Chapter 2

Dwellings, stock condition and households

Overall housing stock

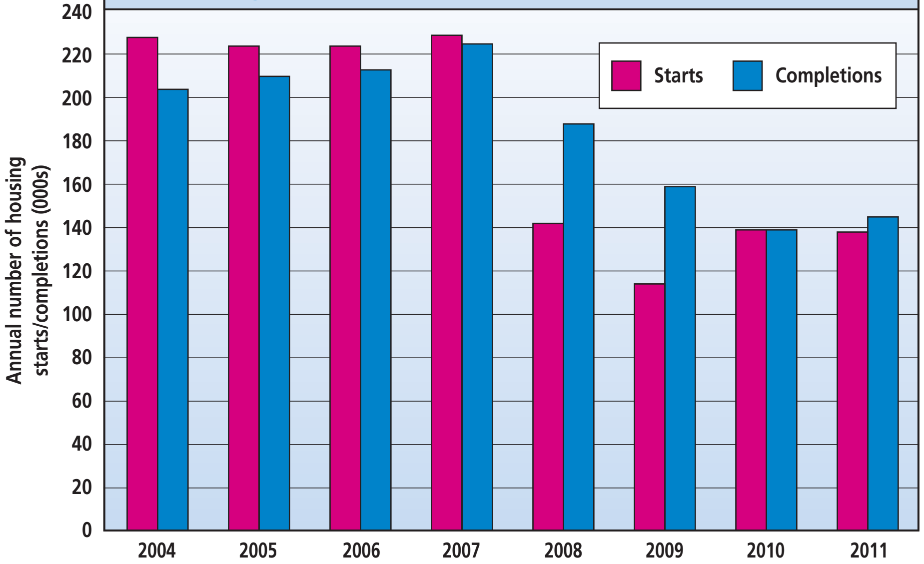
The UK's stock of dwellings continues to expand, although recently it has done so more slowly and at a rate which is well short of projected annual increases in household numbers. Only 146,000 dwellings were added to the nation's housing stock in 2011 – 43 per cent down on the figure for 2008. This is largely a reflection of continuing low rates of housebuilding which – as illustrated by Figure 2.2.1 – remain far below pre-credit crunch levels.

In terms of new starts, *private* housebuilding activity in 2011 remained at only about half that recorded four years earlier (see Compendium Table 19). Only through a short-term stimulus for housing association construction by the former Labour government (see Compendium Table 59) was the overall post-2007 housebuilding collapse limited to the scale shown in Figure 2.2.1. (Stimulus outputs are further discussed later in this chapter.)

While new construction is the main factor in the growth of the dwelling stock it is not the only one. As well as making allowance for reductions to the stock through demolition, we also need to factor in gains from conversions, change of use and other causes. Bringing these together, Table 2.2.1 indicates that England's dwelling stock expanded by 134,900 in 2011/12 – a somewhat bigger increase than in 2010/11, while remaining well below the pre-credit crunch increase of 207,370 in 2007/08.

In interpreting Table 2.2.1 it should also be noted that the housebuilding component of the total (128,160) is considerably higher than reported in official returns (118,190). The former figure is based on data collected annually via the DCLG Housing Flows Reconciliation (HRF) form and from London boroughs via the GLA, whereas the latter is based on local authority quarterly statistics. DCLG believes that estimates drawing on the former are likely to be more accurate because authorities have more time to prepare and submit the relevant returns.

Figure 2.2.1 **Housebuilding: dwelling starts and completions – United Kingdom**



Source: Compendium Table 19.

Table 2.2.1 **Net housing supply in England – components of change**

Components of net housing supply	2007/08	2008/09	2009/10	2010/11	2011/12	Change 2010/11 to 2011/12
New build completions	**200,300**	**157,630**	**124,200**	**117,700**	**128,160**	**10,460**
plus						
Net conversions	**9,020**	**8,640**	**6,230**	**5,050**	**5,240**	**190**
plus						
Net change of use	**17,640**	**16,640**	**13,600**	**11,540**	**12,590**	**1,050**
plus						
Net other gains	**1,020**	**270**	**970**	**1,810**	**1,100**	**- 710**
less						
Demolitions	**20,500**	**16,590**	**16,330**	**14,890**	**12,200**	**- 2,690**
equals						
Net additional dwellings	**207,370**	**166,570**	**128,680**	**121,200**	**134,900**	**13,700**

Source: DCLG[1]

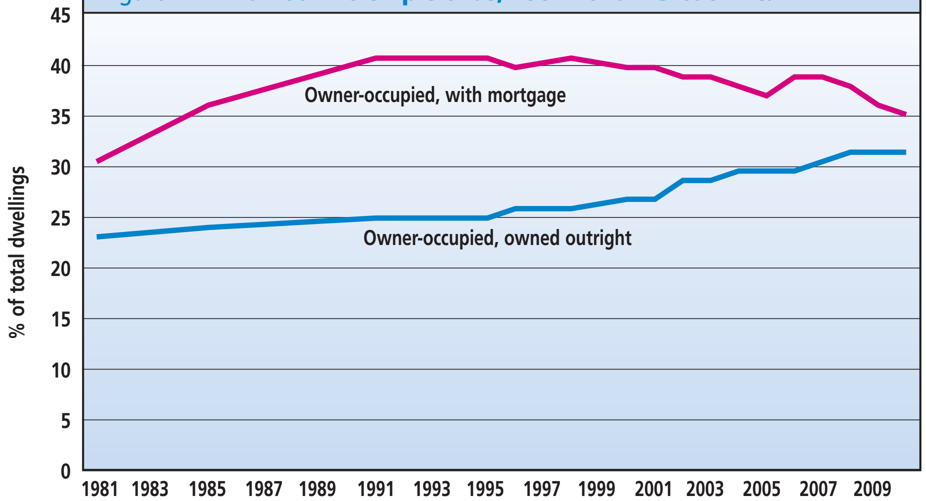
The changing structure of the private housing market

Homeownership continues to decline

Homeownership declined again in 2011, for the fifth year running (see Compendium Table 17). Across the UK, owner-occupation has contracted by over 400,000 homes since 2007. As a proportion of all dwellings, homeownership fell from 69.4 per cent in 2004 to just 64.7 per cent in 2011 – the lowest since the 1980s. As Figure 2.2.2 shows, this results from a falling rate of owner-occupiers with a mortgage, not from any decline in outright ownership. Figure 2.2.2 also shows that the trend does not result entirely from the changed financial and housing market conditions since the 2008 credit crunch, although the pace of decline has recently accelerated.

While the overall fall in owner-occupation is partly because of unusually low rates of private housebuilding, the curtailment of the sector's growth also reflects recent lower right to buy sales: they have fallen to almost insignificant levels since 2007 (Compendium Table 20).

Figure 2.2.2 **Homeownership trends, 1981-2010 – Great Britain**



Source: General Household Survey; General Lifestyle Survey.[2]

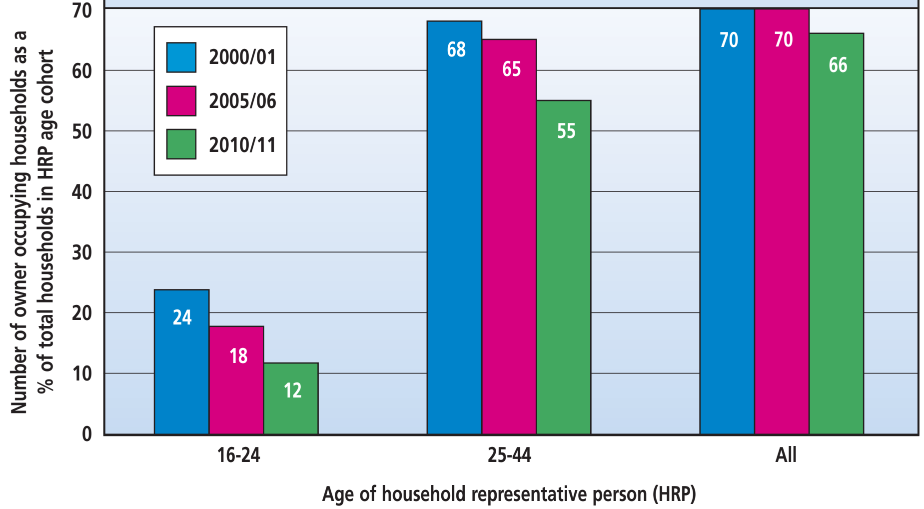
Note: Data source differs from Compendium Table 17 to differentiate 'owner occupied, with mortgage' and 'owner occupied, owned outright' homes in Great Britain. 2010 is the last year in this series.

The overall reduction in homeownership masks highly contrasting trends among different age groups. Figure 2.2.3 shows that the general rate for England fell only quite modestly over the period 2005/06-2010/11 – and not at all during 2000/01-2005/06. However, initially reflecting declining house-price affordability and later mortgage availability, rates of owner-occupation were falling for younger age groups for the whole of the decade covered here. The decline was especially rapid from 2005/06.

The longer-run reduction in homeownership rates among younger people is shown even more dramatically by Table 2.2.2 overleaf. Perhaps especially notable is the trend for 25-34 year olds, with the 1992 rate of 67 per cent falling by well over 20 percentage points over the two next decades.

Also highly significant for all age groups between 25 and 55 is the sharp reduction seen in the latest period. Even in the 55-64 age group, the rate began to fall back after 2010.

Figure 2.2.3 **Age specific homeownership rates, England, 2000/01-2010/11**



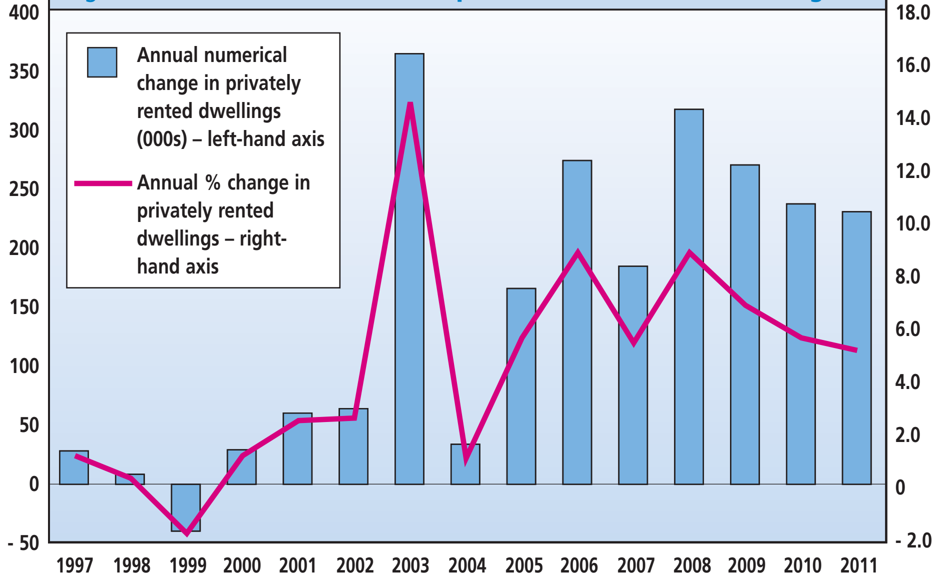
Source: Survey of English Housing and English Housing Survey – various years.

Table 2.2.2 **Age-specific homeownership rates, England, 1992-2012**
Percentages

Age group (see note)	1992	1997	2002	2008	2010	2012
16-24	**39**	**29**	**27**	**20**	**15**	**14**
25-34	**67**	**62**	**61**	**54**	**48**	**43**
35-44	**79**	**74**	**74**	**69**	**67**	**63**
45-54	**79**	**80**	**80**	**75**	**75**	**71**
55-64	**73**	**76**	**79**	**79**	**78**	**77**
65 plus	**60**	**64**	**70**	**73**	**75**	**76**
All	**68**	**68**	**70**	**68**	**68**	**64**

Source: Labour Force Survey data analysed by Glen Bramley.
Note: Figures relate to the age group of the household reference person (HRP).

Figure 2.2.4 **Private rented sector expansion, 1999-2011 – United Kingdom**



Source: Compendium Table 17d.

Private renting expansion – largely fuelled by transfers of existing homes

In the same post-2007 era which saw consistently shrinking homeownership the private rented sector continued its rapid expansion. While owner-occupation declined by some 400,000 dwellings, at the same time private renting grew by over 1.1 million. As shown in Figure 2.2.4, the PRS growth rate has moderated slightly in recent years but it remains robust. This is despite the substantially reduced flow of purchases by investor landlords: buy to let mortgage approvals for the third quarter of 2012 were only a third of the peak level they reached in 2007 (CML statistics). Over and above ongoing investor activity, a substantial proportion of recent PRS growth can probably be attributed to 'rent-not-to-sell' decisions by former owner-occupiers needing to relocate but preferring not to trade their homes in the current housing market.

While private renting more than doubled in the twenty years to 2011 (see Compendium Table 21), this expansion has been very uneven. For one thing, there has been a marked change in the types of tenancies on offer, since growth has occurred almost exclusively in unfurnished rather than furnished lettings. By 2010, the latter accounted for less than a quarter of the sector.[3]

Compendium Table 21 shows that growth of private renting has also varied across the country. Most remarkable has been Northern Ireland, where the historically small PRS grew six-fold over the period 1991-2011. Across England, much the largest growth rates were seen in the north. The regional analysis set out in Table 21 also reveals a striking inverse correlation in growth/decline trends in the private and social rented sectors. Those northern regions experiencing proportionately the largest gains in private renting over the period were also places which tended to see proportionately the biggest falls in social rented dwellings. While various factors will have contributed to this, one implication is that PRS expansion has been to a significant extent about substituting for councils and housing associations in accommodating those on lower incomes. Indeed, as shown in the 2011/12 *Review*, the period 1993-2009 saw the private rented sector expanding its role in catering for the poorest households.[4]

Importantly, ongoing rapid PRS expansion mainly involves the transfer of existing, formerly owner-occupied, homes – not the construction of new dwellings. Such transfers take place not only through 'rent-not-to-sell' decisions on the part of former owner-occupiers (see above), but also through the activity of investor landlords. As measured by the granting of new buy to let mortgages, investor activity has recovered somewhat over the past two years. By the third quarter of 2012 it was running at a rate equating to some 140,000 homes per year. However, it is estimated that only ten per cent of this involves the commissioning or purchase of newly built homes.[5] This would suggest that, while the sector grew by 246,000 in 2011 (see Compendium Table 17c), the 'additional supply' (i.e. new build) element of this total was as little as 14,000 (just six per cent). This needs to be seen within the context of the UK's overall housing supply shortfall, as recently exacerbated by the credit crunch and associated housing market downturn. In England alone, annual housebuilding rates in recent years have been running at almost 130,000 below the number required to keep pace with projected household growth (see below).

It was against this backdrop that the 2012 Montague report[6] recommended a range of measures aimed at incentivising institutional investment in housing construction for private rent. The report's central recommendation was that local authorities should encourage this by waiving 'section 106' affordable housing requirements imposed through the land use planning system. Also, while largely eschewing new subsidies or tax concessions, it advocated limited pump-priming expenditure to kickstart private investment. In its response, the Westminster government announced:[7]

- a £200 millions fund to provide equity finance to housebuilders and developers
- a debt guarantee scheme to support the building of more private rented housing
- a team of private rented sector investment experts to support demonstration projects through the equity finance fund and development and take-up of the new debt guarantee scheme.

The impacts of these initiatives will need to be closely monitored.

Social renting expansion continues

The coincidence of low right to buy sales (see above) with relatively high housing association housebuilding (and acquisition) activity, resulted in Britain's social rented sector seeing its third successive year of net growth in 2011 after almost 30 years of shrinkage. Across the UK, social renting expanded by almost 100,000 dwellings over the three-year period (see Compendium Table 17c). As shown in Table 2.2.3, housing association new build programmes accounted for the vast majority of this. (It should also be noted that, allowing for ongoing right to buy sales and demolitions, annual *net additions* to the social housing stock are somewhat lower than the gross annual totals show in the table.)

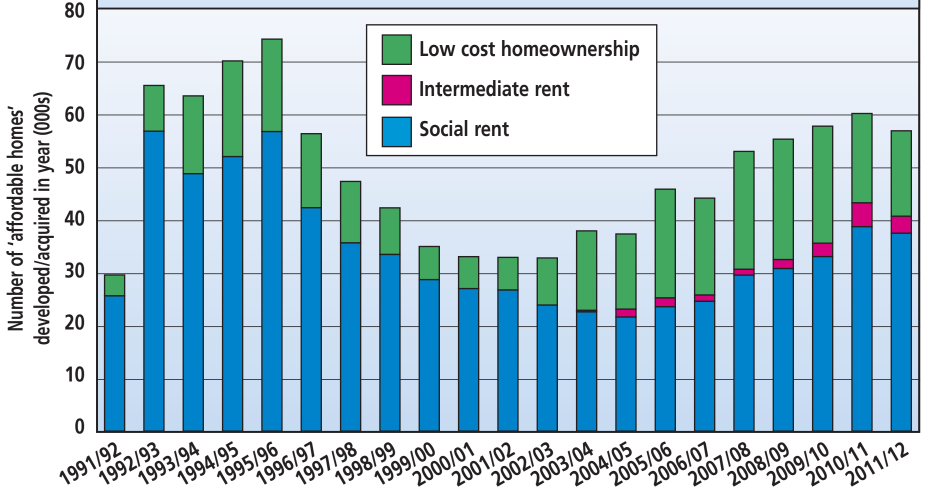
The development and acquisition of homes for social rent is set within a broader context in Figure 2.2.4, which illustrates the ramping up of gross affordable housing output in the period from 2002, to its stimulus-assisted peak in 2010/11. With the HCA projecting a 2011-2015 output totalling some 68,000 homes under its 'Affordable Rent' programme, it seems certain that the future trend of additions to the 'non-market' rented stock will continue to fall back from the 2011/12 levels shown in Table 2.2.3 and Figure 2.2.5.

Table 2.2.3 **Additional social housing developed/acquired in England, 2004-2012**

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
HA new build	**18,970**	**20,930**	**22,060**	**25,950**	**27,510**	**30,170**	**33,110**	**33,410**
HA acquisition	**2,610**	**2,410**	**2,360**	**3,390**	**2,900**	**2,650**	**3,210**	**1,740**
LA new build	**100**	**300**	**250**	**310**	**490**	**350**	**2,540**	**2,470**
Total	**21,680**	**23,640**	**24,670**	**29,650**	**30,900**	**33,170**	**38,860**	**37,620**

Source: DCLG Live Table 1000.
Notes: 1. Figures show stock additions delivered in each specified year.
2. 'Social housing' here includes dwellings developed under the 'Affordable Rent' programme in 2011/12.

Figure 2.2.5 **Additional affordable homes built/acquired in England, 1992-2012**



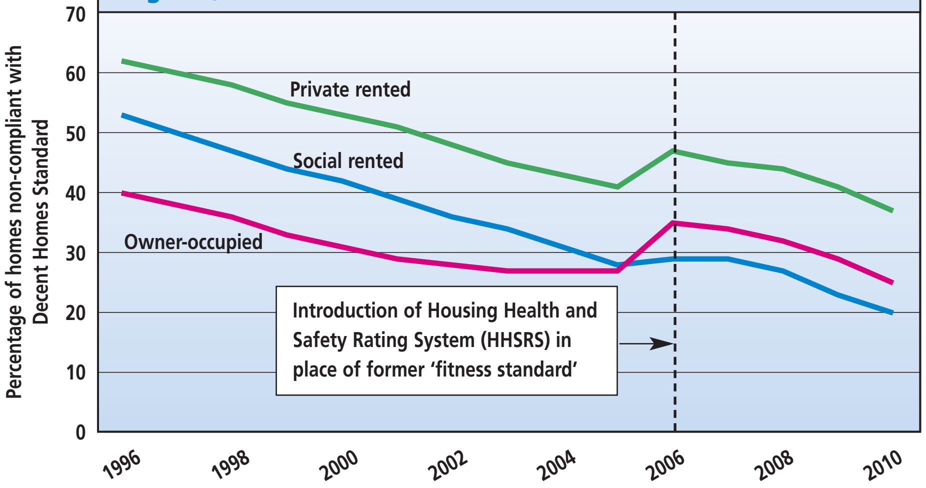
Source: Adapted from DCLG Live Table 1000.
Notes: Social rent includes 'Affordable Rent' dwellings built/acquired in 2011/12.

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 (see Figure 2.2.6). Measured in terms of the official Decent Homes Standard, the proportion of problematic dwellings in England has been reduced from 45 per cent to 26 per cent (see Compendium Tables 23a and 23b). Similarly, in Scotland the proportion of dwellings failing one or more of the Scottish Housing Quality Standard criteria was reduced from 77 per cent in 2002 to 62 per cent in 2010 (see Compendium Tables 25a and 26b).

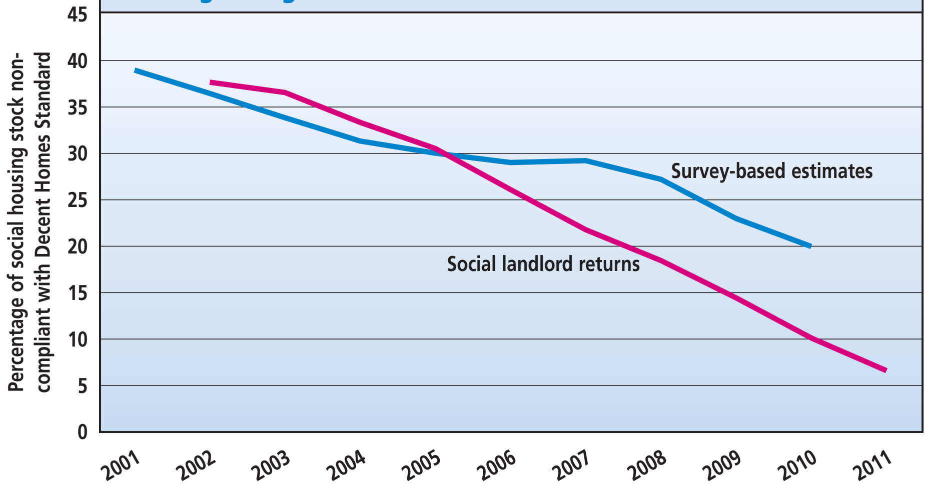
In policy terms, most attention has been focused on eliminating the repairs and modernisation backlog in the social rented sector. The starting point here was the establishment of official minimum standards in England, Wales and Scotland around 2001, with targets set to bring all social landlord properties 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 one.

Figure 2.2.6 **Trend in compliance with Decent Homes Standard in England, 1996-2010**



Sources: English House Condition Surveys 1996-2007, English Housing Surveys 2008-2010.

Figure 2.2.7 **Progress against Decent Homes Standard for social housing in England**



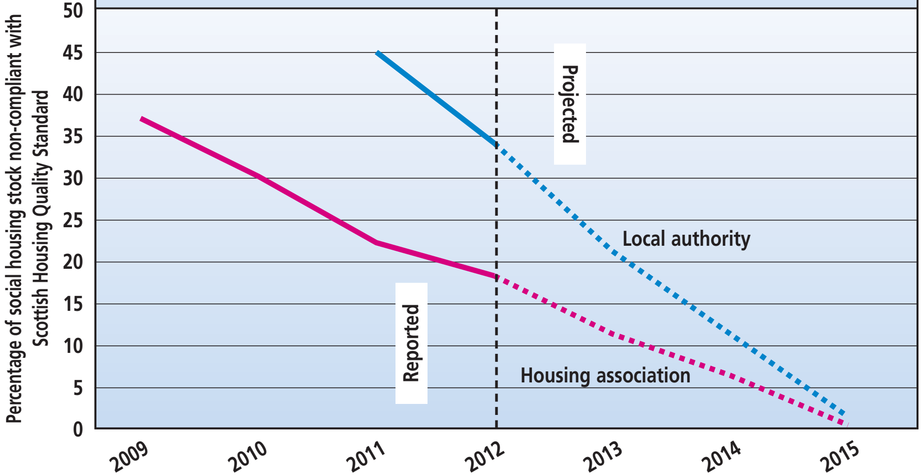
Sources: Survey-based estimates – see Compendium Table 23a; social landlord returns – HCA.[8]

As regards progress towards full Decent Homes Standard compliance in England, social landlord statistical returns tell a somewhat more positive story than the trend suggested by the English House Condition Survey (and, latterly, English Housing Survey) – see Figure 2.2.7. The National Audit Office saw possible explanations for the lower non-decency rates shown by landlord returns in the fact that these can exclude dwellings scheduled for demolition or those where the tenant has opted out of the relevant works programmes.[9] 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.

Partly for these reasons, official monitoring of decent homes compliance focuses mainly on the landlord return data. Even on this basis, however, the programme remained incomplete in 2010 and it was expected that as far ahead as 2015 a small number of social rented dwellings would remain non-decent.[10]

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

Figure 2.2.8 **Progress towards Scottish Housing Quality Standard compliance by social landlords in Scotland – landlord returns**



Source: Scottish Housing Regulator.[12]

the Scottish Housing Quality Standard. Compendium Table 26b shows the subsequent sector-wide progress, with the (survey-based) national non-compliance rate falling to 62 per cent by 2010. To an even greater extent than in England, however, landlord monitoring returns paint a more positive picture, indicating a combined local authority/housing association non-compliance rate of only 26 per cent in 2012.[11] Figures from the same source, shown in Figure 2.2.8, show a rapid rate of recent progress projected into the future such that full compliance is achieved by the 2015 target.

In evaluating the impact of the programmes triggered by the Decent Homes Standard (and Welsh and Scottish equivalents), it should be borne in mind that the specified criteria acted as minimum thresholds rather than providing a fixed template. Research evidence suggests that the standards actually adopted have tended to vary according to the type of landlord concerned, with stock transfer landlords and arms length management organisations (ALMOs) tending to be more ambitious than traditional local authorities and housing associations.[13] Such 'discretionary enhancements' have tended to involve higher standard security works and energy-efficiency measures. (The potential for further investment to achieve and surpass the DHS in England is considered in more detail in Contemporary Issues Chapter 2.)

Landlords adopting local energy efficiency standards superior to those required may be better able to accommodate new and more ambitious residential property quality requirements expected in future. For example, the Scottish Government may soon introduce a new energy-efficiency target for social housing.
Although monitoring data are more sparse than for England and Scotland, there is also clear evidence of improving stock conditions in both Wales and Northern Ireland – at least until recently. As shown in Compendium Table 25a, statutory unfitness was halved in Wales over the period 1998-2004, with more limited gains in the period to 2008. However, while significant improvement was recorded in Northern Ireland in the period to 2009 (see Compendium Table 27a), 2011 survey data here suggest a slight increase in statutory unfitness. According to the Northern Ireland Housing Executive, this 'reflects the current economic environment, the higher rate of vacancy, particularly in the private sector, and the reduced availability of home improvement grants'.[14]

Household projections

The most recent household projections for England are still the 2008-based projections forecasting an average annual increment of 232,000 households for the period to 2033.[15] This remains substantially higher than the number of homes added to the dwelling stock in recent years (see Table 2.2.1). However, in the years from 2008 to 2011 it would now appear that households grew far more slowly than anticipated by the projections. This is indicated by both more recent UK-wide household estimates[16] showing a sharp downturn in household growth, and by the 2011 Census results for England which show some 300,000 fewer households than implied by the 2008 projections. These are reinforced by Labour Force Survey (LFS) data for England showing an average rate of household growth of just 134,000 over the four years 2008-2012.[17]

This is not entirely unexpected as the household projections are based on a purely demographic methodology, and do not take account of the short-term variability in household formation rates, reflecting economic conditions and housing availability. Given the severity and extent of the post-2008 economic downturn it is not surprising that the household formation rate has recently fallen below the level anticipated by demographic projections. (For further discussion of the Census results. and household estimates across the UK, see Contemporary Issues Chapter 1.)

Nonetheless the 2008-based projections still broadly hold as an indicator of potential levels of extra housing demand over coming years. Growth in household numbers will exert continuing pressures on supply, and if this is not matched by a corresponding expansion of the housing stock the probable consequences will include a resumption of long-term house price inflation.

Another component of the latest household projections highly relevant for housing policy is the strong projected growth in lone-parent households. In the period 2005-2012 this cohort is estimated to have grown by ten per cent – twice the growth rate for all household types.[18] With these trends expected to continue, and given the income profile of lone-parent families, this implies a disproportionate increase in the demand for social/affordable housing over the projection period.[19] Consequently, based on the 2008 projections, the estimated annual need for additional social housing has risen from 72,500 to 83,100.[20] These are sobering figures when viewed against the background of social housing output figures achieved even over the final years of the last government (see Table 2.2.3), let alone the numbers projected under the 2011-2015 Affordable Homes Programme (see Commentary Chapter 4).

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 positive levels of net migration being recorded consistently since 1993, reaching 163,000-251,000 per year over the period 2005-2011 although with a slight reduction in 2011.[21] The fall in 2011 resulted from a combination of slightly lower immigration (down by four per cent on 2010) and higher emigration (up by four per cent). Expectations that such trends may continue could result in lower household projections when the next ones are released. (Migration is further discussed in Contemporary Issues Chapter 1.)

Another key factor influencing trends in household numbers is household size. One of the main components of household growth throughout the twentieth century was the fall in the average number of persons per household. However, the 2011 Census shows that this trend halted over the 2001-2011 period.[22] One important contributory factor here has been the rising incidence of 'multi-generational living' in terms of young adults remaining in the family home. Across the UK the number of adults aged 20-34 living with a parent or parents rose by 20 per cent in the period 1997-2011.[23] In part, perhaps, this might be attributable to housing (un)affordability, but it may also result from more young people going into higher education and other factors. In future, such trends might be compounded by welfare reform measures (e.g. housing benefit cuts for young people) – see 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.[24] The latest (2010-based) Welsh population projections show no change in the projected forward rates of population growth compared to the 2008 projections.

The latest household projections for Scotland (2008-based) anticipated 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 before.[25] 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. Again, in the short term, LFS data suggest that household growth over the four years to 2012 was some way below the projected levels, averaging only just over 10,000 per year.

In Northern Ireland, 2008-based household projections[26] 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. For a more detailed analysis of (2006-based) projections in England, Wales, Scotland and Northern Ireland, see the 2009/10 edition of the *Review*.

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