

Section 2 Commentary

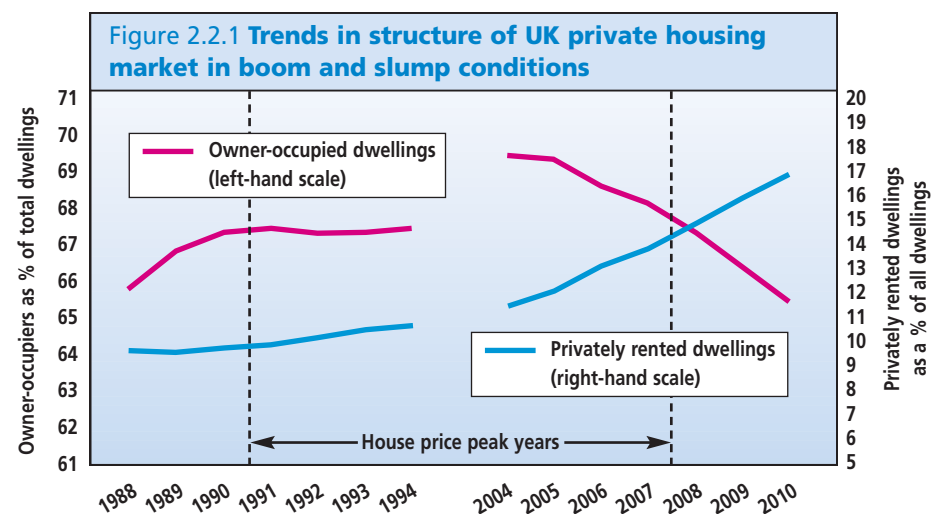
Chapter 2

Dwellings, stock condition and households

The changing structure of the private housing market

Dwelling stock figures for 2010 reveal the continuation of some striking trends with important longer-term implications for the UK housing system. Nationally, owner-occupation contracted in 2010 for the third year in succession – both numerically and as a proportion of the dwelling stock. Also unprecedented in the post-war period has been the six years of a steady reduction in the homeownership *rate* – i.e. the percentage of homes in owner-occupation – from a peak at 69.2 per cent in 2004 (for detailed figures see Compendium Tables 17a-d). In the last major housing market downturn in the 1990s, by contrast, the growth of homeownership dipped into negative territory only for a single year – 1991.

The contrasting pattern of private housing market restructuring seen in the last two economic contractions is illustrated in Figure 2.2.1. The recession of the early 1990s saw only a temporary flattening of the previously escalating homeownership rate. By contrast, the post-2007 market downturn only intensified a downward trend already in evidence.

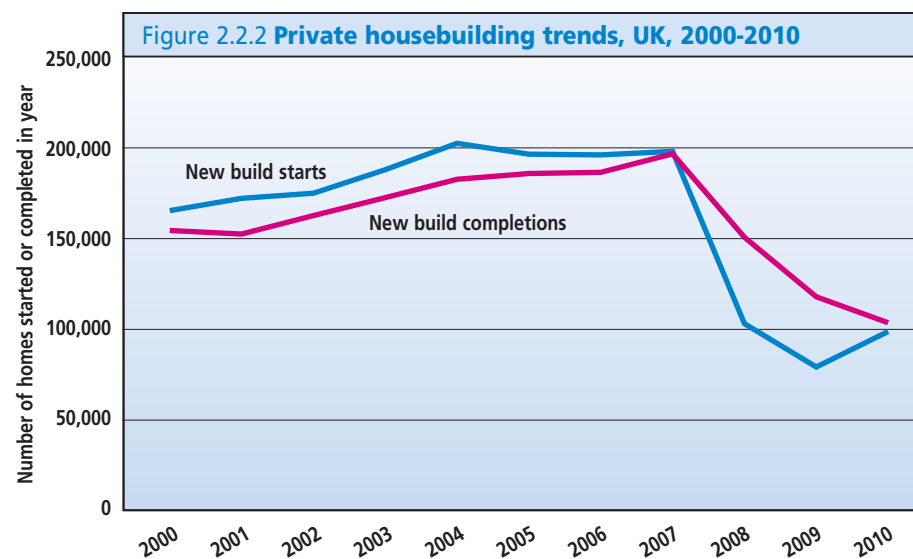


Sources: See Table 17d – Compendium of Tables.

Note: Reflecting data availability, 1988-1994 figures relate to England only, whereas the 2004-2010 series is for the UK.

The absolute contraction of homeownership post-2007 suggests that the number of formerly owner-occupied dwellings being rented out has been exceeding the expansion of the owner-occupied stock via new housebuilding or sitting tenant sales of former social rented housing. This is partly about the falling output of the recession-hit private construction industry. As shown in Figure 2.2.2, private housebuilding output continued to fall in 2010, with the number of completions cut by almost half since the 2007 peak. And, while there was a modest upturn in housing starts across the UK in 2010 (see Figure 2.2.2), this was true only in England and Wales. In both Scotland and Northern Ireland, 2010 saw a further contraction of private housebuilding activity (see Compendium Tables 19e and 19i).

Another factor underlying the different patterns shown in Figure 2.2.1 is the dramatically reduced rates of right to buy (RTB) sales to sitting tenants over recent years. While annual sales of former social rented homes (in Great Britain) never dropped below 60,000 in the 1988-94 period, the number recorded in 2009 fell to under 5,000. As shown in Compendium Tables 20a-c, rapidly declining RTB sales have been seen in all of the constituent countries of Great Britain.

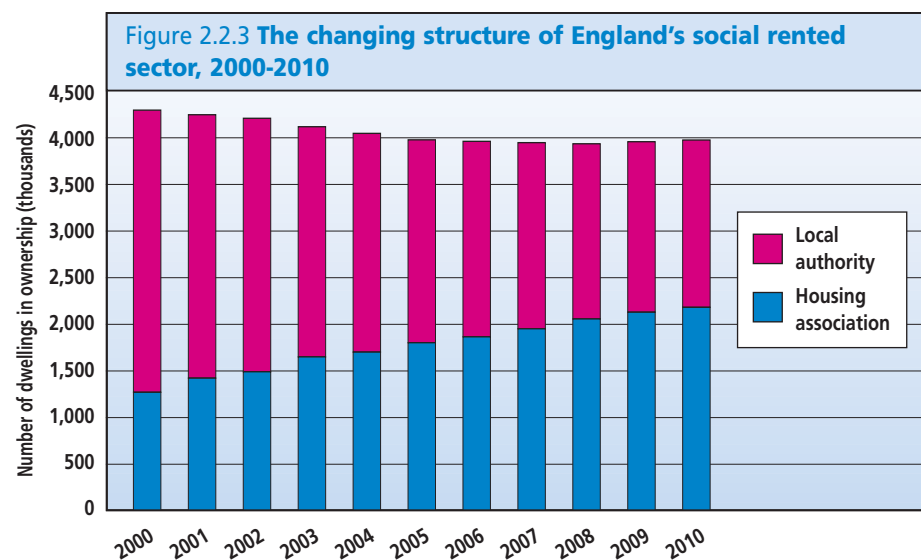


Source: See Compendium Table 19i.

Also notable in Figure 2.2.1 is the continuing vigorous growth of private renting in recent years. This development is further discussed in Contemporary Issues Chapter 1.

Social renting expansion

Across Great Britain, 2010 saw a continuation in the growing pre-eminence of housing associations as the main providers of social housing. This was most marked in Wales, where a flurry of stock transfers boosted associations' share of total stock to 50 per cent – up from only 30 per cent five years earlier. More broadly, the coincidence of low rates of right to buy sales (see above) with relatively high housebuilding by housing association, resulted in Britain's social rented sector seeing its second successive year of net expansion after almost 30 years of shrinkage. Both of these trends are illustrated for England in Figure 2.2.3. However, this unlikely revival is expected to be short-lived, given the probability that social housebuilding will contract under the post-2010 funding regime and the possibility that recently announced plans to boost right to buy discounts in England could prompt some recovery in



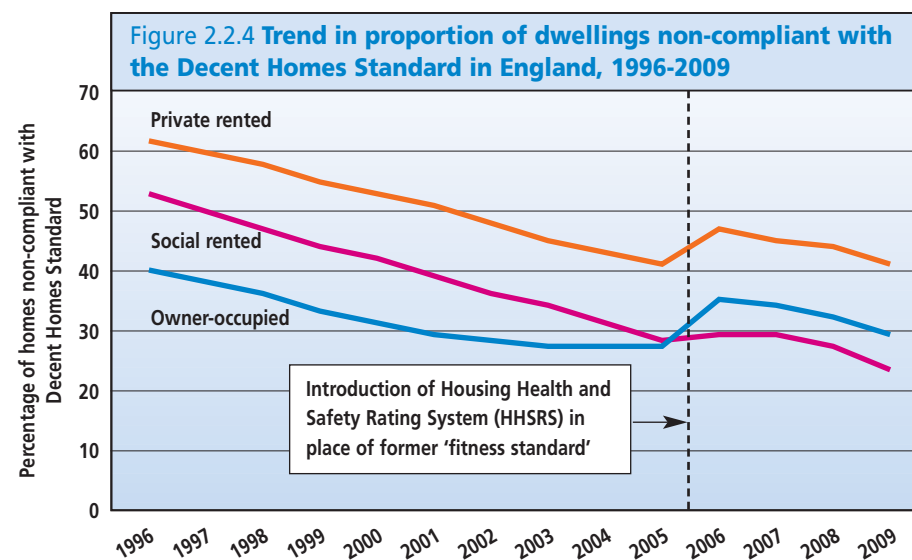
Source: See Compendium Table 17d.

sitting tenant sales. Certainly, the latest half-year figures released by the HCA for April-September 2011 showed a most dramatic decline in new social sector starts, amid claims that this was mainly due to the changes taking place in the funding regimes.¹

Upgrading social rented housing stock

The past 15 years have seen significant improvements in the condition of the UK's dwelling stock across all tenures. Measured in terms of the official Decent Homes Standard, the proportion of problematic dwellings in England has been reduced from 45 per cent to 30 per cent (see Compendium Tables 23a and 23b).

As summarised in Figure 2.2.4, this trend has been evident across all housing tenures. Similarly, in Wales, the all tenure 'unfitness' rate was cut from 19.5 per cent in 1986 to 4.8 per cent in 2004 and in Scotland the proportion of dwellings failing one or more of the criteria within the Scottish Housing Quality Standard was reduced from 77 per cent in 2002 to 61 per cent in 2009 (see Compendium Tables 25a and 26b).



Sources: English House Condition Surveys 1996, 2001, 2004, 2006, 2007 and English Housing Surveys 2008 and 2009.

In policy terms, most attention has been focused on eliminating the repairs and modernisation backlog in the social rented sector. The starting point here was the establishment of official minimum standards in England, Wales and Scotland around 2001, with targets set to bring all social landlord properties up to these standards by 2010, 2012 and 2015 respectively. Although the three national standards are broadly equivalent, in different ways the Scottish and Welsh Housing Quality Standards are rather more exacting than the English Decent Homes Standard.

Evaluating the progress of the decent homes programme (and its Welsh and Scottish counterparts) is complicated by inconsistencies between different stock condition data sources. Figure 2.2.5 shows the extent to which social landlord statistical returns tell a more positive story than the trend suggested by the English House Condition Survey (and, latterly, English Housing Survey). As recounted by the National Audit Office,² possible explanations for the lower non-decency rates shown by landlord returns include the fact that these can exclude homes:

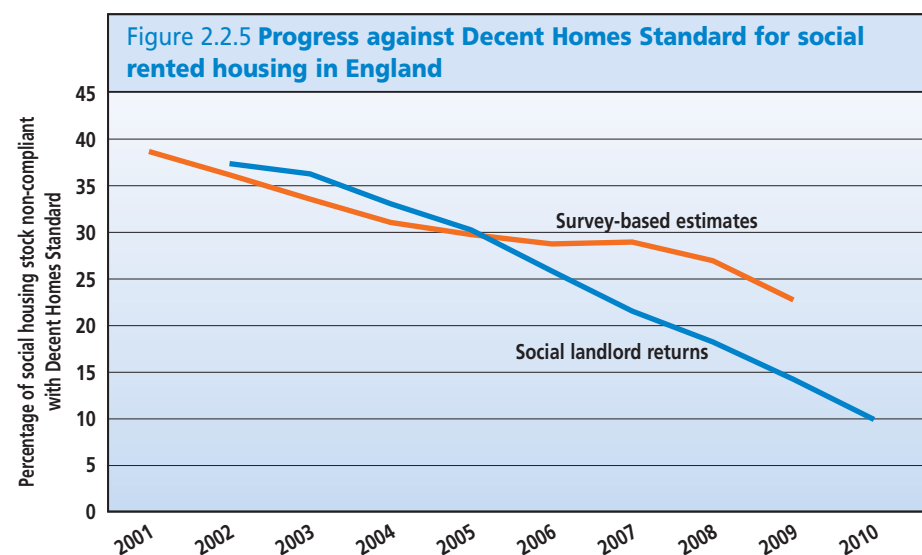
- where the current tenant has opted for their home to be omitted from relevant works programmes
- where the homes concerned are scheduled for demolition.

Another factor is that Housing Health and Safety Rating System (HHSRS) category 1 defects are likely to be dealt with by social landlords as urgent responsive repairs. Taking all of these considerations into account, the Westminster government announced in 2008 that, in monitoring ongoing progress in meeting the standard, it would rely primarily on landlord returns. Even on this basis, the programme remained incomplete in 2010 and it was expected that as far into the future as 2015, a small number of social rented dwellings would remain non-decent.³

At the time it was devised in 2002/03, a survey-based measure showed more than three-quarters of Scotland's social housing (77 per cent) as non-compliant with the Scottish Housing Quality Standard. As shown in Compendium Table 26b, there has been subsequent sector-wide progress, with the (survey-based) national non-compliance rate having been cut to 61 per cent by 2009. Given the scale of its portfolio and its post-stock transfer stock upgrade programme, activity on the part of Glasgow Housing Association (GHA) will have provided a major contribution to this process. Of the 80,000 homes inherited from Glasgow City Council in 2003, over 70 per cent were estimated as non-compliant with SHQS. Having invested over £1billion in stock renovation, GHA estimated that the figure had been reduced to 12 per cent by 2011.⁴

As in England, landlord monitoring returns paint a more positive picture, with these indicating a non-compliance rate of only 46 per cent in 2010/11.⁵ Nevertheless, local authority progress has been considerably slower than was anticipated by councils themselves. While it had been estimated in 2005 that non-compliance would be cut to 45 per cent by 2009, a regulatory estimate of the non-compliance rate at that time was 63 per cent.⁶

In evaluating the impact of the works programmes triggered via the Decent Homes Standard (and Welsh and Scottish equivalents), it should be borne in mind that



Sources: Survey-based estimates – see Table 23a, Compendium of Tables; Social landlord returns – DCLG Live Table 119.

the specified criteria acted as minimum thresholds rather than providing a fixed template. Provided they could access the required resources, landlords were free to negotiate with their tenants on locally defined enhancements to the relevant national standard. According to Table 2.2.1, the standards actually adopted have tended to vary according to the type of landlord concerned – at least in England. On this assessment, stock transfer landlords and arms length management organisations (ALMOs) have tended to be more ambitious than traditional local authorities and housing associations. As far as transfer associations are concerned, this confirms evidence from other research.⁷ Such ‘discretionary enhancements’ have tended to involve higher standard security works and energy-efficiency measures.

Commentary Chapter 4 in the 2010/11 edition of the *Review* analysed the extent to which decent homes activity (and equivalent work in Scotland) had resulted in increased repairs and maintenance expenditure by social landlords and how such ‘extra spending’ was being financed.

Although monitoring data are more sparse than for England and Scotland, there is also clear evidence of an improving trend of stock condition in both Wales and Northern Ireland. As shown in Compendium Table 25a, statutory unfitness was halved in Wales in the period 1998-2004, with a similar rate of change recorded in Northern Ireland – see Compendium Table 27a.

Table 2.2.1 Social landlords in England: views on standard of ‘decent homes’ works implemented by comparison with actual DHS criteria

Social landlord type	Refurbishment standard adopted as compared with DHS		
	Similar (%)	A little higher (%)	Much higher (%)
Stock transfer housing association	9	50	41
Traditional housing association	22	62	17
Arms length management organisation	8	70	23
Retained stock local authority	50	35	15

Source: National Audit Office.

Household projections

The latest set of (2008-based) household projections for England forecast an average annual increment of 232,000 households for the 2008-2033 period.⁸ While this is slightly down on the equivalent 252,000 figure published in the last set of (2006-based) projections, it remains substantially higher than the 160,000 homes built annually in England in the ten years to 2007. This would suggest continuing pressure on housing supply arising from household growth – with probable consequences including a resumption of long-term house price inflation.

Another component of the latest projections highly relevant for housing policy is the strong projected growth in lone-parent households. This group is expected to expand at twice the rate for the population as a whole. Given the income profile of lone-parent families, this implies a disproportionate increase in the demand for affordable housing over the projection period.⁹

Among the factors contributing to household growth, the most volatile is international migration. For the UK, the annual balance between immigration and emigration has resulted in net migration being recorded consistently since 1994. However, while gross immigration has levelled off since 2004, albeit at relatively high levels, net migration has fluctuated in the range 163,000 – 252,000 persons per year over this period. Indeed, recently revised figures indicate that after showing lower levels in 2008 and 2009, net migration climbed to a new peak of 252,000 in 2010. This has resulted partly from a reduction in emigration from the UK, which fell back from a 2008 peak of 427,000 to 339,000 persons.¹⁰ International migration and its implications for housing are further discussed in Contemporary Issues Chapter 4.

For Wales, the latest household projections cover the period 2008-2033. As in England, the expected average annual growth in households – at almost 13,000 – exceeds ‘normal’ new construction output as seen prior to 2008.¹¹ The recently-published 2010-based Welsh population projections show no change in the projected forward rates of population growth compared to the 2008 projections.

Latest household projections for Scotland (2008-based) anticipate a slightly faster growth rate than previously estimated. Across the 25-year period an annual

increment of over 19,000 is now expected – as compared with only 17,000 estimated by the previous 2006-based figures.¹² Even so, the new average annual projected increase remains slightly below the typical yearly housebuilding numbers recorded for Scotland in the 20 years to 2007.

In Northern Ireland, 2008-based household projections¹³ suggest that, on average, the number of households will grow at just over 8,000 per year over the period to 2023 – well below pre-credit crunch housebuilding rates.

Even for Scotland, the 2008-based projections remain fairly similar to the previous 2006-based figures. For a more detailed analysis of 2006-based projections in England, Wales, Scotland and Northern Ireland, see the 2009/10 edition of the *Review*.

References

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- 3 Local authority estimates included in 2010 Business Plan Statistical Annex returns to DCLG suggested that 100,000 council properties would remain non-compliant with the standard at this date (www.communities.gov.uk/publications/corporate/statistics/bpsanondecenthomes0910).
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