

Section 2 Commentary



Chapter 2 Dwellings, stock condition and households

The rise of private renting

The growth of the private rented sector (PRS) continued apace in 2006 (Compendium Table 17), and mortgage data suggests that 2007 is likely to record a further year of growth. The mirror image to the PRS growth is the continuing proportional (but not absolute) decline in levels of home-ownership.

The private rented sector in England grew from 2,152 thousand dwellings in 2001 to 2,611 in 2006. While rapid, this growth only increased the size of the sector from 10.1 per cent of the total stock in 2001 to 11.9 per cent in 2006. However, the 'stock' measure of tenure does not indicate the far more significant role the private rented sector is now fulfilling in the housing market. Both because there is a higher mobility rate for households in the sector, and because the sector is growing rapidly, the sector is far more significant for moving households.

By 2005/06 almost half of all household moves in England were into the PRS (see Figure 2.2.1); far more than the proportion of moves into either the owner-occupied or social rented sectors.

Compendium Table 17 shows a similar trend in Wales, but not in Scotland. However, this is because the official Scottish housing tenure figures do not yet capture the growth in the private rented sector apparent from the *Scottish Household Survey*. Annual figures for the split between owner-occupied and private rented data cannot be derived from administrative sources, and therefore have to be estimated. The owner-occupied and PRS splits for England, for example, are estimated based on results from the *Survey of English Housing*.

The Scottish figures for the PRS and owner-occupied sectors were revised in 2002 on the basis of the 2001

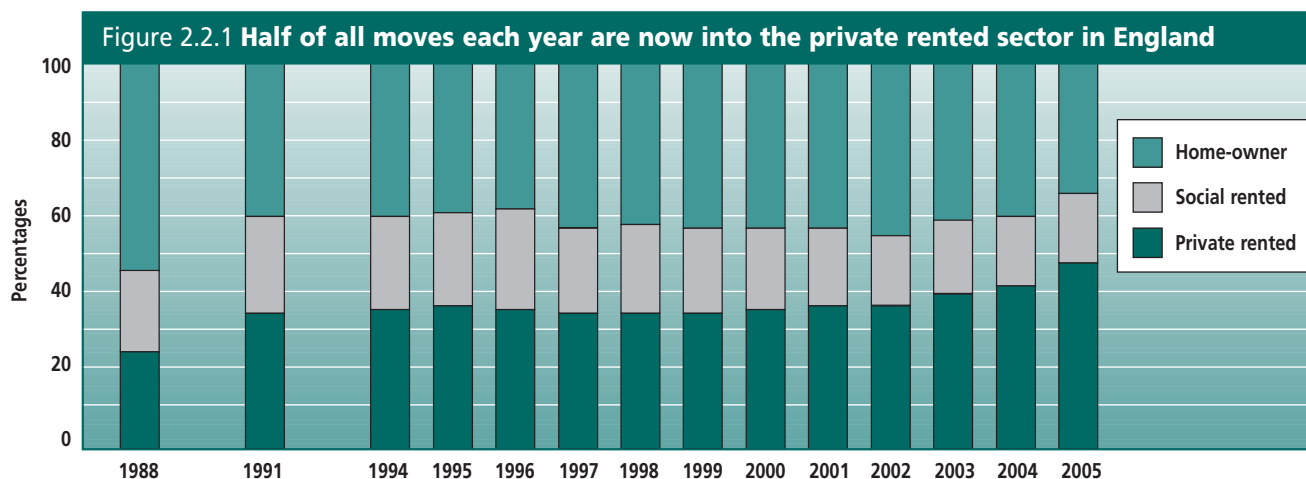
Census; hence the apparent leap in the sector from 156 thousand to 176 thousand in the space of a single year; but only a very modest growth thereafter. In contrast, the *Scottish Household Survey*¹ shows a continuing substantial level of growth since 2001 (plus some 40,000 by 2005).

Similarly the figures for Northern Ireland in Compendium Table 17c show a sharp rise in 2005, with figures for 2005 and 2006 uplifted to reflect the results of the 2004 house condition survey, while data in the 2006/07 edition of *Northern Ireland Housing Statistics*² shows a gradual rise over the period. Unfortunately the different definitions used in the *Scottish Household Survey* and *Northern Ireland Housing Statistics* mean their results cannot be directly applied to revise the data series shown in Compendium Table 17.

If the recent rise in the private rented sector has been quite remarkable, following a century of more or less continuous decline, the prospects in 2008 are now much less certain, and this is discussed further in Commentary Chapter 3.

Population and households

The 2004 based household projections for England are shown in Tables 1.3.6 and 1.3.7 in Contemporary issues Chapter 3, together with a discussion of the government's target to increase new housing completions to 240,000 a year by 2016. Yet even before the powder is dry on those household projections they are already out of date, in that the underlying population projections on which they are based have now been revised.



Source: Survey of English Housing.

New 2006 based population projections for the whole of the UK have now been produced by the Office for National Statistics, and these are set out in Table 2.2.1 on page 52. The key point to note is that the rate of population growth is now projected to be more than double the rate of growth suggested by the 2004 based projections – an average growth rate of 421,000 a year, compared to the 202,000 a year suggested by the 2004 projections.

While net inward migration is a significant contributor to the overall projected population growth, higher rates of net inward migration account for less than a half of the difference between the 2004 and 2006 based projections. Greater longevity and a higher birth rate are also major factors.

In the longer term the high level of net migration underlying the projected levels of population and household growth introduce an increased level of uncertainty; as net migration is far more volatile – and less predictable – over time than the other components of population and household change. While in the short run the 2006 based population projections will inevitably lead to the next round of household projections showing a far higher level of household growth, and increased pressure for a higher level of house building, beyond the first five years or so those projections need to be treated with considerable caution.

A timely Home Office report has emphasised the significant economic contribution made by the migrant population, not least because they are far more likely to be of working age than the

population they join in the UK.³ The UK will, however, face more competition in the years ahead for economically active migrants, not least as the transitional limits on the economic mobility of people from the new EU nations, imposed by a number of the old EU nations, expire.

Mobility

While a number of studies have drawn on the *Survey of English Housing* and other surveys to provide a picture of household mobility over time, there are inherent limitations on the conclusions that can be drawn from such ‘point in time’ surveys, that survey different households each year. Those limitations do not apply to continuous ‘panel’ surveys that survey the same households over a run of years, and can therefore chart the changes in the lives and circumstances of those households.

This year a short pamphlet by Tom Sefton at the Centre for Analysis of Social Exclusion has used data from the *British Household Panel Survey* to track household movements between tenures over a ten year period.⁴

Table 2.2.2 shows the proportion of households that remain in the same tenure over a ten year period. Not surprisingly movements out of the private rented sector are most frequent; and moves out of the owner-occupied sector are least frequent. The table has two sets of figures, with set one taking into account those who ‘move out’ of the tenure by dying, and the other set excluding deaths. A comparison between the two sets of figures makes it clear that a higher proportion of social sector tenants ‘move out’ through dying than occurs in either the private rented or home-owner sector.

Table 2.2.2 Households remaining in tenure over ten year period

Percentages

	Proportion remaining in tenure by number of (waves) years										
	Base	Wave 1	Wave 2	Wave 3	Wave 4	Wave 5	Wave 6	Wave 7	Wave 8	Wave 9	Wave 10
<i>Including deaths</i>											
Owner-occupied	100.0	96.6	94.5	92.9	91.5	89.9	88.4	87.7	87.0	85.6	83.4
Private rented	100.0	77.4	65.1	53.4	50.1	45.9	37.9	33.8	30.2	30.4	25.3
Social rented	100.0	92.8	88.6	83.0	78.1	74.4	68.0	64.3	61.1	58.3	53.1
<i>Excluding deaths</i>											
Owner-occupied	100.0	97.5	96.0	95.1	94.6	94.0	93.5	93.6	94.0	93.6	93.0
Private rented	100.0	78.4	66.1	54.9	52.2	48.2	40.8	37.2	33.7	34.8	29.4
Social rented	100.0	94.2	91.4	87.6	84.2	81.2	76.3	73.8	71.3	69.4	66.2

Source: Sefton – data from British Household Panel Survey, 2007.

Table 2.2.1 Population and components of change: 2006-2031
Thousands

England	2006-2011	2011-2016	2016-2021	2012-2026	2026-2031	Average annual change
Population at start	50,763	52,706	54,724	56,757	58,682	–
Births	3,322	3,413	3,449	3,427	3,408	681
Deaths	2,332	2,265	2,274	2,360	2,516	470
Natural change	991	1,148	1,175	1,068	892	211
Migration	953	870	858	858	858	176
Total change	1,944	2,018	2,033	1,925	1,749	387
Population at end	52,706	54,724	56,757	58,682	60,432	–
Scotland	2006-2011	2011-2016	2016-2021	2012-2026	2026-2031	Average annual change
Population at start	5,117	5,206	5,270	5,326	5,363	–
Births	286	282	276	266	255	55
Deaths	270	261	263	272	286	54
Natural change	16	21	14	- 6	- 32	1
Migration	73	44	43	43	43	10
Total change	89	65	56	36	11	10
Population at end	5,206	5,270	5,326	5,363	5,374	–
Wales	2006-2011	2011-2016	2016-2021	2012-2026	2026-2031	Average annual change
Population at start	2,966	3,038	3,113	3,186	3,248	–
Births	173	178	176	171	166	35
Deaths	155	150	151	156	166	31
Natural change	19	27	26	15	0	3
Migration	53	48	48	48	48	10
Total change	72	75	73	63	47	13
Population at end	3,038	3,113	3,186	3,248	3,296	–

Great Britain	2006-2011	2011-2016	2016-2021	2012-2026	2026-2031	Average annual change
Population at start	58,846	60,950	63,107	65,269	67,294	–
Births	3,781	3,873	3,902	3,864	3,829	770
Deaths	2,756	2,677	2,687	2,787	2,969	555
Natural change	1,026	1,196	1,215	1,077	860	215
Migration	1,078	961	948	948	948	195
Total change	2,104	2,158	2,162	2,024	1,807	410
Population at end	60,950	63,107	65,269	67,294	69,101	–
Northern Ireland	2006-2011	2011-2016	2016-2021	2012-2026	2026-2031	Average annual change
Population at start	1,742	1,812	1,868	1,922	1,966	–
Births	121	124	123	118	113	24
Deaths	71	70	72	76	82	15
Natural change	51	54	51	42	31	9
Migration	19	3	3	3	3	1
Total change	70	57	53	44	33	10
Population at end	1,812	1,868	1,922	1,966	1,999	–
United Kingdom	2006-2011	2011-2016	2016-2021	2012-2026	2026-2031	Average annual change
Population at start	60,587	62,761	64,975	67,191	69,260	–
Births	3,902	3,997	4,025	3,982	3,942	794
Deaths	2,826	2,747	2,759	2,863	3,051	570
Natural change	1,076	1,250	1,266	1,119	891	224
Migration	1,098	964	950	950	950	196
Total change	2,174	2,214	2,216	2,069	1,841	421
Population at end	62,761	64,975	67,191	69,260	71,100	–

Table 2.2.3 Households staying put or moving within the same tenure between 1994 and 2004*Percentages (excluding deaths)*

	Owner-occupiers	Social tenants	Private tenants	All tenures
Same property and landlord	58.9	41.5	14.3	53.3
Same tenure, intra regional move	26.7	24.2	10.9	25.4
Same tenure, inter-regional move	8.2	2.0	3.3	6.8
Right to buy purchasers, same property	0.6	14.5	0.2	3.0
Move to other tenure	5.6	17.8	61.3	11.5

Source: Sefton – from British Household Panel Survey, 2007.

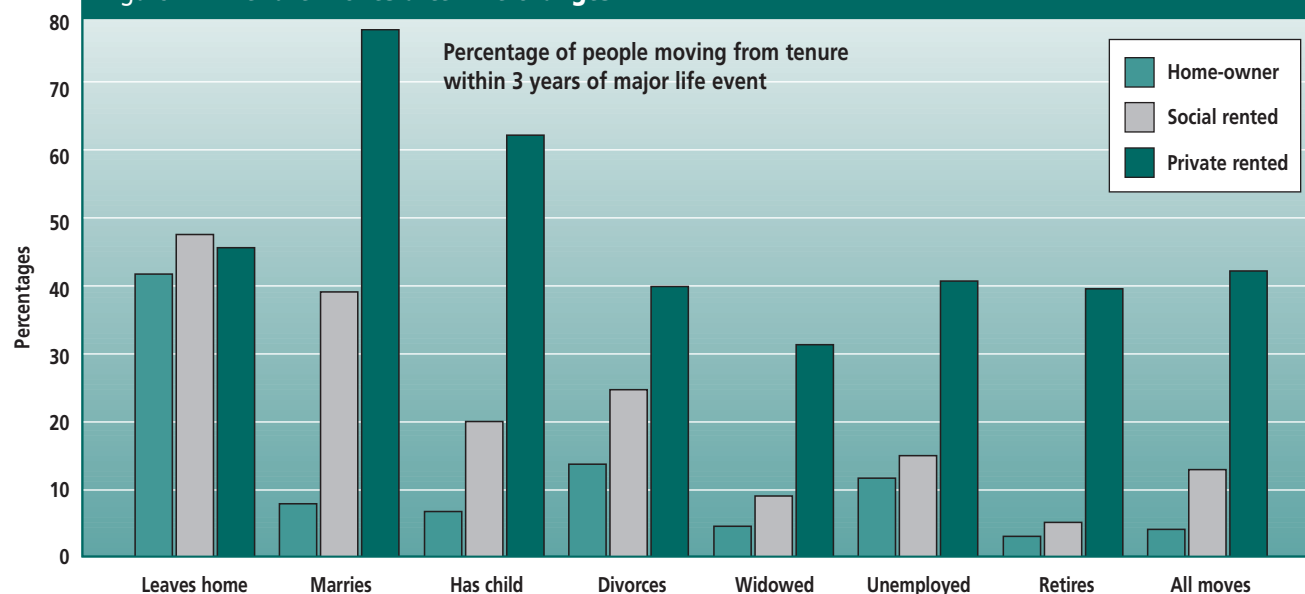
Table 2.2.3 shows the proportions of households that stay in the same property, or move within the same tenure over a ten year period. This shows that over a half of all households in the owner-occupied and social rented sectors remained in the same dwelling over a ten year period from 1994 to 2004; albeit that of those almost 15 per cent of all social sector tenants became home-owners by exercising the right to buy within that period. A further 5 per cent of social sector tenants changed landlord, without moving, during that period as a result of stock transfers.

Figure 2.2.2 shows the impact of key life changes on household moves between tenures, within three years of the life defining event. While overall private tenants are by far the most likely to have moved after three years in all circumstances (other than when first leaving home) the propensity for a household to be more likely to move out of a tenure varies between tenures depending on the key life change.

Thus, while marriage and having children are triggers for a higher proportion of households to leave the private rented sector, divorce and unemployment are triggers for a higher proportion of home-owner households to move out of the sector. For social sector tenants marriage and divorce are the two life events most likely to trigger a move out of the sector.

Incomes

The variations in incomes levels of households both between and within housing tenures are shown in Compendium Tables 36, 37 and 38. Another recent report from the Centre for Analysis of Social

Figure 2.2.2 Tenure moves after life changes

Source: Sefton, 2007.

Exclusion has provided important new evidence on the volatility of household incomes over very short periods of time.⁵

While the study is based on small numbers it is rich in detail, and found that less than a third of all households had stable income streams; while just over a quarter had erratic incomes. In between the majority of the households also experienced less erratic changes in their incomes over the course of a year.

This study has important implications for the design of the tax and benefit system, and in particular for understanding the administrative complexities of those systems that theoretically require households to report changes of circumstance on a week by week basis. In practice the extent of income volatility is such it must be doubted whether either tax or benefit administrations would be able to cope if households always understood and acted on the confusing and changing sets of instructions they are given to report such income changes.

References

1. *Scotland's People: Results from the 2005/06 Scottish Household Survey*, J. Corbett, P. MacLeod and S. Hope, Scottish Executive National Statistics, 2007.
2. *Northern Ireland Housing Statistics 2006-2007*, Northern Ireland Department for Social Development, 2007.
3. *The Economic and Fiscal Impact of Immigration*, Home Office, 2007.
4. *Using the British Household Panel Survey to explore changes in housing tenure in England*, T. Sefton, CASE paper 117, Centre for Analyses of Social Exclusion, London School of Economics, 2007.
5. *Tracking Income: How working families' incomes vary through the year*, J. Hills, R. Smithies and A. McKnight, CASE report 32, Centre for Analyses of Social Exclusion, London School of Economics, 2006.

Key Reading

English House Condition Survey 2005: Annual Report, Communities and Local Government, 2007.

Family Spending, A report on the 2005-2006 Expenditure and Food Survey, Office for National Statistics, Palgrave Macmillan, 2007.

Living in Britain, Results from the 2005 General Household Survey, Office for National Statistics Website.

Housing in England 2005/06, Communities and Local Government, 2007.