

Section 2 Commentary

Chapter 2

Dwellings, stock condition and households

New 2014-based household projections for England were published last year. Similarly based new household projections for Scotland and Wales were also expected, but at the time of writing they have yet to be published. We do, however, have revised 2015 household estimates for the two countries, and these provide some insight into changes in household formation rates since the previous projections – that will clearly now need to be reflected in the next set when they eventually materialise.

Household projections and new housing supply in England

The new English projections suggest that household numbers will grow at an average rate of 227,000 per year over the decade to 2024.¹ Over the following fifteen years (when the projections are inevitably more uncertain) household numbers are then projected to grow at the rather lower annual rate of 199,000 per year. In both cases the growth rate for households is greater than that projected for population, despite the slower rate at which the household headship rate is expected to fall compared to earlier sets of projections (see Table 2.2.1).

In broad terms, projected population growth accounts for just over seven-tenths of the projected household growth, with the declining headship rate accounting for

just under three-tenths of projected household growth. Within that, over the whole period in question, net inward migration accounts for just under half of the projected population increase, and thus for about one-third of the projected increase in household numbers. This is on the assumption that inward net migration will decline to a long-term annual rate of 170,000 by 2020/21, with a sharp fall in 2015/16 and a more gradual decline thereafter.²

However the latest UK statistics show no significant change in migration levels in 2015/16.³ Apart from the anticipated slowdown in future economic growth, and the inherent uncertainty for new EU migrants about their subsequent status in the event of any post-Brexit revision to immigration rules, there is no firm basis on which to assume that net migration levels will fall rapidly, without greater clarity about future migration policy. Furthermore, the medium- and longer-term future is now far more uncertain following the Brexit vote, with the possibility that a post-Brexit UK government will impose stronger controls over inward migration. The potential issues for the UK housing market and migration arising from the Brexit vote are discussed in detail in Contemporary Issues Chapter 1.

In the immediate future there is thus no clear basis for revising downwards the 2014 household projections, although it should be noted that the OBR made the cautious assumption in their latest economic forecasts that they would hold to the 2014 population projections, on the basis that without the potential new constraints following the Brexit vote, they would otherwise have increased their estimates to reflect the latest outturn data on net migration.

On this basis, if with a measure of caution, there is still a short-term requirement for a minimum addition of 227,000 dwellings per year to the housing stock in England, simply to keep pace with projected household growth. While in 2015/16 there was a further upturn in new build and other net additions to the housing stock, this still left total net output some 37,500 below the level required to match the 2014-based household projections (see Table 2.2.2). The table is based on data from the annual statistics that DCLG have been compiling since 2006/07, that have a much more comprehensive coverage of net additions to the stock arising from conversions and changes in the use of buildings than previously available.

Table 2.2.1 English 2014-based household projections

| | 2014 | 2019 | 2024 | 2029 | 2034 | 2039 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Households (Thousands) | 22,746 | 23,927 | 25,015 | 26,083 | 27,088 | 28,044 |
| Change (Thousands) | – | 1,180 | 2,268 | 3,337 | 4,342 | 5,257 |
| Change (Percentages) | – | 5.2 | 10.0 | 14.7 | 19.1 | 23.1 |
| Population (Thousands) | 53,351 | 55,477 | 57,359 | 59,086 | 60,612 | 62,027 |
| Change (Thousands) | – | 2,126 | 4,007 | 5,735 | 7,261 | 8,675 |
| Change (Percentages) | – | 4.0 | 7.5 | 10.7 | 13.6 | 16.3 |
| Average household size | 2.35 | 2.32 | 2.29 | 2.27 | 2.24 | 2.21 |

Source: DCLG 2014-based Household Projections: England.
 Note: Changes are cumulative additions to numbers in 2014.

Table 2.2.2 Net additions to housing supply, England 2011/12-2015/16

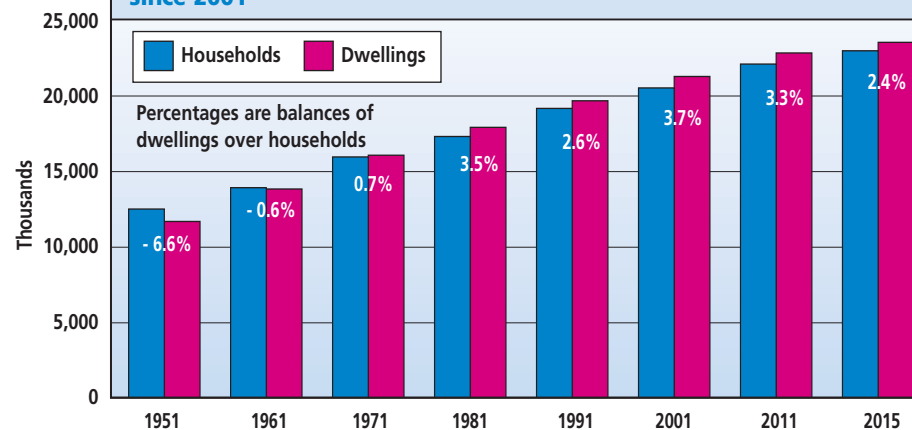
| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---|----------------|----------------|----------------|----------------|----------------|
| New build completions | 128,160 | 118,540 | 130,340 | 155,080 | 163,940 |
| + Net conversions | 5,240 | 4,100 | 4,470 | 4,950 | 4,760 |
| + Net change of use | 12,590 | 12,780 | 12,520 | 20,650 | 30,600 |
| + Net other gains | 1,100 | 1,370 | 1,330 | 630 | 780 |
| - Demolitions | 12,200 | 12,060 | 12,060 | 10,610 | 10,420 |
| Net additional dwellings | 134,900 | 124,720 | 136,610 | 170,690 | 189,650 |
| New build completions from quarterly statistics | 118,510 | 107,980 | 112,330 | 124,650 | 139,840 |

Source: DCLG Live Tables 120 and 213.

It is also notable that the figures for new build completions recorded in these annual statistics are markedly higher than those recorded in the much more long-standing quarterly housebuilding statistics. Indeed while the new build figures from the annual series were some 6,000 a year higher in the three years from 2011/12 to 2013/14, the gap was much wider in 2014/15 and 2015/16 – over 15,000 and 25,000 respectively. Such is this discrepancy that DCLG is now conducting a review of the quarterly house building statistics, as in their current form they have now clearly lost any credibility. One of the issues with the quarterly statistics is that they are very quickly compiled, and that haste (while understandable) is clearly a potential source of under-recording. Another is that the data do not capture completions covered by private approved inspectors.

However, if over-reliance on the quarterly housebuilding statistics has fed exaggerated perceptions of earlier shortfalls between levels of building and household formation, the new data series now permits a much sounder assessment, albeit one that has to take account of the inconsistencies in the official DCLG data on household and dwelling counts from the 2001 Census. Both the household and dwelling figures for 2001 are based on the Census, but the

Figure 2.2.1 Crude household-dwelling balance in England has fallen since 2001



Source: DCLG Live Tables (2011 dwellings figure adjusted – see text).

household figures in the DCLG time series have been adjusted to reflect recognised levels of under-enumeration. In contrast the 2001 dwelling figures in the same series have not been adjusted, although the post-Census evaluation supported an estimated undercount of some 75,000 dwellings. For consistency, Figure 2.2.1 includes adjustments to both the household and dwelling figures from the 2001 Census.⁴

On that basis it can be seen that, as a percentage, the crude balance of dwellings over households fell from 3.7 per cent in 2001 to 3.3 per cent in 2011, although it should be noted that the numerical fall in the balance was just 25,000, or some 2,500 dwellings a year. Against that there has been a much sharper fall in the balance between 2011 and 2015, although it must be recognised that these more recent figures are provisional.

Although there is still a small crude surplus of dwellings over household numbers, this does not take account of vacancy levels or second homes. Latest figures suggest that, taken together, these account for over 1.8 million dwellings – or almost eight per cent of the total stock.⁵ While it might be argued that policy measures could

result in some reduction in the numbers of vacant dwellings, there is an unavoidable minimum number as a result of turnover (moving, dissolving or deceased households), which is inevitably greater in the private rented sector given its far higher levels of household movement compared to other tenures. Against that it must also be recognised that the English Housing Survey's estimate of the number of second homes only covers those owned by English residents, and not those owned by households whose primary residence is abroad.

With these factors taken into account there is clearly a significant net shortfall in the available stock for English households, and this is reflected in numbers of 'sharing' and 'concealed' households alongside other measures of housing stress. The shortfall is particularly acute in London, where there is a crude gap of some 70,000 dwellings even before taking any account of vacancies and second homes.⁶ Such shortfalls support arguments about the need to add far more dwellings to the stock than the 227,000 simply required each year to keep pace with household projections.

Household projections and new housing supply in Wales

The Welsh 2011-based household projections were first discussed in this chapter in the 2014 edition of the *Review*, while in last year's *Review* the discussion focused on alternative views of the assumptions on the rate of decline in the average household headship rate, or household size. The key question for this and other UK national household projections is whether the slow down in the long-term decline in headship rates over the previous decade will persist, or whether it was due to short-term economic and housing market constraints following which the faster decline in previous decades would re-assert itself.

The latest 2015 household estimates suggest that household formation in Wales between 2011 and 2015 was in fact even lower than indicated by the 2011 projections, and that while in part this reflected a downward revision in population estimates, it also took account of a continuing relatively slow rate of decline in the headship rate, broadly in line with that assumed by the official 2011 household projections. Revised 2014-based household projections are anticipated later in 2017.

As in the rest of the UK, new housebuilding levels fell following the global financial crisis to levels well below those of household growth. In 2015/16, just 6,708 new dwellings were completed, but this figure is derived from the same quarterly statistics now shown to be incomplete in England. While new build completions suggest that some 75,000 dwellings were built between 2001 and 2011 (see Compendium Table 19), dwelling stock data show an increase of 114,000 dwellings over the period (although as with England there are possible questions about the 2001 Census figures). Welsh Government statisticians are aware of these issues and are reviewing their data collection practices to deal with the omission of data on completions covered by private approved inspectors (rather than NHBC and local authorities), as well as under-reporting by local authorities of completions by housing associations.⁷

The 2011-based household projections suggest that some 9,000 net additional dwellings are required each year to match household growth over the period to 2021. While this is some way above the level of recorded new building in 2015/16, it is no more than the level recorded in the years between 2001 and 2008 – and that is without making any allowance for any continuing under-recording of annual additions to the Welsh housing stock.

Household projections and new housing supply in Scotland

New 2014-based household projections for Scotland were published in January,⁸ showing some differences to the 2012-based ones. In particular there is a slower rate of household growth over the next 25 years: 14 per cent compared to 17 per cent. This is attributable mainly to the lower rates of household formation among single adult households aged 25-34 as they find it more difficult to access housing and spend longer with their parents. Nonetheless, the trend towards smaller households has intensified since the 2012 projections, albeit with large variations geographically. Edinburgh and Midlothian are projected to see household growth of 30 per cent; and in Aberdeen and Aberdeenshire about 25 per cent. In absolute terms the greatest household growth is expected in Edinburgh (70,000) and Glasgow (46,500). South and North Lanarkshire are expected to see household growth in excess of 30,000. At the other extreme, there is expected to be a five per cent fall in household numbers in Inverclyde, and stagnation in others including North Ayrshire.

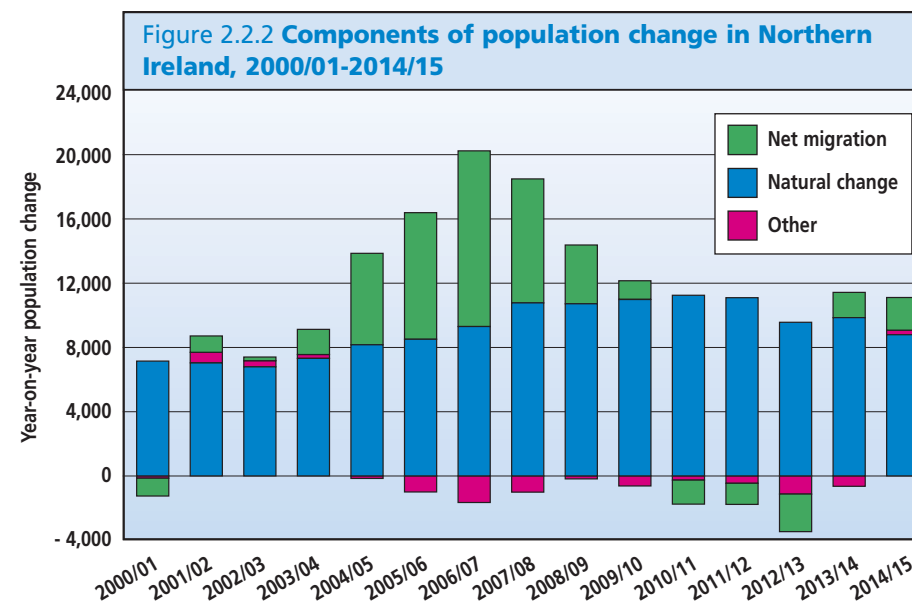
In the long term, as with the rest of the UK, projecting net migration in Scotland is uncertain until the outcome of the Brexit negotiations, and their possible constitutional consequences for Scotland, become clearer. One of the merits of the Scottish projections is that they include several variants along with a central projection to reflect the inherent uncertainties involved, especially in relation to migration. The 'high migration' variant increases projected household growth up to 2039 to 19 per cent, while the 'low migration' variant reduces it to ten per cent.

The time-series data on new housing provision, through both new build and conversions, with demolitions netted off, are broadly consistent with the data on numbers of dwellings in 2001 and 2011, although it is thought that the data on demolitions are not comprehensive and are likely to miss many private sector cases.⁹ Over the last three years net additions to the housing stock have been running at a little below 15,000. This is close to the 2012-based projections (15,800), but above the level of the 2014 projections (13,800). However, the 25-year average is higher at the beginning of the period than at the end.

Household projections and new housing supply in Northern Ireland

Northern Ireland's 2012-based household projections and 2014 population projections were both discussed in this chapter of last year's *Review*. The population projections suggested that, going forward, the earlier 2012 projections of an annual increase of some 4,500 households were likely to require some upward revision. This is reinforced by the latest migration statistics and population estimates that show a return to modest levels of net inward migration in 2013/14 and 2014/15 (see Figure 2.2.2).

However, even more so than the rest of the UK, the uncertainties of the Brexit negotiations are particularly acute for Northern Ireland given the extent to which its economy and housing market are linked to those in the Republic. Meanwhile with new housebuilding running at a little over 5,000 dwellings a year, there continues to be a modest annual improvement in Northern Ireland's household-dwelling balance.



Source: NISRA Population Estimates. Natural Change is the balance of births over deaths.

Household characteristics in Great Britain

With the demise of the General Household Survey, and its short-lived successor the General Lifestyle Survey, it has been a few years since we have been able to update Compendium Tables 30-32, which cover various aspects of the composition of households and the housing stock in Great Britain. This year we have undertaken analysis of data from the Family Resources Survey to provide a more contemporary picture of those characteristics, albeit that they do not change rapidly.

The balance between dwelling types is a feature that changes particularly slowly and even looking back to 1991, by 2014/15 there had been no change in the overall balance in the stock between flats and houses. The most notable change is an increase in the proportion of detached houses, from 19 to 23 per cent, with a small offsetting reduction in the proportions of semi-detached and terrace houses (see Compendium Table 30a, and 24a in the 1993 edition of the *Review*).

Compendium Tables 32a-c deal with housing and ethnicity. The latest figures show no great changes in the broad picture over the last decade. Ethnic minorities, and especially Black households, are less likely to be owner-occupiers and more likely to be in the private rented sector. The position in respect of the social rented sector is more complex. While Black households are more likely to be social sector tenants than White households, the reverse is true for Asian or Chinese households (Compendium Table 32a). Similarly, ethnic minority households are more likely to live in flats than White households, and this is especially the case for the 46 per cent of Black households that live in flats (Compendium Table 32b).

Compendium Tables 33 and 36-38 have continued to be updated drawing on data from Family Spending reports. They have not been updated this year, however, as the survey has moved from a calendar-year to a financial-year basis, and the report on the 2015/16 survey has not yet been published.

Notes and references

- 1 Department for Communities and Local Government (2016) *2014-based Household Projections: England, 2014 – 2039*. London: DCLG.
- 2 Office for National Statistics (2015) *Migration assumptions*. London: ONS.
- 3 Office for National Statistics (2016) *Migration Statistics Quarterly Report: Dec 2016*. London: ONS.
- 4 For further discussion see Wilcox, S (2006) 'On the Barker Trail', in S. Wilcox (ed.) *UK Housing Review 2006/07*. Coventry: Chartered Institute of Housing and Council of Mortgage Lenders. Rather confusingly DCLG included an adjustment for the 2001 Census dwelling-stock undercount as part of an annual adjustment to the net additional dwelling series for the years to 2010/11.
- 5 All figures derived from DCLG live tables based on the English Housing Survey.
- 6 All figures derived from DCLG live tables on dwelling stock and 2014 household projections.
- 7 Welsh Government (2011) *Statistical Article: Quality Improvements to New House Building Statistics*. Cardiff: Welsh Government
- 8 National Records for Scotland (2017) *Household Projections for Scotland 2014-based*. Edinburgh: National Records for Scotland.
- 9 Scottish Government (2016). *New housing supply and demolition statistics*. Edinburgh: ScottishGovernment.