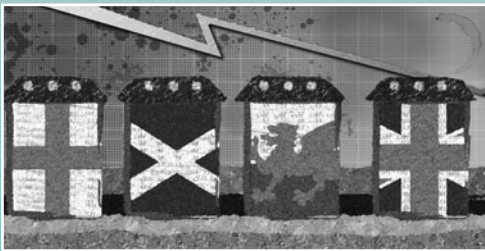


Section 2 Commentary



Chapter 2 Dwellings, stock condition and households

Household dwelling balances

The sharp rises in house prices across the UK over the decade (see Compendium Table 47) focused attention on the issues of supply, access and affordability in all four countries of the UK. There was a particular focus in England on the issue of overall housing supply, highlighted and examined in detail in the Barker reports (see *On the Barker Trail* in the 2006/2007 edition of the *Review*), leading to government targets set with the aim that new house building rates should be increased so that they at least match projected levels of household growth, and the establishment of the National Housing and Planning Advisory Unit to advise and assist planning authorities in understanding and responding to these issues. More recently, Scotland established a Housing Supply Task Force, and Northern Ireland set up the Semple Review on Affordability. This was also one of the many topics touched on in the Essex Review in Wales.

However, it is important to stress that shortfalls in the overall supply of housing played only a very limited role in the sharp rise in house prices over the last decade. Sustained economic growth, and interest rates maintained at relatively low levels in a low inflation environment, were the fundamental drivers of house price growth. Added to that, from 2000 there was also an impact on prices from the new wave of investment in private rented housing, facilitated by the availability of 'buy to let' mortgages from mainstream lenders at competitive rates.

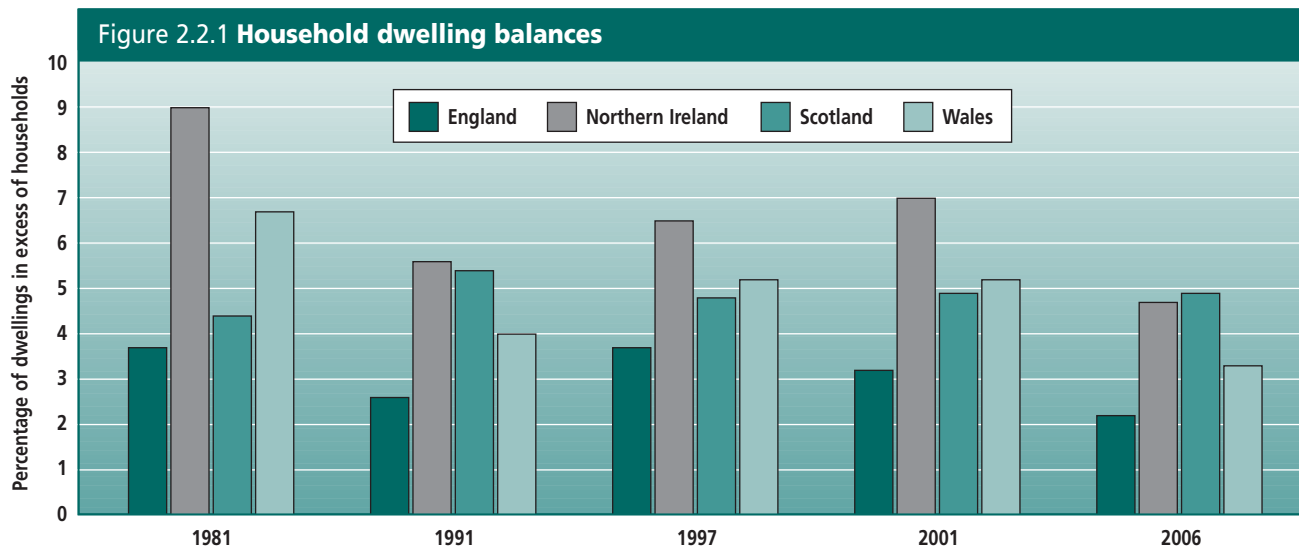
Before the 'credit crunch' there is also some evidence of an expectations-based house price bubble, with some lending practices acknowledged in retrospect to be somewhat excessive. These factors should not, however, be exaggerated as the greatest part of the house price rises can be accounted for by the fundamentals. For further discussion of the pre- and

post-credit crunch market see the Contemporary issues Chapter 4.

Nor is it the case that there has been a shortfall of housing supply in all parts of the UK in recent decades, as can be seen in Figure 2.2.1. The crude balance of dwellings over households declined in England, Northern Ireland and Wales over the decade to 2006; but there was no decline at all in Scotland. In all cases, the decline primarily occurred in the years between 1981 and 1991 (following the abrupt cessation of council house building), and subsequently post-2001. There was only a marginal decline in Scotland in the decade between the 1991 and 2001 Census; and no decline in the other three countries.

It should also be noted that the official figures tend to understate the balance of dwellings from 2001 onwards, as official household estimates and projections have been adjusted to take account of under-reporting in the 2001 Census; while housing stock figures have been constrained to fit the unadjusted Census results. However, while this suggests that the balances from 2001 onwards are rather higher than shown by the figures, it does not throw into question the evidence of a diminishing balance in England, Northern Ireland and Wales in the years since 2001.

It is also clear that the issue is most acute in England, which by 2006 had by far the lowest crude household dwelling balance (2.0 per cent) of the four countries. Once second homes and vacant



Source: Computed from Compendium Table 17 (dwellings) and national household estimates.

dwellings have been taken into account this suggests an even tighter market. Within England, there are also sharp regional differences, with a large shortfall of supply concentrated in London and the wider South East of England, with little or no shortfall in other regions. The net crude balance of dwellings in London and the wider South East was just 1.6 per cent in 2006; compared to 2.6 per cent in the rest of England. Net of unavoidable levels of vacant dwellings, due to normal turnover and refurbishment, and second homes, this implies a net shortfall of dwellings within London and the wider South East.

The second lowest household dwelling balance at the end of the devolution decade was in Wales, where the balance fell from 5.2 per cent in 1997 to 3.3 per cent in 2006. Again, after allowing for second homes and vacant dwellings, this suggests a very tight market. Despite a sharp reduction over the decade the balance in Northern Ireland in 2006 still represented 4.7 per cent of the total stock, only marginally lower than the constant 4.9 per cent balance in Scotland.

If the issues around the overall supply of housing were initially raised in the four countries in the context of concerns about rising house prices and home-owner affordability, it is now clear there are even greater challenges ahead both in terms of the higher levels of household growth indicated by the 2006-based projections, and the collapse of house building rates with the advent of the 'credit crunch'. These changed market circumstances pose new

challenges for national policies in the years ahead, with difficult trade offs required between competing policy objectives.

Household projections

Updated household projections for England, Scotland, Wales and Northern Ireland have all been recently published. In each case the household projections are based on 2006 population projections. The central figures from those projections are set out in Tables 2.2.1 – 2.2.4 overleaf.

In all four countries by far the largest component of the projected household growth is single person households. This accounts for well over a half of all household growth in all four countries, and some 90 per cent of the net household growth in Scotland. Moreover, the age-based analyses show that this growth is predominantly of older households. While in England households aged 65 or more account for 43 per cent of the projected levels of growth, in Scotland they account for just over three-quarters of the projected growth.

These projections are challenging for policies and (national or local) targets to ensure that future house building rates keep pace with household growth. The average annual projected growth rate of 252,000 households a year in England by far exceeds new build rates in the decades before the credit crunch, and there is a similar position in Wales. However, in Northern Ireland and Scotland a return to pre-crunch building rates would be more

than sufficient to keep pace with the projected household growth.

That said, there is some inevitable uncertainty surrounding the household projections, as in all cases population growth based on projected continuing high levels of net inward migration are a significant element in the projected household growth. But levels of net migration are historically volatile and difficult to predict. Net migration is the difference between two much larger flows of both inward and outward migration, and relatively small changes in either or both of those offsetting flows can result in much larger proportionate changes in the net migration figures.

The household projections do acknowledge this uncertainty and provide alternative exemplifications alongside the 'main case' projections. In practical terms, this means that while national and local policies and plans must be framed against the latest household projections, the element of uncertainty needs to be acknowledged, and an eagle eye needs to be kept on the latest data available on trends in migration flows and population statistics, that will in turn inform the next round of household projections.

Meanwhile, the greater certainty is about the high proportion of growth in older households. A detailed analysis of that growth in England (based on the 2004 projections) showed that the growth in owner-occupation in previous decades is still rolling forward in terms of increased proportions of older

Table 2.2.1 Housing projections for England

Thousands

Household type	Year						Annual increase
	2006	2011	2016	2021	2026	2031	
One person	6,822	7,590	8,460	9,339	10,178	10,899	163
Married couples	9,395	9,189	9,115	9,123	9,129	9,179	- 9
Cohabiting couples	2,188	2,652	3,031	3,323	3,574	3,804	65
Lone parents	1,663	1,767	1,852	1,919	1,976	2,021	14
Other multi-person	1,446	1,550	1,648	1,735	1,816	1,914	19
All private households	21,515	22,748	24,107	25,439	26,674	27,818	252
Private household population	49,855	51,778	53,769	55,759	57,617	59,287	377

Source: Household Projections to 2031, England, Communities and Local Government, 2009.

Table 2.2.2 Housing projections for Scotland

Thousands

Household type	Year						Annual increase
	2006	2011	2016	2021	2026	2031	
One person (male)	352.8	399.3	444.3	485.7	522.2	554.0	8.0
One person (female)	456.2	497.7	541.8	581.4	621.8	655.0	8.0
Couples (no children)	686.9	733.7	779.4	816.4	842.7	857.6	6.8
Couples with children	443.1	407.5	372.8	345.0	319.8	299.8	- 5.7
Lone parents	156.9	172.6	186	200.8	214.8	225.9	2.8
Other multi-adult	195.5	187.5	176.3	160.8	147.4	138.7	- 2.3
All private households	2,291.4	2,398.2	2,500.4	2,590.2	2,668.6	2,731.1	17.6

Source: Household Projections for Scotland (2006 based), General Register Office for Scotland, 2008.
Note: Couples with children includes other multi-adult households with children.

Table 2.2.3 Housing projections for Wales

Thousands

Household type	Year						Annual increase
	2006	2011	2016	2021	2026	2031	
One person	389.5	431.6	477.8	523.2	568.6	607.6	8.7
Couples (no children)	399.7	427.3	454.3	475.2	487.4	495.2	3.8
Couples with children	271.0	258.2	247.1	239.4	233.2	225.6	- 1.8
Lone parents	96.6	110.6	124.9	140.3	153.9	164.6	2.7
Other multi-adult	115.1	114.6	111.1	104.4	98.2	96.2	- 0.8
All private households	1,271.8	1,342.3	1,415.1	1,482.4	1,541.4	1,589.3	12.7

Source: Household Projections for Wales (2006 based), Welsh Assembly Government, 2009.
Note: Couples with children includes other multi-adult households with children.

Table 2.2.4 Housing projections for Northern Ireland

Thousands

Household type	Year				Annual increase
	2006	2011	2021	2031	
One person	199.0	225.1	272.0	319.9	4.8
Couples (no children)	175.3	196.4	227.9	252.2	3.1
Couples with children	178.1	176.3	179.8	176.9	0.0
Lone parents	43.2	42.8	44.0	43.1	0.0
Other multi-adult	76.9	80.4	74.6	71.1	- 0.2
All private households	672.6	721.1	798.3	863.2	7.6

Source: Household Projections for Northern Ireland (2006 based), Northern Ireland Statistics and Research Agency, 2008.
Note: Couples with children includes other multi-adult households with children.

home-owners (at the same time as the proportion of younger households becoming home-owners has recently been falling). As a consequence, virtually all of the growth in older households going forward will be of older home-owner households, and given that post-2016 the main growth of older households will be of those aged 75+ there will inevitably also be a rise in the numbers of older households with health issues and requiring some form of care and support.

One part of the challenge ahead is therefore not just to improve levels of care and support for home-owners continuing to live in their long-term family home, but also to increase the supply of market and mixed tenure housing schemes specifically designed for those older households. The evidence also clearly suggests that the demand from this group will be

predominantly for two bedroom accommodation; not one bedroom accommodation (let alone bedsits). A number of providers of housing for the elderly have begun to recognise this reality, but we have a long way to go before housing policy more generally recognises that the old 'bedroom standard' is now completely out of touch with contemporary household standards.

Survey of English Housing

It is also timely this year to celebrate the completion of 15 years of the Survey of English Housing, and to note its passing with its merger (with the English House Condition Survey) into the new English Housing Survey. A short report has been published to celebrate the event, and to give an illustration of the wealth of time series data it now provides (CLG, 2009).

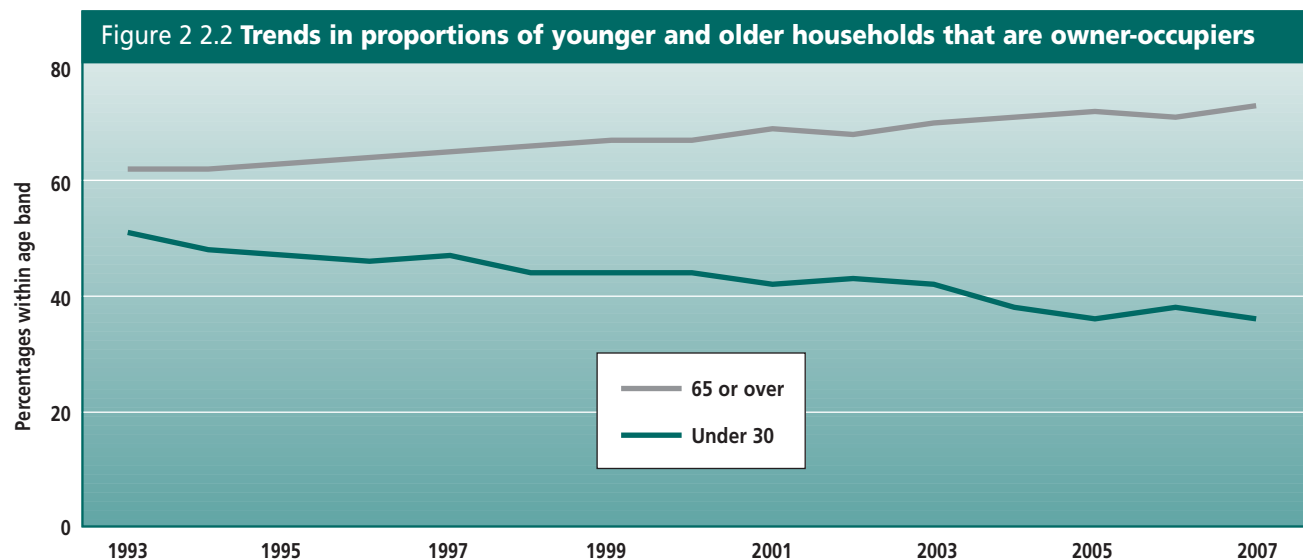
Many time series can be accessed through the CLG website, and an integrated 15 year data set with all the main variables will shortly be available to permit more bespoke analyses. Just one example is shown in Figure 2.2.2, which illustrates the point made above about how the age composition of home-owner households changed over the 15 years from 1993/94 to 2007/08.

References

- Household Projections to 2031*, England, Communities and Local Government, 2009.
- Household Projections for Scotland (2006 based)*, General Register Office for Scotland, 2008.
- Household Projections for Wales (2006 based)*, Summary Report, Welsh Assembly Government, 2009.
- Household Projections for Northern Ireland (2006 based)*, Northern Ireland Statistics and Research Agency, 2008.
- Fifteen Years of the Survey of English Housing: 1993-94 to 2007-08*, Communities and Local Government, 2009.

Key Reading

- English House Condition Survey 2007 Annual Report*, Communities and Local Government, 2009.
- Northern Ireland House Condition Survey 2006*, Northern Ireland Housing Executive, 2008.
- Scottish House Condition Survey: Revised Key Findings 2007*, Scottish Government (Website), 2009.
- Family Spending 2008*, Office for National Statistics, Palgrave Macmillan, 2009.
- General Household Survey 2007*, Office for National Statistics (Website), 2009.
- Housing in England 2007/08*, Communities and Local Government, 2009.



Source: *Survey of Housing*.