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Affordable
Housing
Commission

Why is housing so expensive?

Animation fact check



Summary

This document has been published alongside a 2-minute animation which summarises the main causes of housing unaffordability in England as well as some possible solutions. The animation focuses mostly, though not exclusively, on the plight of private renters – the group most impacted by housing unaffordability.

The animation has been produced by the UK Collaborative Centre for Housing Evidence (CaCHE) and the Affordable Housing Commission. It was supported by the Smith Institute and the University of Glasgow.



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Script	Evidence
<p>In the past, we had affordable housing, but can it ever be again? In the 1950's, the average family spent more on clothes than housing. Today, you'd have to buy a whole new wardrobe every month - to spend more than you do on rent.</p>	<p>According to the ONS Family Expenditure Survey (FES), in 1957 the average family spent 10% of their income on clothing and 9% on housing (this includes net rent, mortgage interest payments, Council Tax and repairs, maintenance and decoration). By 2017, the proportion spent on clothing had halved (to 5%) while the proportion spent on housing had doubled (to 18%) (ONS, 2018)</p>
<p>How did this happen? It's a complicated story going back decades. One major factor is the sharp decline of social housing, which started in the 1980's with the Right to Buy. Secure, affordable homes were sold for a discount and not replaced.</p>	<p>In the 1980's, the 'Right to Buy' enabled tenants to buy their council house from the local authority for between a third and a half of market value, or even three-quarters for council flats. By the mid-2000s, around 2.8 million council houses had been sold in the UK, mostly under Right to Buy. These sales comprised around half the total stock that had existing at the start of the policy (Murie and Jones, 2006)</p> <p>These social homes were not replaced as rates of social housing construction dropped steeply over subsequent decades. Indeed, there were more social homes built in 1968 alone than in the last eight years combined (between 2010 and 2018, 134,471 "social rent" homes were completed (MHCLG, Live Table 1000) and in 1968, local authorities and housing associations built 140,030 dwellings between them (MHCLG Live Table 244])</p>
<p>In the early 2000's, home-ownership was moving out of reach.</p>	<p>Since early 2000's onwards, rates of home-ownership first plateaued, and then declined. Between 2002 and 2018, the number of home-owning households fell from 58% to 53% (see Resolution Foundation's interactive graph). For a detailed discussion of the causes of this decline, see Meen (2018).</p>
<p>And, as the number of social tenants halved, the number of private renters doubled. The housing market became unbalanced.</p>	<p>Between 1982 and 2017 the proportion of UK 'households' (families or single persons) living in the private rental sector increased from 9.5% to 18.6% while the proportion living in the social rental sector decreased from 27.1% to 13.7% (see Resolution Foundation's interactive graph)</p>

<p>Benefit cuts, rising rents and flat incomes have created more housing stress, especially for young and poor renters.</p>	<p>Benefit cuts: Since 2010 there have also been a number of benefit cuts that have directly reduced housing affordability for those on low-incomes, and especially the young (see Mulheirn, 2019). These include cuts to Local Housing Allowance (see Basran, 2019) and increases in the minimum age at which single people sharing can claim housing benefit from 25 to 35.</p> <p>Rising rents: Based on the ONS IPHRP index, which tracks the rents charged on private rented properties on a like-for-like basis, average rents in England have risen almost every year since accurate measures began in 2005 (London Datastore, 2019). Only in London, however, have private rents risen faster than inflation (CPI) (Judge and Tomlinson, 2018).</p> <p>Flat incomes: Incomes of young full-time employees have fallen relative to employees as a whole since 1997 (Meen, 2018). Incomes have also become much more unequally distributed since 1980's meaning higher incomes for the rich and lower incomes for the poor (e.g. ONS, 2019)</p>
<p>Now nearly five million households pay over a third of their income in rent. And nearly a quarter of private renters pay over 40%. It's worse in London and the South East, but affordability is now a problem everywhere.</p>	<p>See Affordable Housing Commission (2019). The "five million" includes those in the bottom half of the income distribution who are paying over a third of their income on rent or mortgage payments, those in non-decent or overcrowded housing and those in poverty whose housing benefit does not cover their rent.</p>
<p>One in three low-income earners are having to borrow to pay their rent. Without the bank of Mum and Dad, many renters can't save for a deposit. And, those really struggling can be pushed into debt, or even worse, with eviction from private renting being the main direct cause of homelessness today</p>	<p>Having access to parental wealth is a huge advantage in the housing market. Research from the Resolution Foundation (Wood and Clarke, 2018) for example, found that at the age of 30 those without parental property wealth are approximately 60 per cent less likely to be homeowners than people whose parents are homeowners.</p> <p>A National Audit Office (2017) report noted "The proportion of households accepted as homeless by local authorities due to the end of an assured shorthold tenancy increased from 11% during 2009-10 to 32% during 2016-17....The end of an assured shorthold tenancy is the defining characteristic of the increase in homelessness that has occurred since 2010"</p>

<p>In the north, almost a quarter of all homes are poor quality</p>	<p>In 2015/6, 22% of homes in the North were ‘non’decent’ which is slightly above the England average (20%). These are mostly concentrated in the private rental and owner-occupation sectors. Overall, 25% of PRS homes in England are non-decent, compared with 13% for social housing. (Hackett, 2018).</p>
<p>Not everyone has a housing problem though. Rising house prices have allowed wealthy home-owners to buy up more and larger properties; widening the gap between the housing haves and have nots.</p>	<p>Initially, rising house prices allied with rising rates of home-ownership reduced the gap between the very rich and those on moderate incomes (Soaita, Gibb and Maclennan, 2019). However, since rates of home-ownership plateaued in mid-2000s and then declined, house price inflation has exacerbated wealth inequalities, increasing the wealth of home-owners and allowing them buy larger properties (see Tunstall, 2015 who shows how house size inequality has increased in line with wealth inequalities) and/or multiple properties (see Bangham, 2019 who shows the total number of outstanding buy-to-let mortgages has risen 15 times since 2000).</p>
<p>Overcrowding and under-occupation are both rising at the same time.</p>	<p>As the Economist (2019) noted, “ Some 746,000 homes were overcrowded last year, meaning that there were not enough bedrooms for each single adult, couple or pair of children to have one to themselves. That was a 14% increase on a decade before. Meanwhile the number of homes that were under-occupied, meaning that they had at least two spare bedrooms, also increased, by 10%, to 8.6m.”</p> <p>Overcrowding in the private rental sector rose by 135,000 between 2007/08 to 2016/17. There are particular concentrations of overcrowding in London where some 37 per cent of all overcrowded households live. (Affordable Housing Commission, 2019 and English Housing Survey 2016/7.</p>
<p>So, what can be done? Building more private housing will help reduce rents and the cost of buying. But there will need to be a lot of it to have an impact. And they need to be connected to jobs.</p>	<p>An additional 1% more housing stock would be expected to lower house prices (and by implication rents) by around 1.5% to 2%, all else equal (e.g. Mulheirn, 2019).</p>
<p>To rebalance the housing market we need a lot more genuinely affordable rented homes. And this is only part of the story. Making housing affordable again will also need action on income, wealth inequalities and welfare. But, it can be done. Housing was affordable in the past and we can make it happen again.</p>	<p>See Meen (2018) for a more in-depth discussion of the policy approaches to addressing unaffordability.</p>

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Learn more

If you want to learn more visit housingevidence.ac.uk and affordablehousingcommission.org.

Alternatively, contact Dr Chris Foye (chris.foye@glasgow.ac.uk).

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