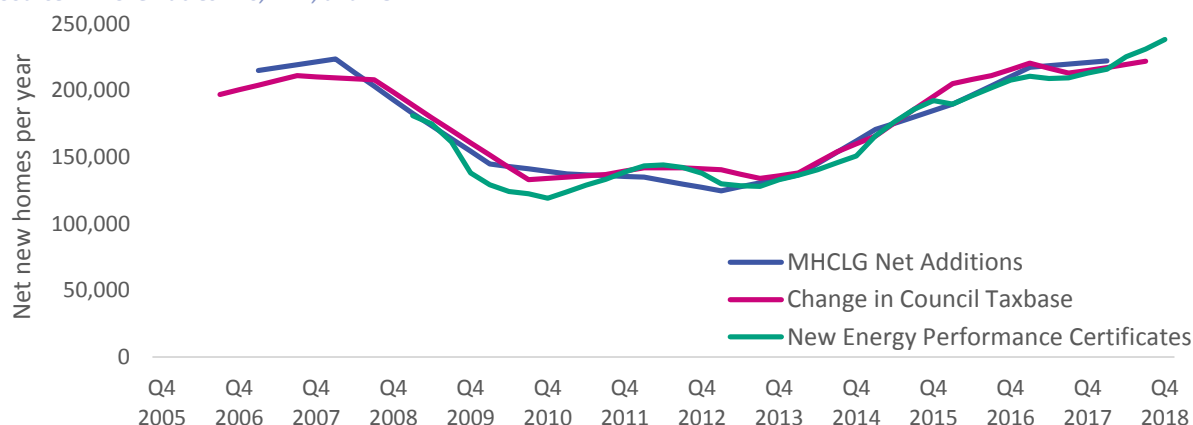
Source: MHCLG, AE Holmans, Census



MHCLG’s [Net Additional Dwellings](#) data is central government’s preferred measure for the net change in dwelling stock but the delay in publication (typically in November for the previous financial year) makes up-to-date analysis tricky. It’s also important to note the final point made in Section 2.1.2 that historic data is not updated until the next Census even if there are clear differences. Fortunately, as Figure 31 shows, there are other data sources that can be used as leading indicators for the change in dwelling stock. These include changes in the number of dwellings recorded in the Council Tax data ([MHCLG](#) and [VOA](#)) and the number of new [Energy Performance Certificates](#) (EPCs) issued. EPCs have recently been added to MHCLG’s New Build release as an ‘official’ leading indicator of net supply.

Figure 31 – Net Change in Dwellings, England

Source: MHCLG Tables 120, NB4, and VOA



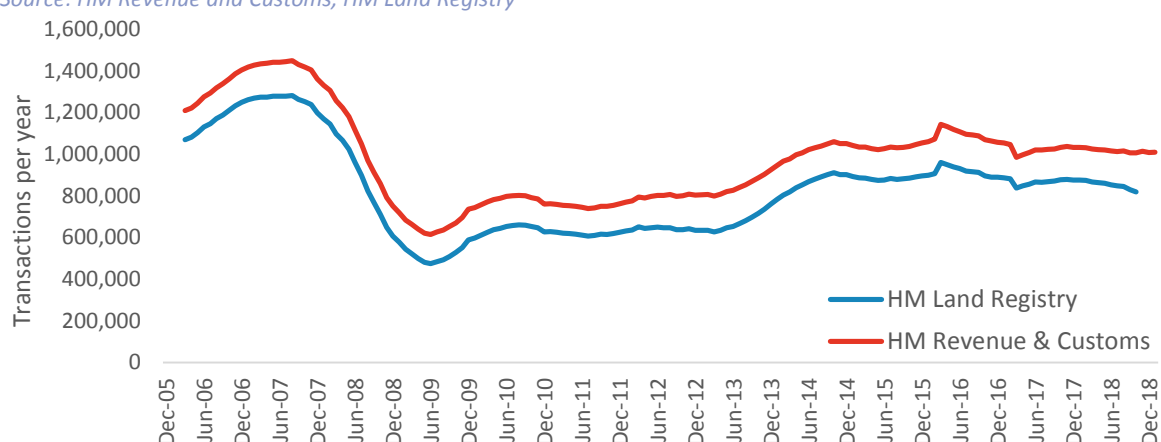
### 2.1.7. Measuring Housing Market Transactions

The introduction to this section noted that new homes only account for around 10-12% of all residential transactions. Therefore, the second-hand market tends to provide most of the available housing supply at any given time.

Measuring housing market transactions is relatively easy thanks to the HM Land Registry sales data published within the [house price index release](#). However, there are some complications to be aware of when using this data. The first is that some transactions are excluded from the Land Registry release as they are judged to not be transacted at a market price. This is shown by the shortfall when compared to HM Revenue and Customs national [transaction data](#) in Figure 32 below.

Figure 32 – Housing Market Transactions, England

Source: HM Revenue and Customs, HM Land Registry



These [excluded transactions](#) include transfers under a power of sale/repossessions, mortgaged buy-to-lets, and corporate transfers. Therefore, the published transaction count can be significantly below actual levels in areas with lots of mortgaged buy-to-let (e.g. historic new build hotspots) and lots of corporate transactions (e.g. central London). The excluded transactions have been published as additional data within the Land Registry [Price Paid](#) data since 2013.

A second complication with the Land Registry sales data is raised by Figure 32 but may not be immediately apparent. The Land Registry data is not published for the two most recent months and the gap between the two lines is wider in latest published months. This reflects a lag in transactions being recorded with Land Registry. This lag limits our ability to assess very recent transaction trends and has directly impacted on the ONS house price index (though now fixed). Given the lag's importance, it is dealt with separately in the following section.

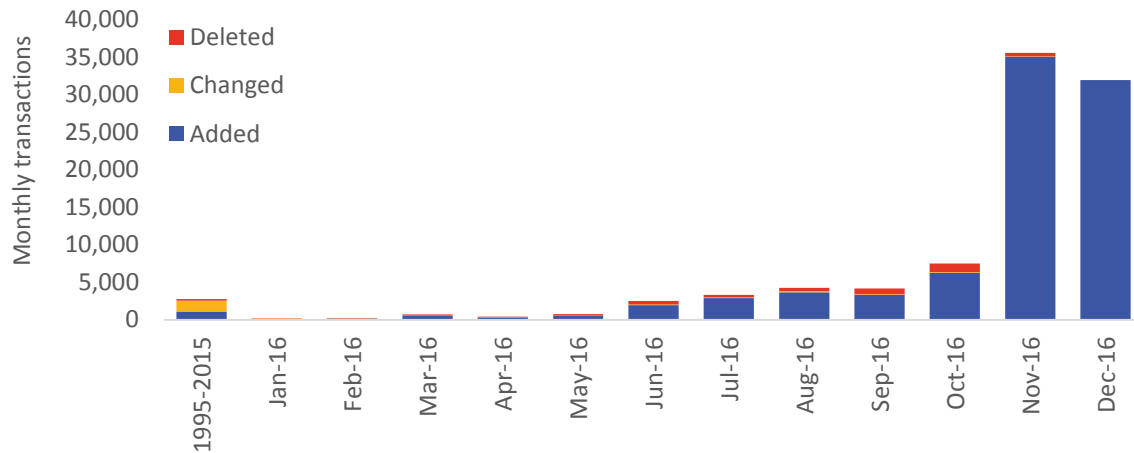
## The Land Registry Lag: Volatility in Prices and Transactions

Every month HM Land Registry publish the latest release of registered sales in their very useful [Price Paid Data](#). With only a month delay, it is tempting to use this data to understand recent trends in transactions. However, there can be a time lag in when a sale is registered with Land Registry and this lag can cause misunderstandings.

For example, [Figure 33](#) below shows the data for sales registered in December 2016. Only 36% of the sales added to the registry in December took place during December. 40% of sales added took place in November, 7% in October, and 1.2% between 1995 and 2015.

**Figure 33 – Transactions Registered in December 2016**

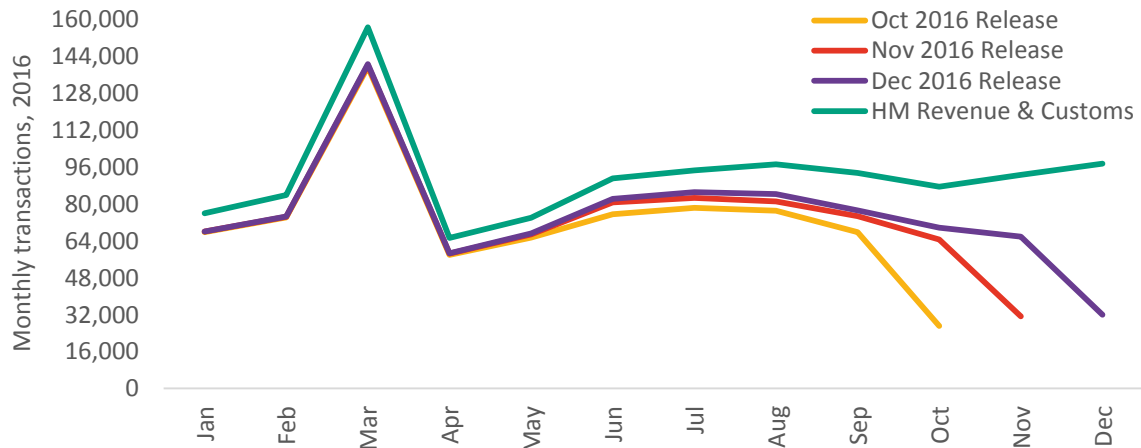
Source: HM Land Registry Price Paid Data



This lag in when sales are registered can cause issues when trying to identify recent trends in housing transaction levels. [Figure 34](#) below shows how the total transaction count changes substantially with each new release of registrations. For example, the first release of sales during October 2016 only recorded 39% of October sales recorded in the December 2016 release. It's for this reason that the sales data available from the ONS UK House Price Index is two months behind the house price series and the house price index revision period has been increased to 12 months. The lag also appears to be more substantial for new build sales, possibly due to the additional time taken to create a title.

**Figure 34 – Monthly Transactions by Release, 2016**

Source: HM Land Registry Price Paid Data A and B



### 2.1.8. Measuring Housing Need

Measuring housing need is not a simple topic and to provide you with anything approaching a comprehensive guide would require its own long report so this is a very short introduction.

There are different approaches to measuring housing need including not just future need but also any previously unmet need (backlog). These approaches typically include analysis of household formation rates, sharing and concealed households, overcrowding, and trends in the underlying population such as migration. Housing need calculations may also reference affordability, any need arising from plans for economic growth, or emerge separately from a council's Health and Wellbeing Strategy.

The complexity and different approaches to measuring housing need had led to a situation where a skilled consultant could create a model with housing need numbers that match any required narrative. To combat this issue and to meet their housing delivery targets, central government introduced the [Standard Method](#) of calculating housing need (see box out).

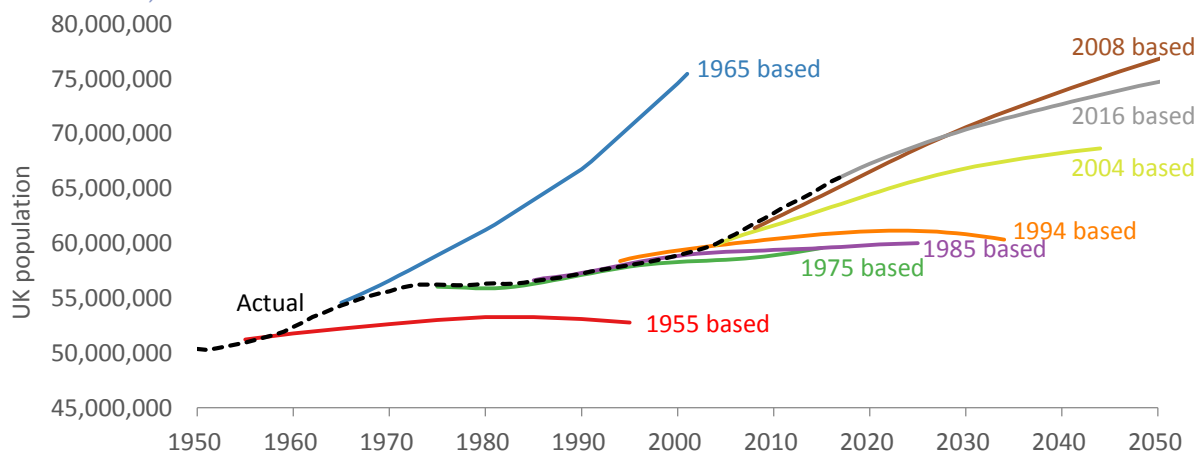
### 2.1.9. Measuring Households

Counting and forecasting the number of households is an important part of most housing need calculations, including the Standard Method. Household numbers are also regularly referenced when highlighting an historic lack of supply and the need to increase future housing delivery. However, even measuring historic household numbers is difficult and local authority data is limited (e.g. it's not clear [what has happened](#) to household numbers since the 2011 Census). Forecasting household numbers is even more challenging and [household projections](#) have several inherent problems that limit their usefulness.

The first problem with household projections is that they are based on [population projections](#). As such they are highly dependent on the assumptions contained within the population projections. Any changes in migration patterns (both [domestic](#) and [international](#)) or natural change ([births](#) less [deaths](#)) will impact on the underlying population projections. As Figure 35 shows, the track record for population projections has not been great, sometimes only getting it right for a period thanks to errors cancelling each other out (e.g. [1975 based](#)).

Figure 35 – Population Estimates and Projections, UK

Source: MHCLG, ONS





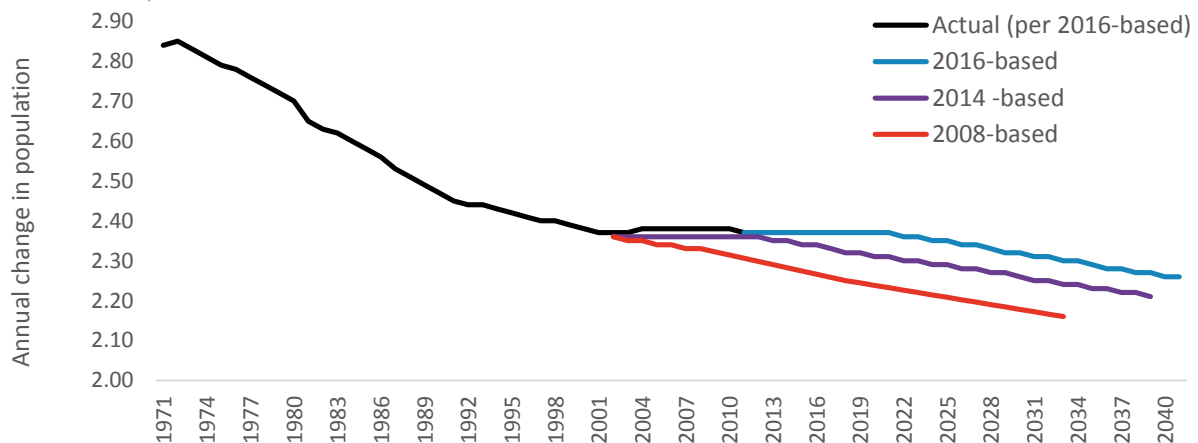
The second and perhaps biggest problem with household projections is the [household representative rates](#) (HHR) used to convert population into households. HHRs are the proportion of people in a specific demographic group who are the household reference person (historically called the head of household). A simpler way to understand the HHR is in terms of household size.

The average household size had fallen during the 20<sup>th</sup> century and most household projections expected this trend to continue. However, as Figure 36 shows, it has remained stuck at around 2.4 people per household over the last 20 years. There are several different [explanations](#) for this including unaffordable and unavailable housing constraining household formation amongst younger people and larger household sizes amongst migrants.

The assumptions on how household size will change in the future therefore have a very large effect on projected household numbers. Changes in these assumptions are also partly responsible for the differences between the ONS published [2016 projections](#) and [previous MHCLG versions](#). As Figure 36 shows, the 2016 based projections are ‘two-in-one’. The period up to 2021 assumes a continuation of recent trends and could be considered a truer projection as actually based on recent trends. Meanwhile the post 2021 period assumes a fall in average household size and the effect of this can be seen in the ‘step’ in Figure 42.

Figure 36 – Average Household Size, England

Source: MHCLG, ONS



The final problem is the most significant at a local level. It is the circularity of household projections due to households only being able to form if there is a home to move into.

For example, if a local authority is building many homes for people to move into then the population will grow. When the next round of household projections are published, they will, as projections of recent trends, reflect the recent population growth and show higher household projections for the local authority. This can be seen in the ONS 2016 projections with the high housing supply areas of Tower Hamlets, Aylesbury Vale, and Barking and Dagenham projected to see the highest household growth rate between 2016 and 2021.

Meanwhile, a local authority with an unaffordable housing market and lower historic housing delivery may see lower population growth. Future household projections will then reflect this lower growth and the household projections will be low. Kensington and Chelsea, the local authority with the highest average house price, is projected to see a fall in the number of households between 2016 and 2021 in the ONS 2016 projections.

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## Standard Method of Assessing Housing Need

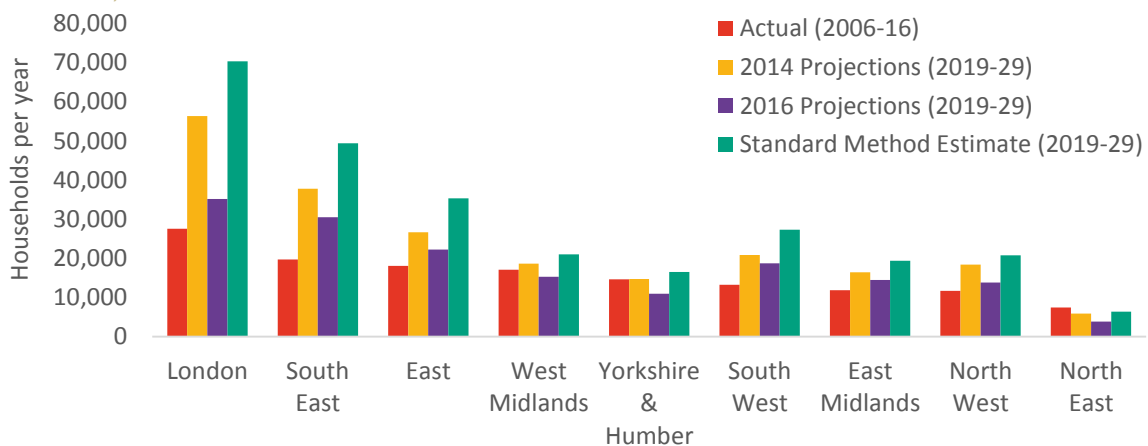
MHCLG’s [standard method](#) takes a formulaic approach to calculating a minimum housing need number. It’s a clearly defined three- step process involving:

1. Setting the baseline
2. An adjustment to take account of house price affordability
3. Capping the level of any increase

Setting the baseline housing need number simply relies on household projections for an average household growth figure over 10 years. MHCLG recommend using the older 2014 based MHCLG household projections as the newer 2016 based ONS projections are much lower (see [Figure 37](#)) and don’t add up to central government’s target of 300,000 net new homes per year when used. This approach to setting the baseline raises all the problems with household projections as highlighted in Section 2.1.9 and the 2014 based projections include the warning that “They are not an assessment of housing need”.

**Figure 37 – Net New Households by Region**

Source: ONS, MHCLG



The second step adjusts the household projections depending on local housing affordability as measured by workplace-based house price to earnings ratios. It increases the housing need number by 0.25% for each 1% the ratio is above 4. For example, a house price to earnings ratio of 6 =  $((6-4)/4) \times 0.25 = 12.5\%$  increase. Broadly, this approach increases the housing need number in areas with high house prices and leaves it unadjusted in areas with low house prices. The use of market signals to assess need is useful but house price to earnings ratios are simplistic (Section 1.1.2) and may not reflect the actual underlying affordability issues in local markets, including for those areas with ratios of 4 or below.

The final step caps the increase calculated in step two depending on the “current status of relevant strategic policies for housing” to ensure the deliverability of any target.

The standard method helps avoid the complexities and problems arising from the varying approaches previously used. However, the two data sets it relies on create their own problems. For example, the cost of housing would be a better affordability measure than the cost of houses, but data is limited. Meanwhile recent trends in household formation may have limited relation to wider strategies for and limitations posed by infrastructure, employment, natural resources, and other development constraints or opportunities.

### 2.1.10. Measuring Housing Need Backlog

The backlog in unmet housing need typically assumes the historic under-supply of housing has prevented potential households from forming. As mentioned previously in Section 2.1.8, there are several different ways of identifying unmet housing need.

The simplest way to calculate backlog need involves comparing actual household formation to household projections for the period. However, this is a crude approach due to the problems with household projections covered in Section 2.1.9. Other ways of assessing backlog include measuring housing affordability (see Section 1.1), sharing, concealed and overcrowded households, homelessness, and housing waiting lists.

Data for some of these measures is easier to find or calculate than others, especially at local authority level. Housing waiting lists are published by [MHCLG](#) though, as Figure 38 shows, there have been changes in their criteria that mean they're not an accurate measure of need. There's also a large amount of data on local authority level homelessness published by [MHCLG](#) though care needs to be taken with changes in definition over time (Section 2.5).

Figure 38 – Households on Local Authorities' Housing Waiting Lists, England

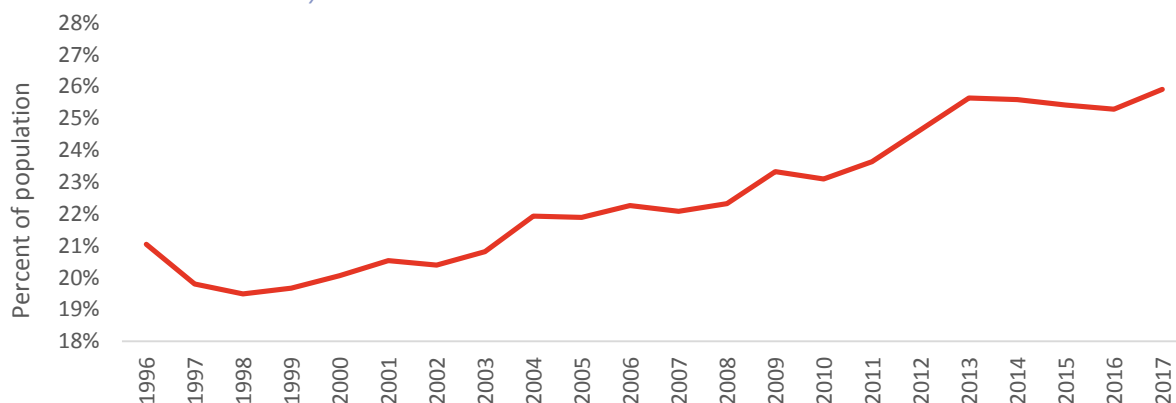
Source: MHCLG



Measuring sharing, concealed, and overcrowded households is more difficult. ONS publish data on [families and households](#) which includes households by number of people and adults living at home but only at a UK level. They also publish [household counts by region](#). The [English Housing Survey](#) provides some national data but the best source for local level data is the [Census](#). However, this limits the ability to monitor changes over time.

Figure 39 – Percent of Young Adults Aged 20-34 Living at Home, UK

Source: ONS Labour Force Survey



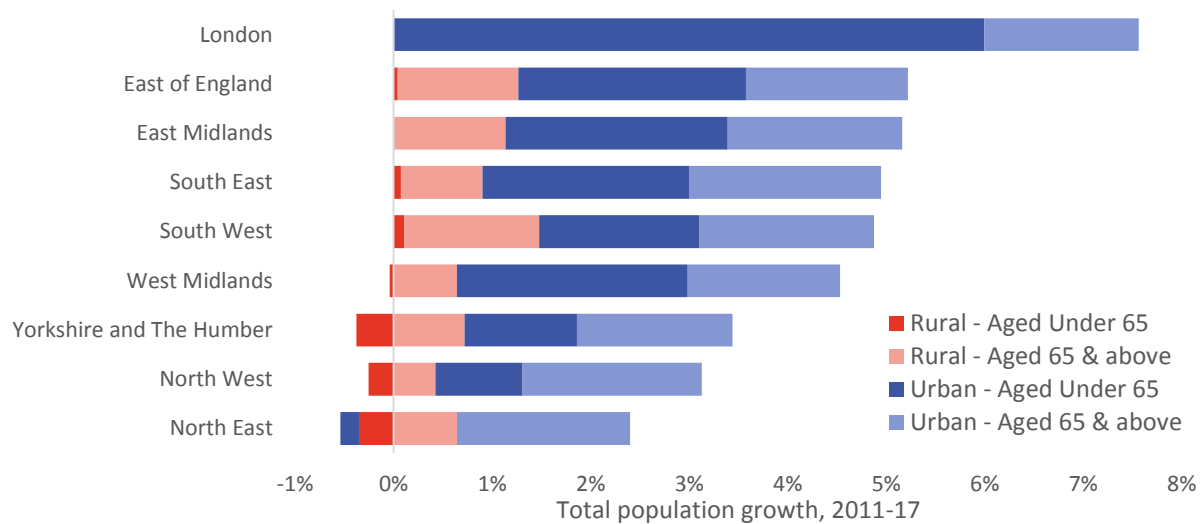
## Rural and Urban Areas

There are many ways to segment and analyse the need and supply of housing including age, income, household type, property type, tenure, etc. However, it is also important to understand the physical geography of an area such as [topography](#) and [land use](#).

Recent decades have seen different trends in population growth depending on whether the area is [urban or rural](#). **Figure 40** shows that many, though not all, urban areas have seen considerable growth in both young and older people since 2001. However, many rural areas have only seen growth in the number of old people. This raises a number of questions about the need for services and amenities along with the longer-term survival of rural communities.

**Figure 40 – Population Growth 2011-17 by Age, Rural/Urban Classification, and Region**

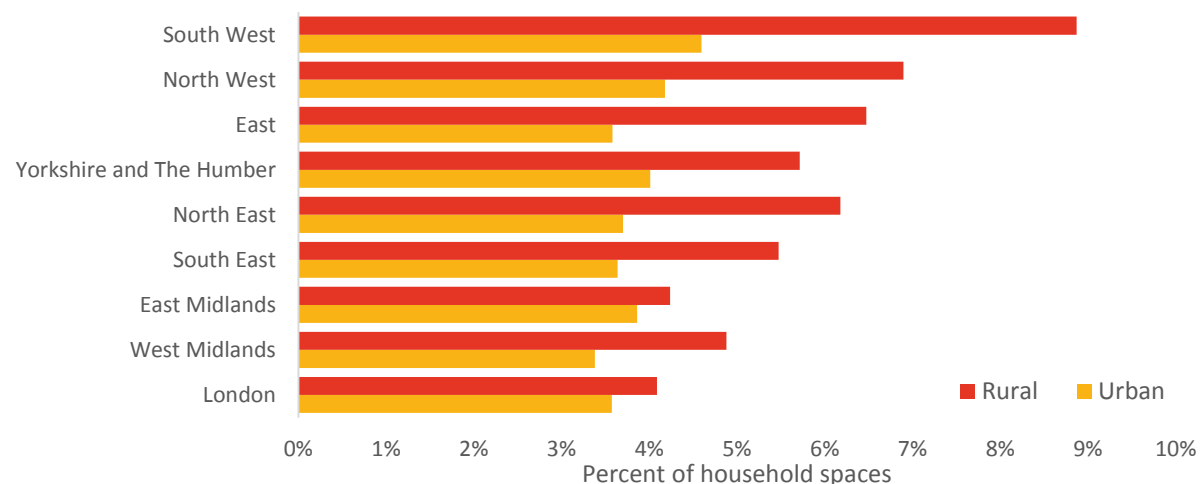
Source: Calculated using ONS



Rural communities also have the challenge of second homes to deal with. **Figure 41** shows that rural areas typically have higher proportions of homes with no usual residents. High concentrations of second homes create many housing challenges including unaffordable homes for local residents but they are possibly counterbalanced by the contributions they make to the local economy. Local authorities should be alert to these challenges.

**Figure 41 – Proportion of Household Spaces with No Usual Residents**

Source: 2011 Census

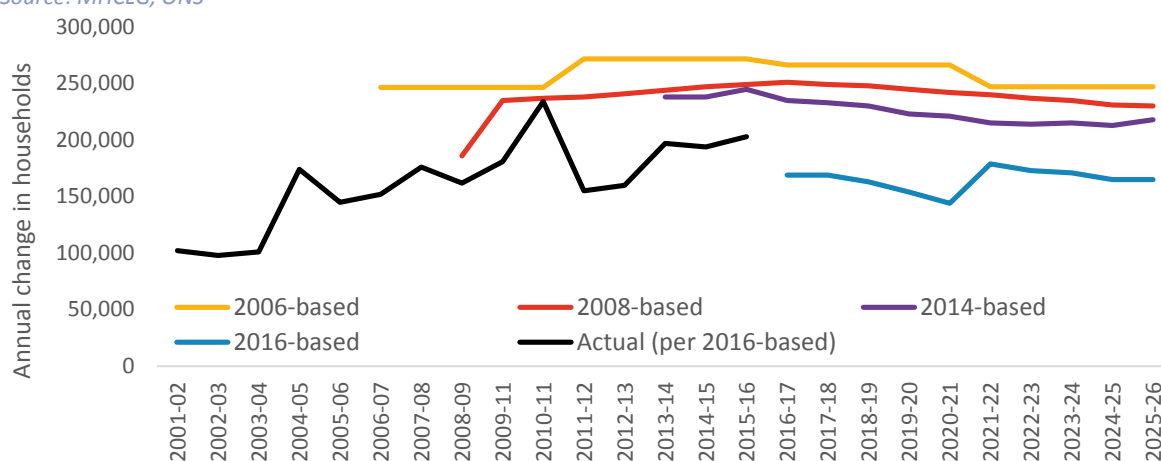


## 2.2. Lack of New Supply

The most popular explanation for many of the issues facing housing is that we have not been building enough new homes. A typical argument is that new-build supply has consistently failed to meet the projected rate of household formation and this has caused high house prices, falling home-ownership, and constrained household formation (Figure 42). Increasing new housing supply to meet projected household formation rates or above is widely seen as the solution. This approach characterises central government’s [housing policy](#) with a target of 300,000 net new homes per year in England.

Figure 42 – Annual Change in Households, England

Source: MHCLG, ONS



Unfortunately, this explanation does not reflect the realities of the housing market. Housing supply and demand is more than just new build and net household formation. Available supply is predominantly the second-hand market as new-build sales are a relatively small proportion of total transactions (see Figure 43) and less than 1% of the existing dwelling stock. Housing demand is the number of people or companies willing and financially able to buy. That is determined by many different factors, but the cost and availability of mortgage debt are perhaps the most important. Meanwhile, household projections are not an indicator of demand but, at best, a crude indicator of housing need (see Section 2.1.9).

The evidence for a lack of supply at a national level is limited and open to interpretation. High house prices (Section 1.2) and recent falls in home-ownership (Section 1.6) have more to do with the cost and availability of mortgage debt than the lack of supply. Meanwhile, housing costs are high for renters but do not appear to have risen significantly (Section 1.1.5). Demographics show constrained household formation relative to previous trends and so it appears new supply has been too low to meet housing aspirations and probably too low to meet housing need in recent decades. However, there are other factors that have also played a part in suppressing household formation including larger migrant household sizes (Section 2.1.9) and, in the circular nature of the housing market, high house prices.

There may be limited evidence for a national lack of supply but it does appear to be an important factor in London and its surrounding commuter areas. There may also be localised housing shortages elsewhere, particularly of specific property types or tenure of homes. Ideally, there would be local cost of housing (rents) data to show this but no such series exists.

Given that a lack of supply is not the biggest driver of house price rises (Section 1.2), it is not surprising that academic evidence shows increasing new supply (within realistically deliverable levels) will probably only prevent future price rises rather than significantly improve current levels of house price affordability. Even then it will take many years, possibly even decades to have a lasting effect on the market.

Increasing housing supply may not significantly improve house price affordability or increase home-ownership but it is still an essential part of the overall solution to many of the issues facing housing, and not just in areas with the highest house prices. Building new homes, particularly affordable homes, can help reduce the cost of housing for renters. It can also be used to better match the existing housing stock to local need, demand, and affordability. Although new supply typically only accounts for 1% of the existing housing stock each, it can over time be used to improve the quality of housing in a local market, deal with shortages of specific property types, or help deal with demographic changes such as students or the ageing population.

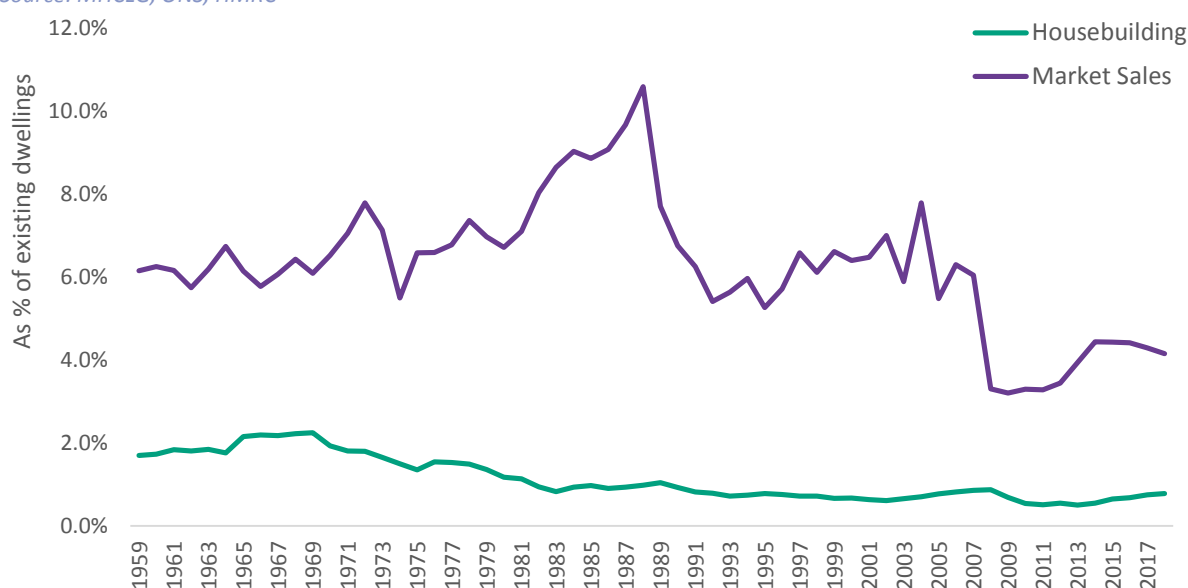
**LACK OF NEW SUPPLY SUMMARY: A lack of new supply is identified as the cause for many of the issues facing housing. However, the evidence is not conclusive. Building many new homes is unlikely to significantly improve house price affordability or increase home-ownership but is an essential part of the solution in all local authorities, not just those with high house prices.**

## 2.3. Turnover of Existing Housing Stock

Building new homes is an essential part of making housing available for everyone that needs it. However, the lack of new homes is only part of the problem as they only account for around 10-12% of all residential transactions. The second-hand market tends to provide most of the available housing supply at any given time. Unfortunately, turnover in the existing stock is low with UK residential transactions stuck at around 1.2 million per year for the last five years. That equates to around 4.2% of total stock selling each year compared to a pre-2008 average of 6.8% (Figure 43).

Figure 43 – Market Sales and Housebuilding as % of Existing Dwellings, England and Wales

Source: MHCLG, ONS, HMRC



While turnover at a national level has remained stuck at around 1.2 million transactions per year, there has been considerable geographic divergence in recent years. Changes to stamp duty, unaffordable house prices, and changes in buyer sentiment (in part due to Brexit) have negatively impacted on London and other higher house price areas. Transactions in London are down 20% over the last five years with bigger percentage fall in central boroughs. Meanwhile transactions in the midlands and north of England have seen the opposite effect. Activity by investors may have been hit but first-time buyers have been able to replace them, for example transactions across the North West are up 17% over the last five years.

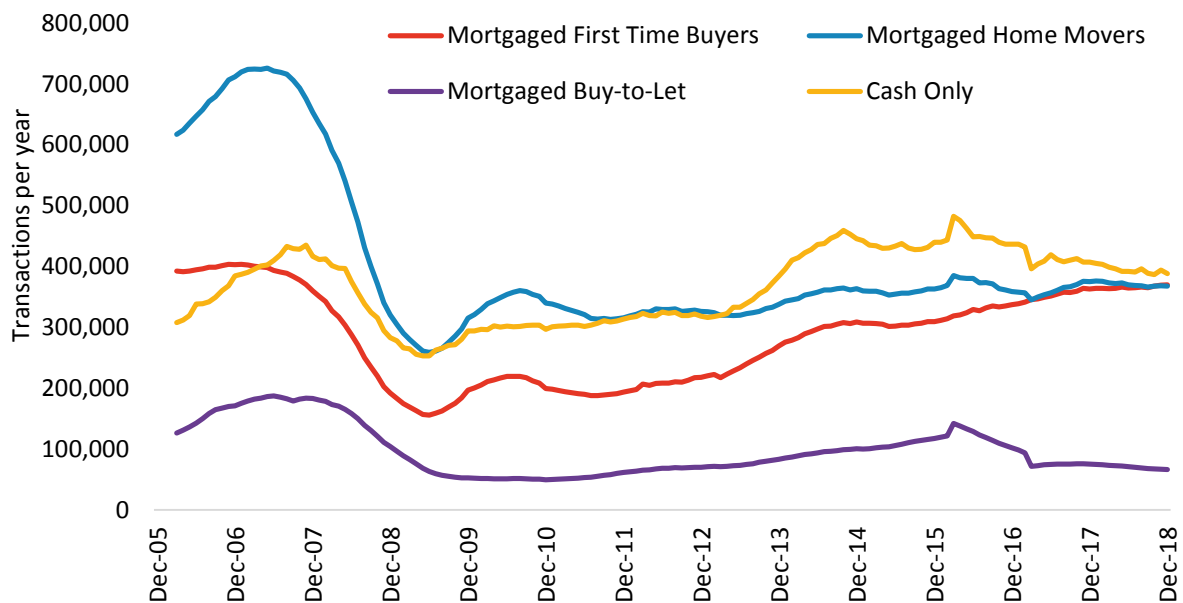
Low housing turnover is an issue because, amongst other things, it can limit labour mobility, reduce the tax base for stamp duty, hurt economic activity linked to household moves and result in a poor allocation of homes, as households adjust more slowly to their changing needs. This last point is related to the popular notion of the housing ladder.

The housing ladder suggests an ability for households to move from first-time buyer, through a step or steps to the family home, a possible downsizing move for empty-nesters, followed by a possible move to a retirement home. For many years this housing ladder has characterised and informed the understanding of the housing market and guided government policy. This can be seen in its frequent references in policies targeting first-time buyers and home-ownership.

It is true that more people are successfully getting on the housing ladder. Home-ownership is increasing again (Section 1.6) and, as Figure 44 shows, first-time buyer numbers have nearly recovered back to their pre-crash peak. However, the number of mortgaged movers is still 50% below their 2006/07 levels and has shown no sign of improving since 2010. It appears the housing ladder is broken thanks to a combination of factors including lending conditions, income growth, housing equity growth, and house price affordability.

**Figure 44 – Housing Market Transactions by Buyer Type, UK**

Source: HM Revenue and Customs, UK Finance



A broken housing ladder has consequences for policies and solutions that seek to encourage first-time buyers into home-ownership but do not give enough consideration to the buyer’s ability to move freely when their circumstances change. For example, home-ownership products like micro-flats may be brilliantly designed for one or two people but can quickly become unacceptable when the owner’s circumstances change. Other financial products designed to increase home-ownership may also limit buyers’ ability to move up the ladder as their gains in housing equity are limited or higher costs prevent saving. Home-ownership is the aspiration for most people but reaching for it too soon could have longer term consequences for some.

**TURNOVER OF EXISTING STOCK SUMMARY: The low turnover of existing housing stock is a big barrier to a functioning housing market. It also raises the risk of unintended consequences for first-time buyers that rush into home-ownership. The low turnover of existing stock has had limited interest from policy makers.**

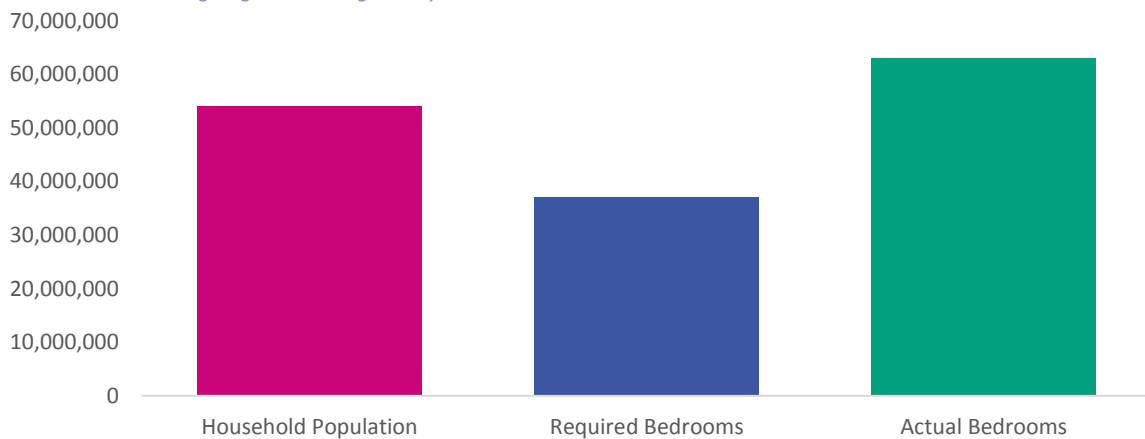


## 2.4. Distribution of Housing

In many local authorities, and indeed nationally, there is enough housing for everyone that needs it. The issue is that it's unevenly distributed. Analysis of the 2015 English Housing Survey showed that there were 54 million people living in households. According to the bedroom standard they would need 37 million bedrooms to be appropriately housed. Instead, the survey showed there were 63 million bedrooms available across the country. That's enough bedrooms for everyone to have their own with 9 million spare.

Figure 45 – Household Population, Required Bedrooms, and Actual Bedrooms, England

Source: Estimated using English Housing Survey 2015

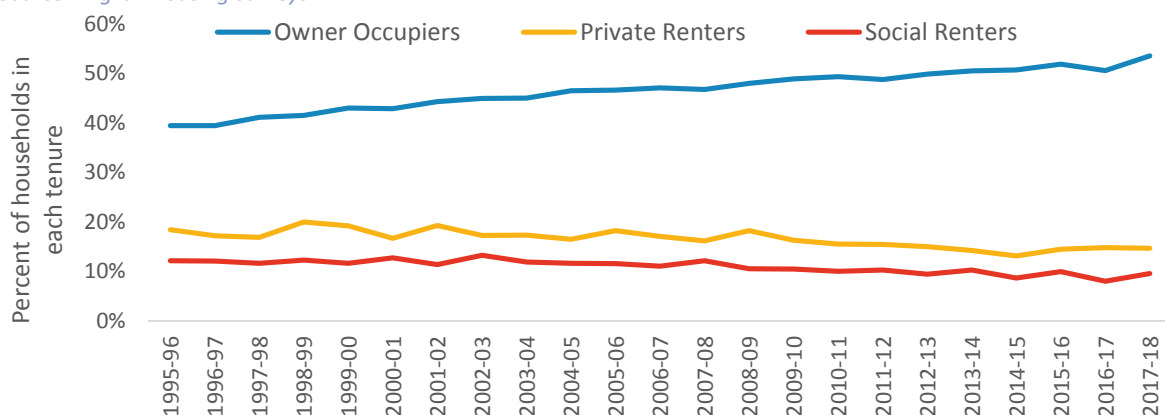


Further analysis using the 2011 Census and presented in the table opposite shows that all regions except London have more bedrooms than household residents. Some of those 'excess' bedrooms will be in truly vacant and unused homes but much of it will reflect second homes or spare bedrooms. The under-occupation of housing is a growing issue as the population ages and children leave the family home. Figure 46 shows that 53% of owner-occupier households are under-occupying their home compared to just 10% of social rented households.

Region <i>Calculated using 2011 Census</i>	Bedrooms per Household Resident
South West	1.21
East Midlands	1.20
North East	1.19
North West	1.18
East	1.18
South East	1.17
Yorkshire and The Humber	1.17
West Midlands	1.15
London	0.98

Figure 46 – Under-Occupation by Tenure, England

Source: English Housing Surveys



The distribution of housing can be measured in more than just homes or bedrooms. For example, the amount of floor area available per dwelling, household, or person is another approach. Section 3.1.1 looks at the size of dwellings including common misunderstandings.

Unfortunately, there is no simple solution to the uneven distribution of housing. Some unused housing is in the wrong location, too far from employment opportunities. Much of the under-used housing is held by older generations still living in family homes long after their children have left. Any suggestion of forcing these people out of homes they own presents severe political, not to say moral, challenges and there are still too few affordable and appropriate options to encourage potential downsizers. The distribution of housing should clearly be considered in the context of the existing stock and new supply but is unlikely to provide a substantial solution to other housing issues any time soon.

**DISTRIBUTION OF HOUSING SUMMARY: Housing is unevenly distributed. Some have more than they regularly need while others have less than they need. Unfortunately, the ability to put this under-used housing to more use is limited.**

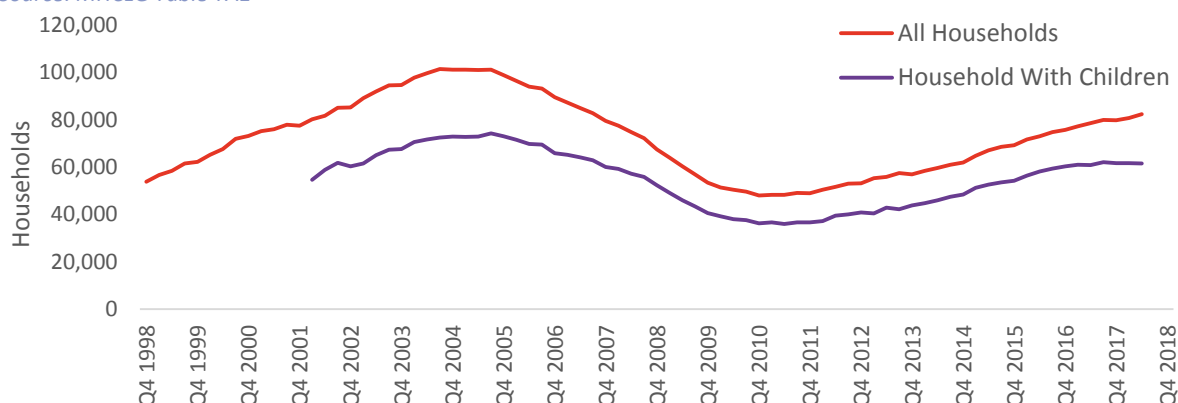
## 2.5. Homelessness

There are many causes of homelessness, both [structural and individual](#), but the availability (and affordability and suitability) of housing is an important factor. Rough sleepers are perhaps the most visible of all the housing issues covered in this report and the number recorded in the MHCLG [statistics](#) has more than doubled over the last eight years. However, there are some concerns about the [data quality](#) given the data collection methodology.

Information on ‘statutory’ homelessness, where local authorities are legally obliged to provide accommodation, is readily available from [MHCLG](#). It is more robust than the rough sleeping data though it’s worth noting the recent transition to a [new data collection regime](#) may cause some slight inconsistencies with older data. This data shows that statutory homelessness has increased in recent years and highlights the challenges faced by local authorities as they struggle to cope house people and so spend more on a rising number of households living in temporary accommodation (Figure 47).

Figure 47 – Households in Temporary Accommodation

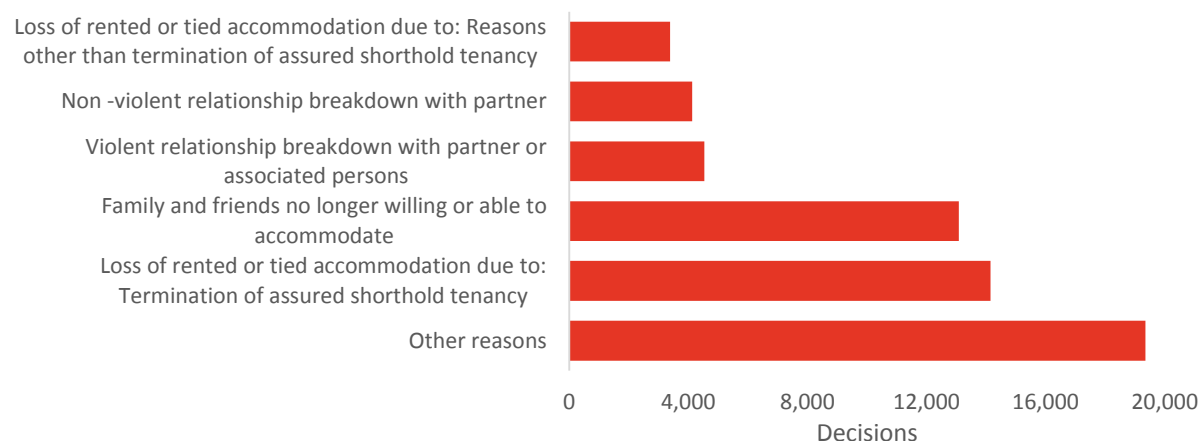
Source: MHCLG Table TA1



Crisis’s [The Homeless Monitor](#) shows that the ‘vast bulk’ of the rise in statutory homelessness is due to evictions from the private rented sector. Figure 48 highlights this issue with the termination of an assured shorthold tenancy given as the biggest single reason for loss of the last home (other reasons is a broad group).

Figure 48 – Reason for Loss of Last Settled Home for Those Owed A Prevention or Relief Duty by Local Authority. Q2 2018, England

Source: MHCLG Statutory Homelessness Table A2



The Crisis report and others suggest that changes to Local Housing Allowance (LHA) is a major driver of this trend (see Section 1.4 for more on LHA). The increase in homelessness has led to an increase in the number of households (and children) living in temporary accommodation over the last eight years. Meanwhile there's an unknown number of hidden homeless: people sleeping on friend's sofas, in cars and vans, or in other unsuitable accommodation.

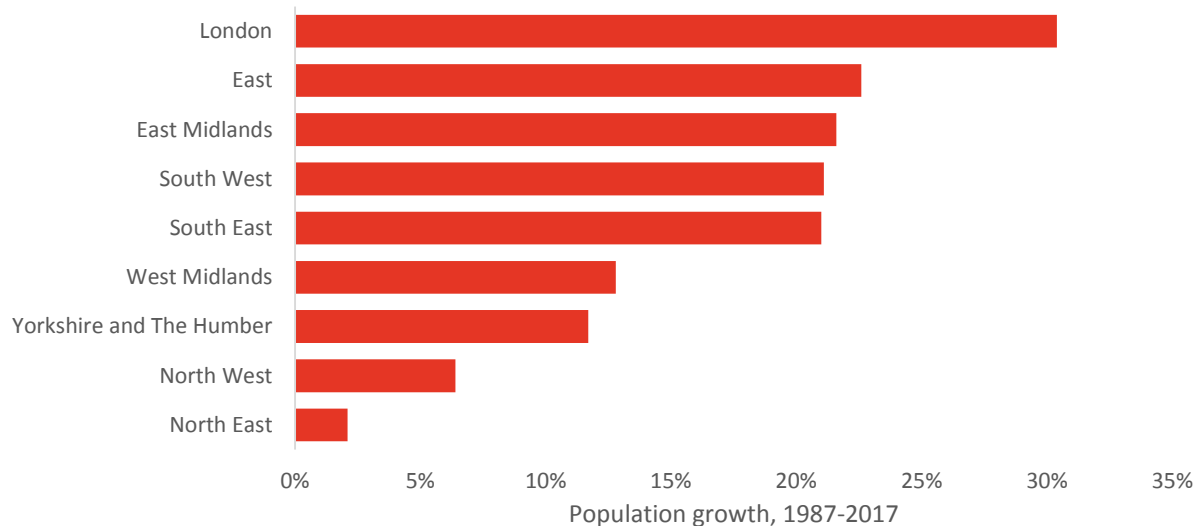
**HOMELESSNESS SUMMARY: There are multiple causes of homelessness but it appears changes to Local Housing Allowance are a big driver of recent increases in people being made homeless from the private rented sector.**

## 2.6. Weak Demographic Demand

In some areas the biggest issue isn't a lack of housing (new build or existing) but too much relative to demographic demand. The UK's population has grown by 18% over the last 30 year but, as Figure 49 shows, some regions have seen much stronger population growth while others have seen limited growth. Understanding how and why the local population is changing is essential to understanding local housing availability issues.

Figure 49 – Total Population Growth, 1987-2017

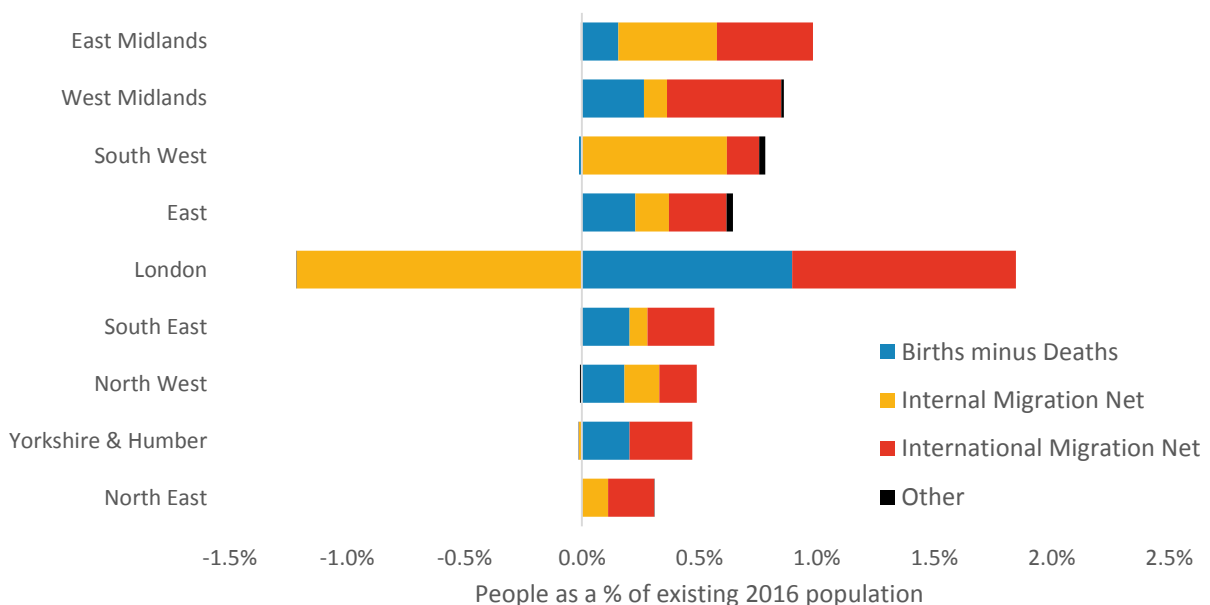
Source: ONS



Weak demographic demand can be closely linked to weak economic demand (Section 1.7) where a lack of local employment opportunities forces people to move elsewhere. However, this is not always the case and it's sometimes difficult to isolate the causes. To understand weak demographic demand, you need to build a full picture of the underlying demographic trends including the stock and flow of population change.

Figure 50 – Components of Change in Population, 2016 to 2017

Source: ONS



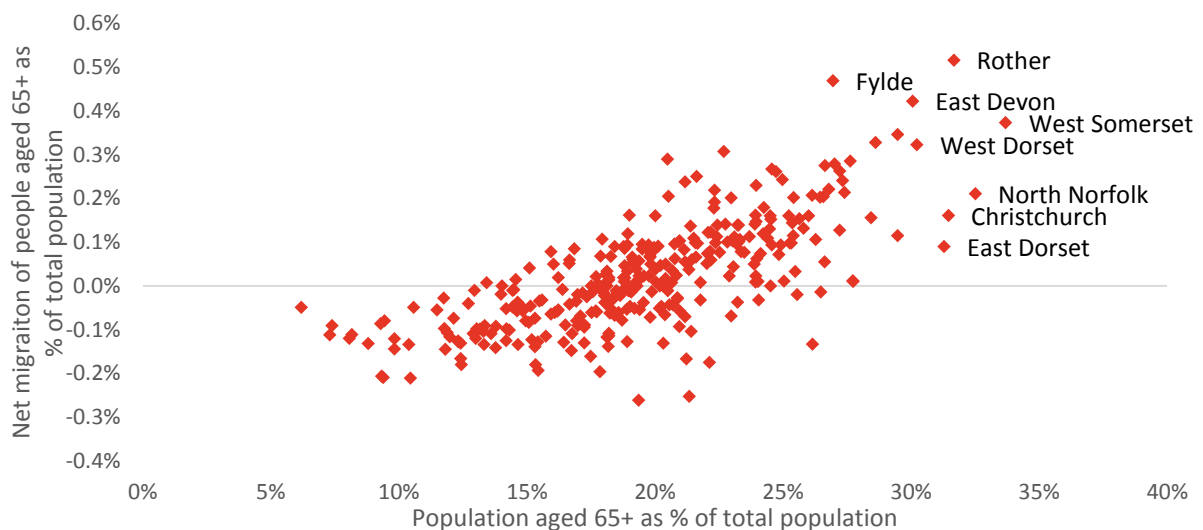
ONS data is very useful for understanding demographic trends including natural change and migration by age. For example, it shows London has consistently seen a net outflow of people to the rest of the UK since at least the 1970s and probably since the 1940s. Despite this, London has still seen very high population growth over the last thirty years thanks to international migrants and a high birth rate (as Figure 50 shows). It appears that weak demographic demand has not been a problem for most of London since the early 1980s.

Another example of the need to look closely at underlying trends in demographics when assessing weak demand can be found in areas that have rapidly ageing populations. This ageing could reflect weak demand as young people move away for work or study and leave behind an older population. However, an ageing population could also reflect wealthier older people move into the area, for example in coastal and rural retirement hotspots as per Figure 51. Unfortunately, the ONS data does not include any indicators for wealth, income, or housing tenure of recent movers.

Areas with weak economic demand highlight the need to understand housing at a local level. It also highlights that fixing local housing issues can be more than just about housing.

**Figure 51 – Existing Population and Net Migration of People Aged 65+ by Local Authority**

Source: ONS



**WEAK DEMOGRAPHIC DEMAND SUMMARY: Weak housing demand may show some areas have too much housing but local authorities need to take care and properly understand local demographic trends.**

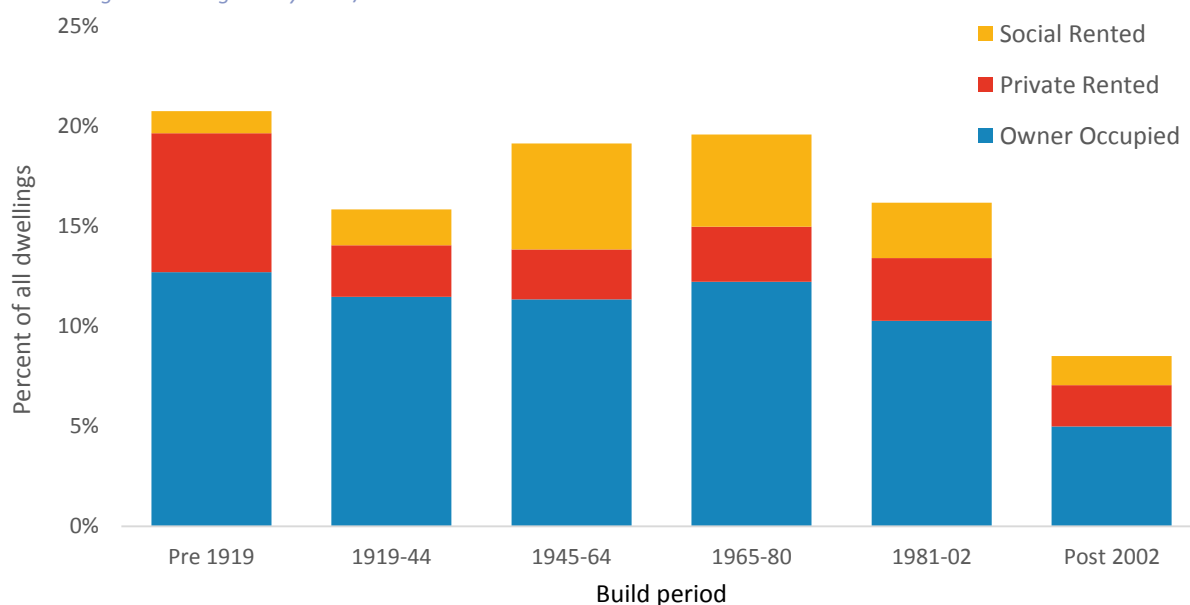
### 3. Suitability of Housing

Housing is unsuitable for everyone that needs it. The existing housing stock is under increasing strain as the population rapidly grows, ages, and changes how it uses housing. Unfortunately, the housing stock is far slower and sometimes unable to respond to these changes.

The housing stock is also ageing. Over 20% (Figure 52) of all homes were built more than 100 years ago and, at current rates of demolition, existing homes will have to last over 2,000 years. An ageing stock means that too many existing homes (and some new ones) are not of an appropriate quality while nearly as much money is spent on the repair and maintenance of existing housing as on building new homes.

Figure 52 – Build Period of Properties by Tenure, England, 2017

Source: English Housing Survey 2017/18



An ageing housing stock also raises concerns about its environmental impact and ability to deal with changing climate conditions. Meanwhile, the ageing population requires housing that is flexible and can be adapted to changing needs. However, the need for housing to be flexible is not just limited to older people. Changing needs amongst younger people have seen growing numbers living in poor quality private rented homes that once would've been occupied by families.

This section of the report will look at the different ways of measuring the suitability of housing and what that tells us about local housing challenges.

### 3.1. Measuring Suitability

This section of the report provides a brief look at the various ways of measuring suitability.

#### 3.1.1. Measuring the Suitability of Housing

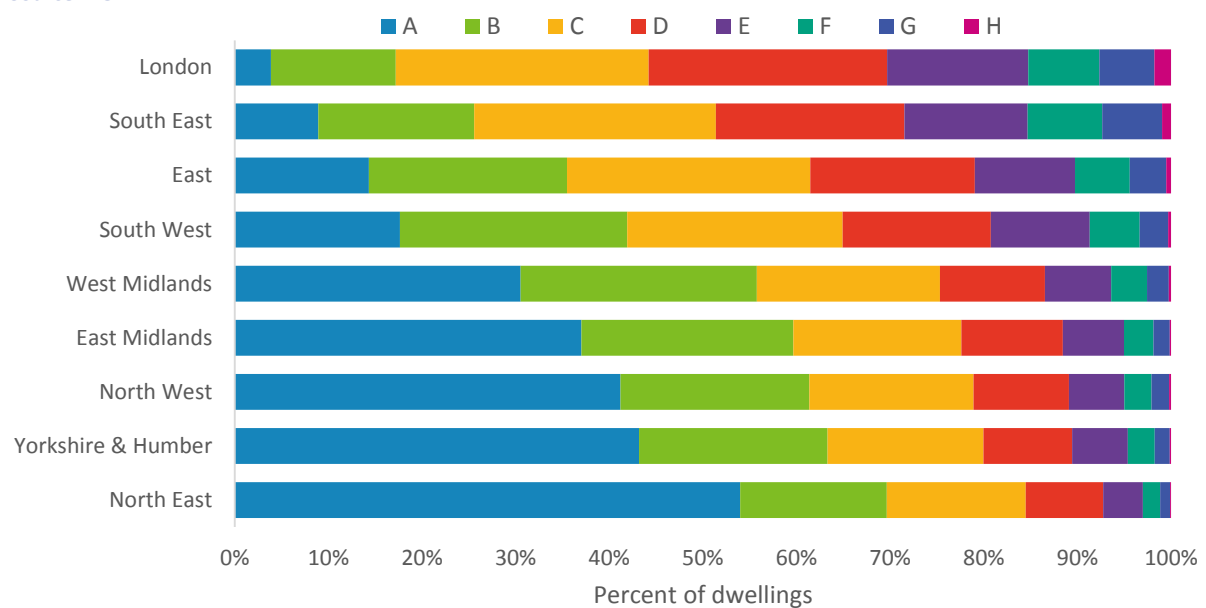
Measuring whether housing is suitable or not can be challenging. Housing that is acceptable for one person may be unacceptable to another despite having the same personal circumstances. We can, however, measure the housing stock in different ways to assess how well it may or may not be suitable. For example, whether it can house an ageing population, appropriately house people with a long-term illness or disability, or cope with climate change.

Some of the different ways of measuring the housing stock have been covered in Section 2.1.1 but there are other ways in which the suitability of housing can be measured. These include its quality (see the next section for more detail), its [energy efficiency](#), its size in [terms of bedroom](#) or [floor area](#) relative to its residents (Section 2.4). Unfortunately, there’s limited local level data available to assess the suitability of housing in some of these ways.

It’s also important to consider the suitability of housing with regards to any local authority aspirations for growth. For example, a local authority in the north of England with a low proportion of higher-rate council tax properties (Figure 53) may seek to increase the supply of higher value homes to attract different types of people to the local area while also ensuring a broader base of dwellings to generate higher council tax receipts. However, any plans for growth should also account for other issues such as transport, power, water, broadband, and other strategic resources required for successful local communities.

Figure 53 – Council Tax Band by Region

Source: VOA



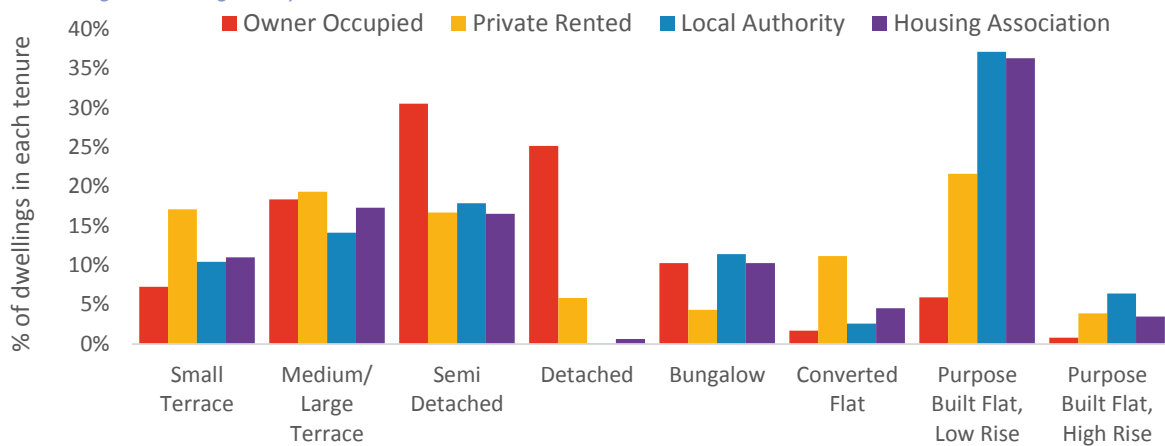


### 3.1.2. Measuring Housing Quality

Measuring the quality of housing can be difficult as it typically requires a framework to judge it against. The [English Housing Survey](#) is the best source for data on the quality of housing in England but care needs to be taken when interpreting some of the results given the differences in build period (Figure 52) and dwelling type (Figure 54) across tenures. Local level data on quality is more limited with some available on the Decent Homes standard for [local authority](#) and [housing association](#) homes but limited information is available for the private sector beyond the size of property.

Figure 54 – Dwelling Type by Tenure, England, 2017

Source: *English Housing Survey*

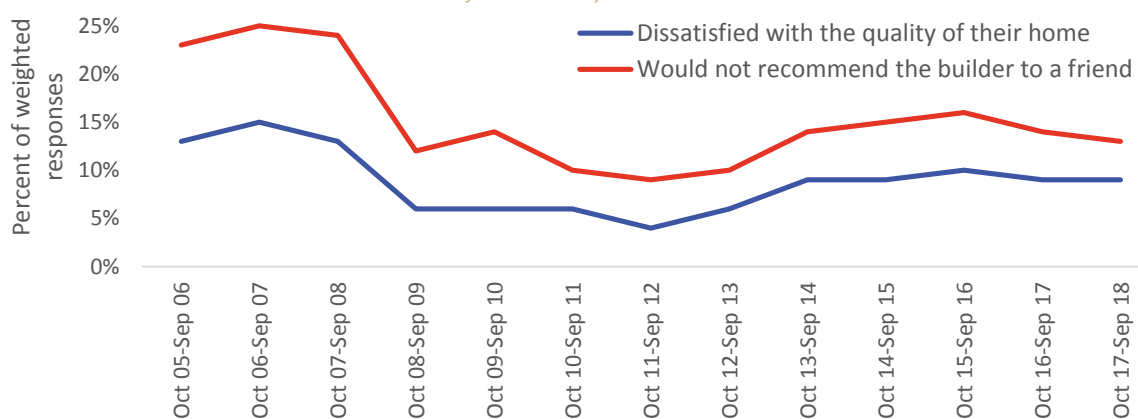


### The Quality of New Homes

The focus on increasing the number of new homes built since 2013 also coincided with an increase in dis-satisfaction with the quality of new homes. Widespread press reports and government attention have led to increased pressure on housebuilders to improve the quality of their homes. The latest [survey](#) of new build customers from the Home Builders Federation (HBF) suggests that satisfaction rates are improving again though negative reports from consumers continue. The HBF also provides a star rating for individual builders. For example, Barratt received a five star ranking in the latest survey while Persimmon received three stars.

Figure 55 – New Home Dis-Satisfaction

Source: *HBF National New Home Customer Satisfaction Survey*

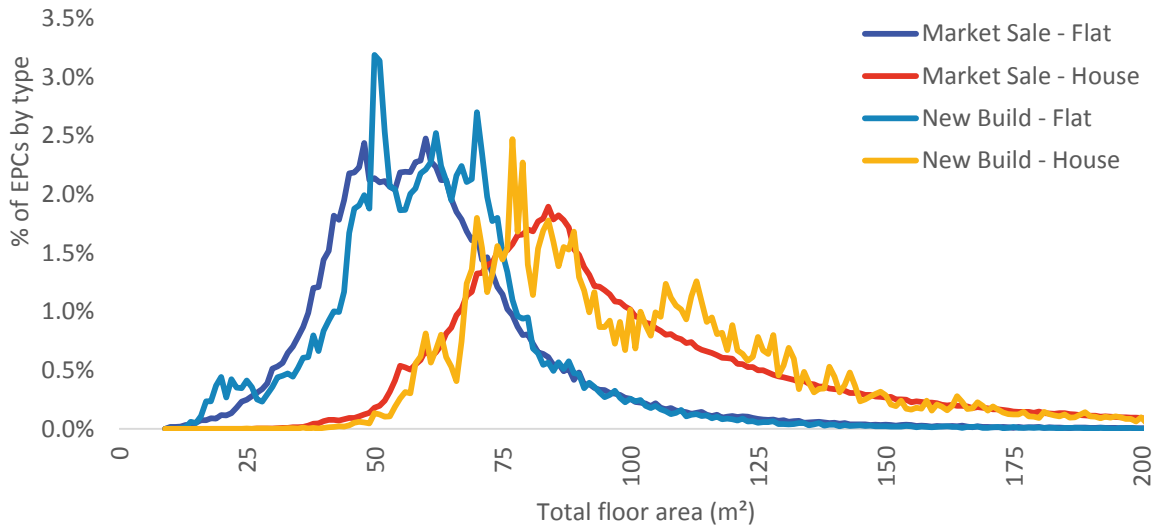


## The Size of New Build Homes

A frequent complaint about new build homes is that they are very small. However, data from Energy Performance Certificates suggests that new build homes are similar in size to the existing stock, at around 91m<sup>2</sup>. Figure 56 below compares the size distribution for new build homes to market sale homes in 2014/15/16 and shows they are similar.

Figure 56 – Comparison of Floor Area by Transaction Type, 2014/15/16

Source: MHCLG EPC data

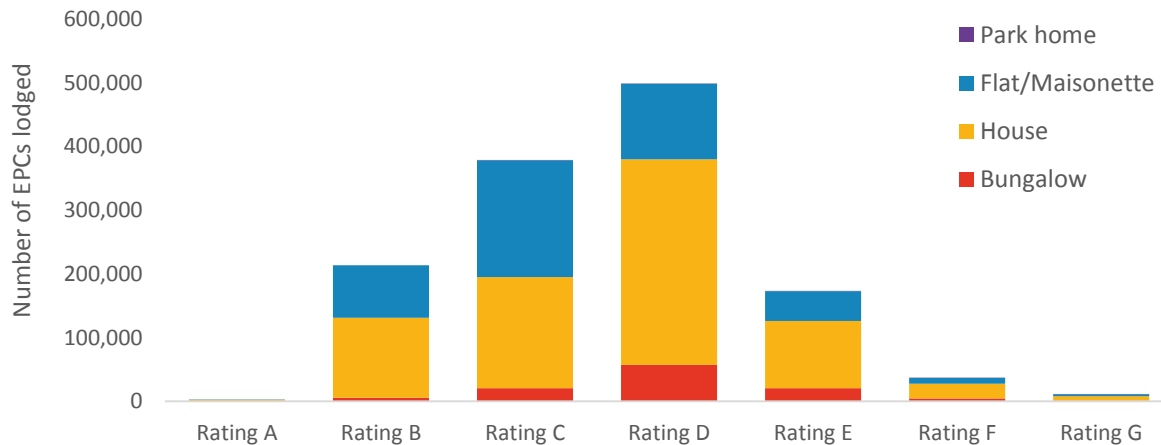


### 3.1.3. Measuring the Environment Impact of Housing

The [English Housing Survey](#) is the best source for long-term trends in the energy efficiency of housing but [Energy Performance Certificate](#) (EPC) data published by MHCLG is also very useful. The EPC data includes average energy efficiency ratings, energy use, carbon dioxide emissions, fuel costs, average floor area, and numbers of certificates recorded by local authority. Figure 57 below provides an overview of EPCs lodged in 2018 across England by their energy efficiency rating and type of dwelling.

Figure 57 – Number of Energy Performance Certificates Lodged by Type and Energy Efficiency Rating, England, 2018

Source: MHCLG



## 3.2. The Quality of Housing

Housing quality has improved in recent years according to many metrics but there are still substantial numbers of poor-quality homes across the country. There are many ways to measure the quality of housing including the Decent Homes standard, the Housing Health and Safety rating system (HHSRS), damp, and dwelling size amongst others.

The Decent Homes programme was introduced in 2000 at a time when there was a substantial backlog in required social housing repairs. The programme was successful in reducing the overall number and proportion of non-decent homes but it failed to meet its target of 100% decent homes by 2010. The latest English Housing Survey (Figure 58) shows that 19% of all homes are not decent with 13% of social rented homes still failing to meet the standard. Although there is still room for improvement in the social rented sector, it is the private rented sector that has the highest proportion of non-decent homes with 1.35 million non-decent homes (25% of private rented homes). This may partly reflect that private rented homes are predominantly owned by small-scale landlords owning one or two typically older period properties.

Figure 58 – Non-Decent Homes

Source: English Housing Survey

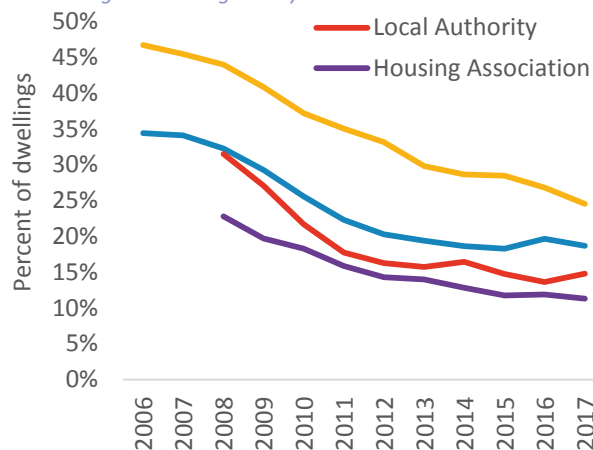
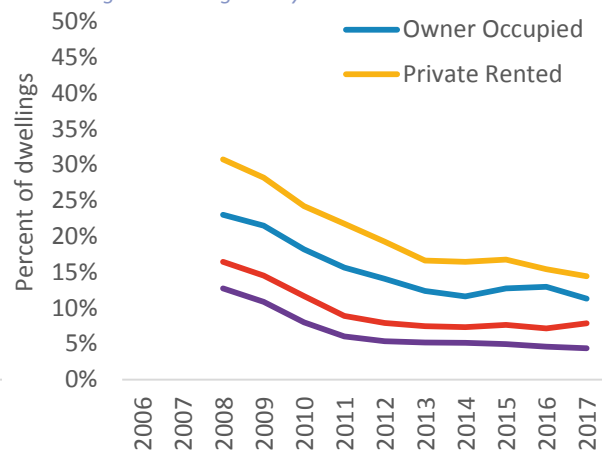


Figure 59 – HHSRS Category 1 Hazards

Source: English Housing Survey



Another way to measure the quality of housing is using the Housing Health and Safety rating system (HHSRS). The HHSRS was introduced in 2004 and is a risk-based assessment tool that identifies hazards in dwellings and evaluates their potential effects on the health and safety of occupants and their visitors. This recent House of Commons [briefing paper](#) provides a useful summary of the rating system including the ongoing review.

The English Housing Survey reports the number of dwellings that contain a HHSRS category 1 hazard (Figure 59) which is one that presents a serious and immediate risk to a person's health and safety. The latest English Housing Survey shows that 11% of all dwellings contain a category 1 hazard, ranging from 6% in the social rented sector to 14% in the private rented sector.

Damp housing can have serious implications for residents, particularly for children and the elderly. The latest English Housing Survey shows that 3.7% of dwellings have at least one damp problem, with condensation/mould the biggest issue. Damp is a bigger issue in the rented sectors, with 5.6% of social rented homes and 7.2% of private rented sector homes reporting at least one damp problem. The higher levels of damp in the private rented sector are a serious concern given the large number of young children now living in the tenure.

Figure 60 – Damp Problems, by Tenure, England, 2017

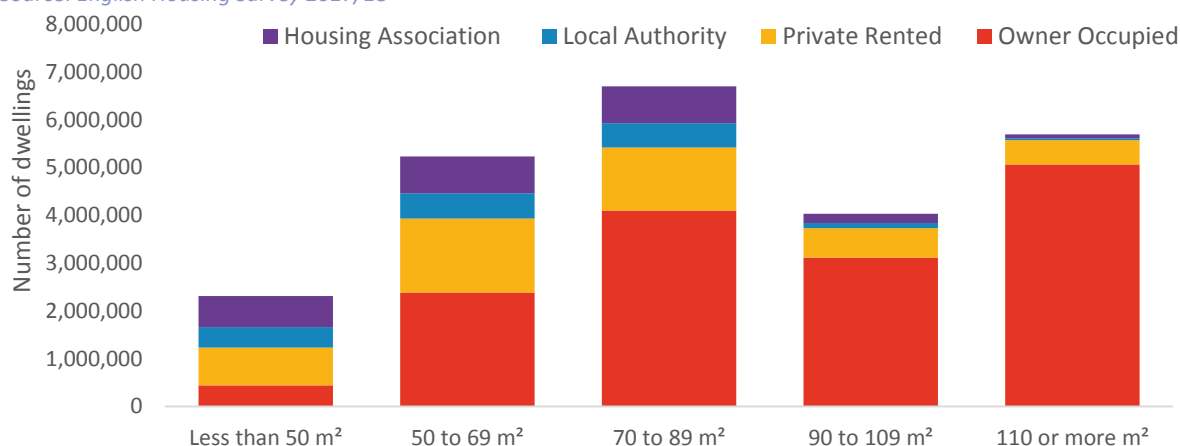
Source: English Housing Survey 2017/18



Regular reports that housing in England is amongst the smallest in Europe are [incorrect](#). The English Housing Survey reports an average size of 94m<sup>2</sup>, about average for Europe. However, there are differences across tenure (Figure 61) with the owner-occupied sector largest (107m<sup>2</sup>), followed by the private rented sector (77m<sup>2</sup>) and the social rented sector smallest (66m<sup>2</sup>). Some of these differences will reflect the underlying mix of dwelling types (Figure 54) but adjusting for this still shows a space premium for owner-occupiers.

Figure 61 – Number of Dwellings by Tenure and Useable Floor Area, England, 2017

Source: English Housing Survey 2017/18



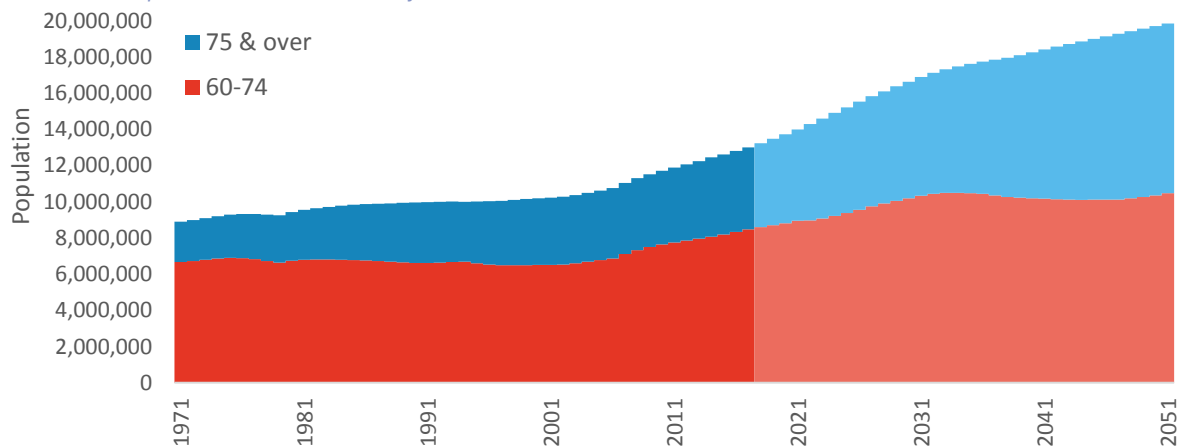
**QUALITY OF HOUSING SUMMARY: There are still too many poor-quality homes across all tenures and poor-quality housing in the private rented sector will be an issue in many areas.**

### 3.3. Ageing Population

The population is ageing and that has serious implications for the housing market. The number of people aged 60 and above living in England has increased from 10 million to 13 million over the last twenty years (Figure 62) and currently make up 23% of the total population. They are projected to rise to nearly 18 million over the next twenty years, accounting for 30% of the total population. A larger older population has significant consequences for the economy, healthcare, and housing.

Figure 62 – Population Aged 60 and Above, England

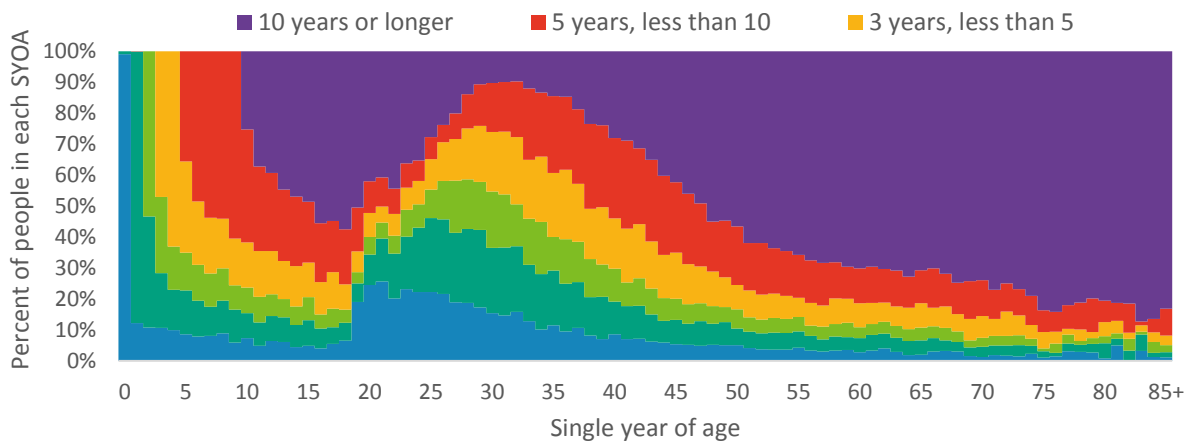
Source: ONS Population Estimates and Projections



The population is ageing primarily due to the large post-war baby boomer generation entering retirement and living for longer than previous generations. As a predominantly home-owning generation, many (but not all) live in homes worth much more than they paid for them. As people age their housing requirements may change and healthcare needs increase. Therefore, many expect downsizing to become a bigger trend. This would also help with older people under-occupying their homes as per Section 2.4 but, unfortunately, it's not that simple. Very few older people move home willingly. Figure 63 shows 76% of people aged 60 and above have not moved home in the last ten years. Meanwhile most older people live in average priced homes so have little financial incentive or even ability to move into purpose built older peoples' housing. Therefore, most older people who do move into the limited supply of purpose-built housing do so out of necessity rather than desire.

Figure 63 – Length of Residence by Single Year of Age, UK

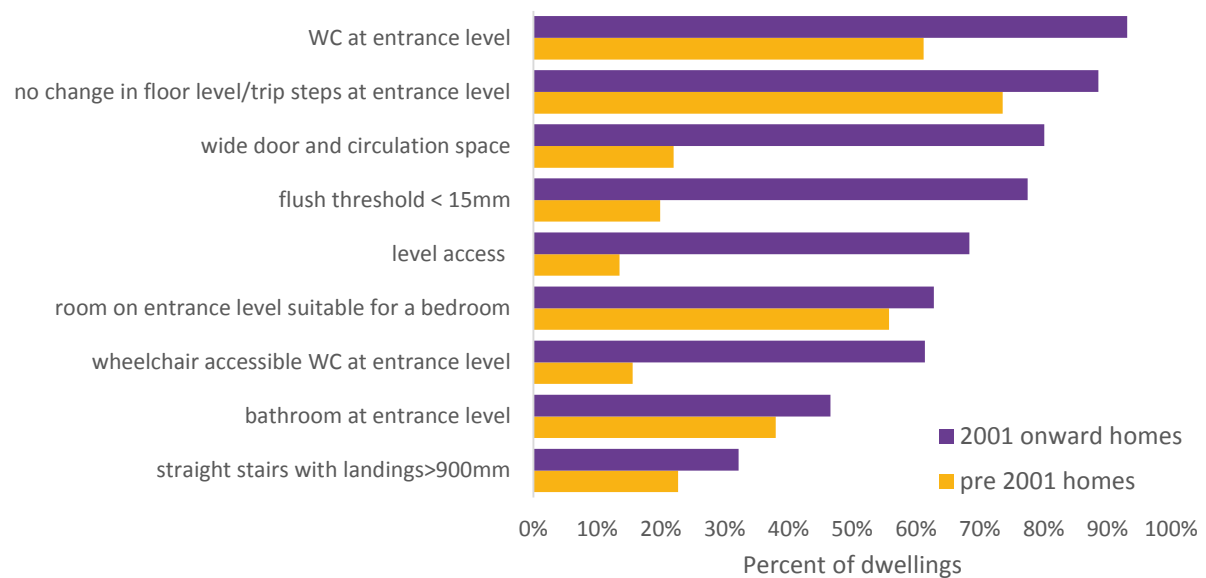
Source: ONS Labour Force Survey, Oct-Dec 2018



Given the limited supply of purpose-built older peoples' housing, low levels of demand as people want to continue living in their existing home, and limited financial capacity to pay a premium for new build properties in their local market, it appears that their existing homes will have to become more flexible. Unfortunately, homes built more recently are better suited for older people with higher proportions containing accessibility features than those built prior to 2001. Given the challenges and changing needs of older people, greater consideration will have to be taken about how to adapt the housing stock to ensure their needs can be met in their existing home.

Figure 64 – Accessibility features present, by age of dwelling, 2014

Source: English Housing Survey 2015/15



**AGEING POPULATION SUMMARY: The population is ageing but it appears likely that most will continue to live in their existing homes for as long as possible. Therefore, it's essential that we have a housing stock flexible enough to adapt to these changing needs.**

### 3.4. Climate Change

Climate change is happening now and there is clear scientific evidence that the [global climate is warming](#). Housing is a contributor to the problem but can also be an important part of the solution to one of the biggest issues facing not just the UK but the world.

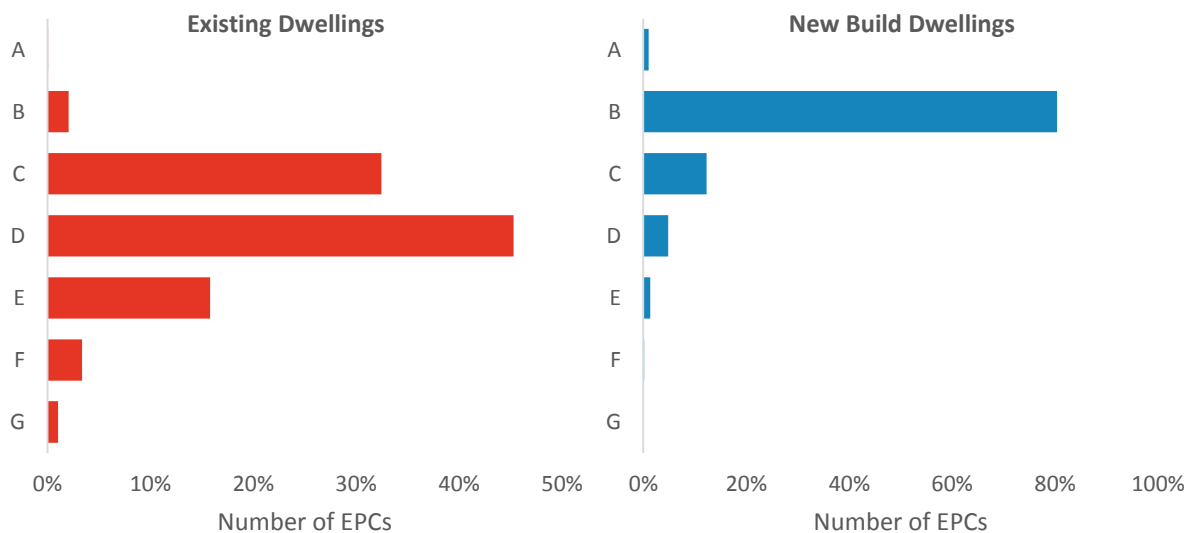
A recent [report](#) by the Committee on Climate Change concluded that homes in the UK are inadequately prepared for the challenges of climate change. It reported that “Greenhouse gas emission reductions from UK housing have stalled, and efforts to adapt the housing stock for higher temperatures, flooding and water scarcity are falling far behind the increase in risk from the changing climate. The quality, design and use of homes across the UK must be improved now to address the challenges of climate change”.

Much of the existing housing stock in this country was built some time ago with Figure 52 showing that 20% was built more than 100 years ago and over 50% was built more than 50 years ago. Given current rates of housebuilding and demolitions, it appears likely that these homes will have to last well into the future. However, many are ill-prepared for a changing climate.

Figure 65 shows many existing homes still have low energy performance ratings and the [English Housing Survey](#) recently reported that there has been little improvement in energy efficiency in recent years (as measured by the [Standard Assessment Procedure](#)). Substantial investment into the existing housing stock will be required to make it suitable for a changing climate.

Figure 65 – Energy Performance Rating by Existing and New Build Dwellings, England, 2018

Source: MHCLG Energy Performance Certificates



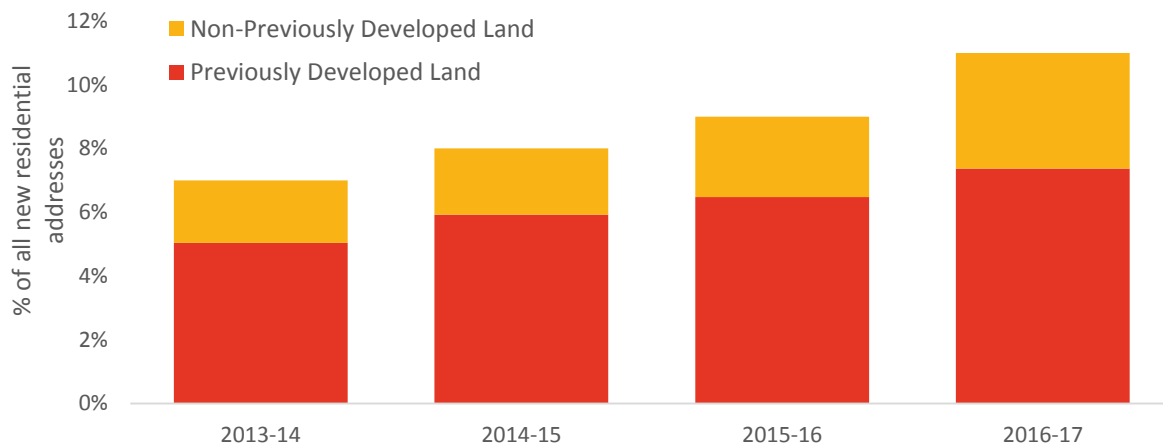
Unfortunately, these findings apply not just to the existing ageing dwelling stock but also to the new homes currently being built. Comparing the energy performance ratings for new and existing homes (Figure 65 above) shows that new homes are typically more energy efficient than existing homes. However, too many only meet the bare minimum of standards. It’s reasonable to assume that the costs of retrofitting recently built homes would be much more than ensuring the homes are suitable when first built so more needs to be done to ensure all homes meet the highest possible standards.

It is not just the physical properties of the home that determine whether it is adequate for the challenges of a changing climate but also its physical location. Ensuring new homes are planned for appropriately with regards to water availability, sustainable transport, and flood risk are all essential. As Figure 66 shows, an increasing proportion of new homes ([as measured by new addresses created](#)) are being built in National Flood Zone 3 areas. These are areas which, ignoring the presence of flood defences, have a 1% or greater annual probability of fluvial flooding or a 0.5% or greater annual probability of tidal flooding.

The increased pressure to deliver many more new homes will inevitably put pressure on local authorities to identify suitable locations for new development. In doing so, they should take great care to account for not just the current challenges and limitations but also those arising in the future from a changing climate.

**Figure 66 – New Residential Addresses Created in National Flood Zone 3**

Source: MHCLG



**ENVIRONMENTAL IMPACT AND CLIMATE CHANGE SUMMARY: Climate change is a major global issue and the housing stock is inadequately prepared for the challenge. Local authorities should plan appropriately for the risks that climate change will bring.**