Chapter 2

Dwellings, stock condition and households

Housing supply

There are continuing concerns about the failure of new housebuilding performance to match anticipated levels of household growth over the years since the credit crunch. The consequential tightening of the housing market typically has the most severe impacts on households with the lowest incomes.[1]

Current household projections suggest a UK requirement for just over 260,000 additional dwellings a year – just to crudely keep pace with household growth without making any provision to reduce the levels of the net shortfall of dwellings (after taking account of second homes and an inevitable minimum level of vacancies).[2]

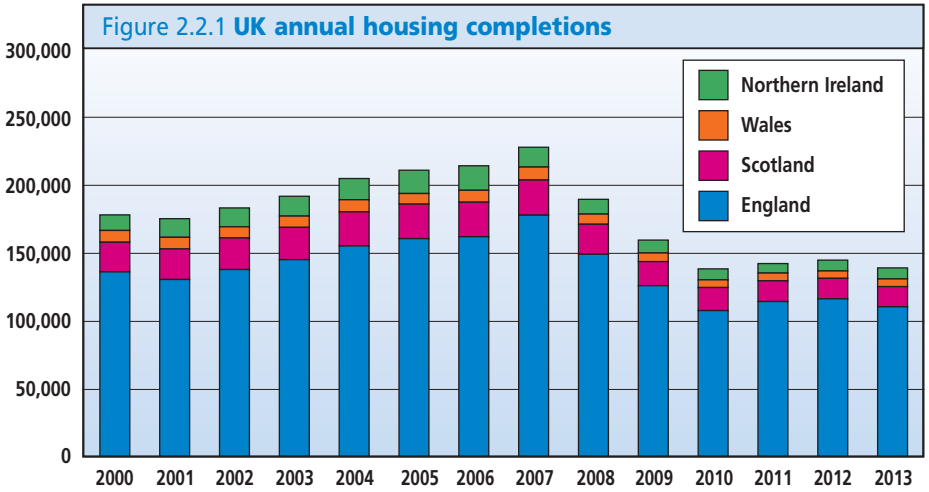
Against that, as can be seen in Figure 2.2.1, over the last four years recorded completions across the UK have been below 150,000 a year. While new starts did rise sharply in 2013 (Compendium Table 19k), and this has continued into 2014, this is unlikely to do more than boost recorded completions to (at best) just over 150,000 – still a very long way short of projected household growth.

However, in practice the shortfall is likely to be rather less than suggested by these figures – for two reasons. The first is the English new build data series substantially underestimates the net annual additions to the housing stock through new build, conversions and other changes. The still relatively new annual data series from DCLG on net housing supply[3] shows that the traditional – rapidly compiled – quarterly housebuilding statistics systematically underestimated levels of new house building. There were also further net additions to the housing stock through conversions of both existing dwellings and previously non-residential buildings, which outstripped the loss of dwellings through demolitions.

This new data series shows that over the seven years to 2013/14 net additions to the housing stock in England were on average some 29,500 dwellings a year greater than suggested by the traditional quarterly housing statistics. Of this, an average of 14,000 dwellings a year are simply the result of the speedily completed traditional quarterly statistical returns underestimating new starts and completions when compared to the figures collected through the annual returns (which are collected and published in a more measured fashion). Even so the new data series needs to include an ad hoc adjustment for the years to 2010-11, in order to bring its results into line with the 1.8 million additional dwellings identified in the 2011 Census figures, relative to the figures in the 2001 Census (see Table 2.2.1).

The second reason is that latest ONS estimates suggest that UK household growth over the years from 2007 to 2014 was far lower than suggested by the four

Figure 2.2.1 **UK annual housing completions**



Sources: See Compendium Tables 19b, 19d, 19f and 19j.

Table 2.2.1 **Net supply of housing in England**

Components of net housing supply	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
New build (quaterly returns)	170,610	140,990	119,910	107,870	118,510	107,980	112,400
+ Balance quarterly and annual returns	29,420	16,640	4,290	9,830	9,650	10,560	17,940
= New build (annual returns)	200,030	157,630	124,200	117,700	128,160	118,540	130,340
+ Net conversions	9,020	8,640	6,230	5,050	5,240	4,100	4,470
+ Net change of use	17,640	16,640	13,600	11,540	12,590	12,780	12,520
+ Net other gains	1,020	270	970	1,810	1,100	1,370	1,330
– Demolitions	20,500	16,590	16,330	14,890	12,200	12,060	12,060
= Net total before Census adjustment	207,340	166,580	128,680	121,200	134,900	124,720	136,610
+ Adjustment to Census 2011	16,190	16,190	16,190	16,190	–	–	–
= Total net additional dwellings	223,530	182,770	144,870	137,390	134,900	124,720	136,610

Sources: Net supply of housing: 2013-14, England, Housing Statistical Release, 2014; Table 209 Live Tables, DCLG.

countries' household projections for the period.[4] The ONS estimates (based on the Labour Force Survey) also show a substantial growth in the numbers of 'multi-family' households over the period, which would be consistent with the impact of short-term economic and housing market factors depressing the underlying rates of household formation.

However while the ONS data suggest that household numbers in 2014 are lower than anticipated, but with a greater 'frustrated' backlog of potential households, this does not necessarily imply that there will be a similar reduction in projected levels of household formation going forward.

Based on just the traditional housebuilding data, there is a shortfall relative to household formation in Scotland and Wales as well as in England. However for those countries the shortfall could be eliminated if housebuilding rates simply returned to levels typical in the pre-credit-crunch years.

A better estimate of the extent of the challenges for England, and the equivalent challenges in Scotland, Wales and Northern Ireland, will become available during the course of 2015 as each country publishes new household estimates and projections that fully reflect the results from the 2011 Census.

Room and property size

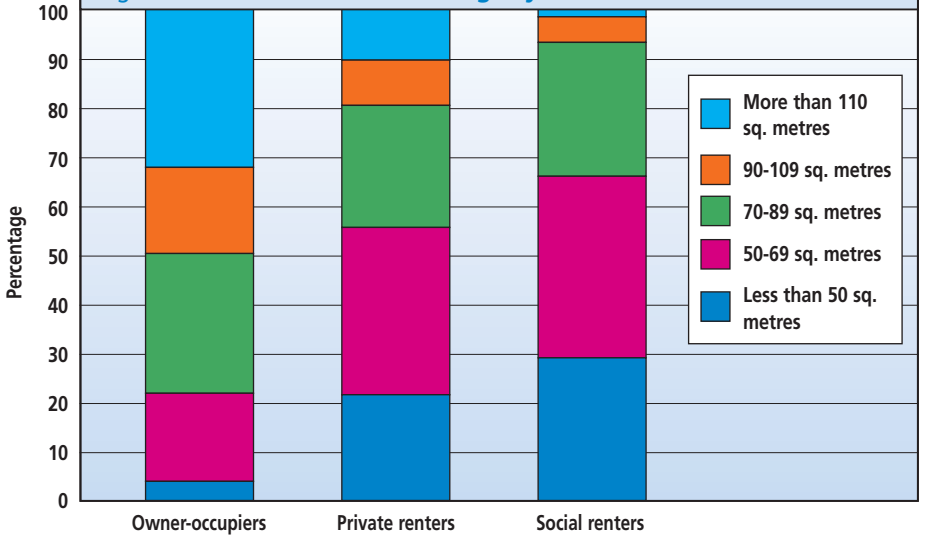
The relatively small size of new dwellings in the UK is also discussed in Contemporary Issues Chapter 3. The most recent English Housing Survey provides a fuller picture not just of the size of new and old dwellings in the different tenures, but also a new analysis of variations in the size of individual rooms within dwellings.

Larger dwellings are, not surprisingly, more typically found in the owner-occupied sector, with the average owner-occupied dwelling measuring 66.8 square metres. More notably the average social sector dwelling (at 52.4 square metres) is smaller than the average private rented dwelling (at 55.5 square metres). However it is also the case that the social rented sector is occupied by a higher proportion of smaller households than the private rented sector – with 43 per cent single person households compared to 29 per cent in the private rented sector. Despite the limited numbers of smaller dwellings, less than a quarter of all owner-occupiers are single-person households.[5]

There is little variation in the proportion of middle-size dwellings (70-89 square metres) between the tenures, but a marked contrast in the distribution of smaller and larger units, as seen in Figure 2.2.2. Half of all owner-occupied dwellings have floor areas of 90 square metres or more, compared to just a fifth in the private rented sector, and just seven per cent in the social rented sector.

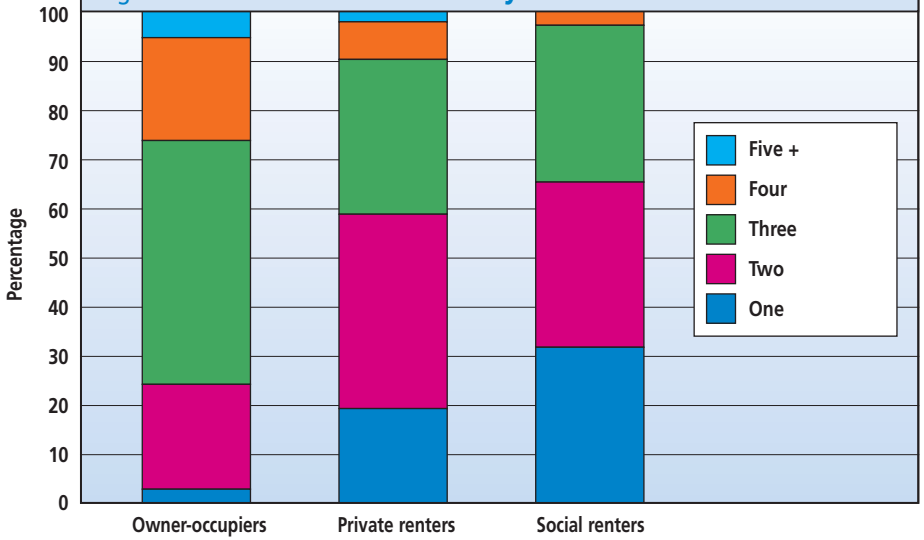
The differences between tenures in the size distribution of dwellings are closely matched by the differences in the distribution of dwellings by numbers of bedrooms (see Figure 2.2.3). While less than a quarter of all owner-occupied dwellings have just one or two bedrooms, such smaller dwellings account for nearly three-fifths of the private rented sector and nearly two-thirds of the social rented sector. Even allowing for the lower proportion of smaller households in the owner-occupied sector, the very high proportion of three-, four- and five- (or more) bedroom dwellings in the sector results in a far greater incidence of 'under-occupation' compared to the rented sectors. This is illustrated in Figure 2.2.4.

Figure 2.2.2 **Floor area of dwellings by tenure**



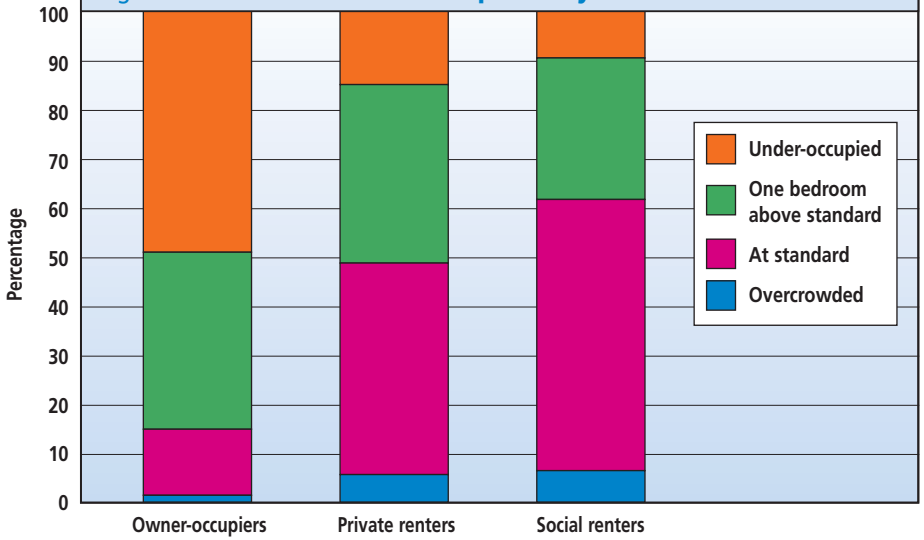
Source: English Housing Survey: Households, Annual Report 2012-13.

Figure 2.2.3 **Number of bedrooms by tenure**



Source: English Housing Survey: Households, Annual Report 2012-13.

Figure 2.2.4 **Over- and under-occupation by tenure**



Source: English Housing Survey: Households, Annual Report 2012-13.
Note: Occupation levels relative to the bedroom standard.

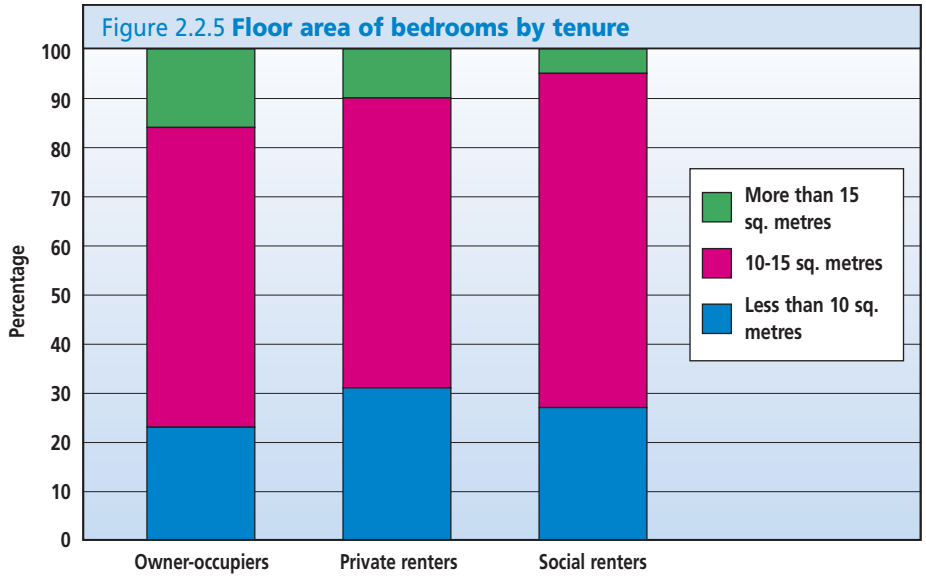
The English Housing Survey (EHS) defines under-occupation as having more than one bedroom above the 'bedroom standard'. This follows on from social survey evidence that 'the bedroom standard plus one' is the contemporary social norm, and that households with one bedroom above the conventional statistical 'bedroom standard' do not typically regard themselves as 'under-occupiers'.[6]

Even so, using the EHS definition shows that virtually half of all owner-occupiers might be regarded as under-occupying their home, compared to 15 per cent of private tenants and just ten per cent of all social sector tenants. Taking into account the much larger size of the owner-occupied sector this translates into 88 per cent of all under-occupying households residing in that sector, with just seven per cent in the private rented sector and five per cent in the social sector. One of the limitations of the bedroom standard is that it effectively assumes that all bedrooms are available to be shared by either two adults or two children, where deemed appropriate by the standard, regardless of the size of the bedroom. This approach was perhaps unavoidable for its use as a social survey measure where the surveys typically did not collect information on the size of bedrooms. It is, however, a very different matter when that measure gets applied as a policy instrument, as in the 'bedroom tax', and this is discussed further in Contemporary Issues Chapter 1.

Meanwhile new insights into the measure are provided by the innovative EHS analysis of the size of a typical bedroom within each dwelling. As with the other space measures this shows a higher proportion of larger rooms in the owner-occupied sector, and a higher proportion of smaller rooms (defined as less than ten square metres) in the rented sectors (Figure 2.2.5).

It should be noted that under the 1935 statutory overcrowding standard, rooms that are below ten square metres (more precisely 110 square feet) are not considered large enough to be shared by two persons ('persons' includes children aged over 10 as well as adults). In other words, something like three-tenths of all bedrooms in the social rented sector are not deemed sufficiently large under this criterion to be shared by two adults or by two children aged over 10.

Figure 2.2.5 **Floor area of bedrooms by tenure**



Source: English Housing Survey: Households, Annual Report 2012-13.

Stock condition and improvement grants

Regular tables in the compendium chart the gradual improvement in the energy efficiency of dwellings in England, Scotland and Northern Ireland. Latest figures show both that average energy-efficiency ratings in England are rather lower than in Scotland and Northern Ireland, and that in all three countries average ratings are substantially higher in the social rented sector compared to the private sector, as shown in Table 2.2.2.

Table 2.2.2 **Average energy efficiency ratings (SAP09)**

Tenure	England (2012)	Scotland (2013)	Northern Ireland (2011)
Owner-occupier	**57.2**	**61.8**	**59.9**
Private renting	**57.6**	**62.1**	**59.2**
Social renting	**64.6**	**67.3**	**67.8**

Source: Compendium Tables 24a, 26d, 27c.

It is also notable that while the average SAP rating for social sector housing in Scotland is rather higher than in England, nonetheless a far higher proportion of social sector dwellings in Scotland fail to meet the Scottish Housing Quality Standard on the grounds of energy inefficiency (28 per cent – Table 26c), than the proportion of social sector dwellings in England that fail to meet the evidently less demanding thermal comfort criteria of the Decent Homes Standard (5.4 per cent).[7]

In addition in Scotland, work is in hand to look at more ambitious targets for the energy efficiency of the stock. The introduction of the Energy Efficiency Standard for Social Housing is noted in Commentary Chapter 4 (see page 72), but as well as this the Scottish Government has committed to consulting on the regulation of the energy efficiency of existing private sector housing. Consultations are expected in Spring 2015 on the levels, monitoring and enforcement routes, timescale for implementation and trigger points for regulations. The working group is looking at both the owner-occupied and private rented sectors.

There are no comparable recent survey data on the energy efficiency of the housing stock in Wales; however data are now available for both England and Wales on the energy efficiency of the newly built, sold, let, or other dwellings that have been issued with Energy Performance Certificates since 2008. A summary of the distribution by the energy-efficiency band of the dwellings issued with EPCs in 2013 is set out in Table 2.2.3. This data series is still deemed to be experimental, and the data relate to the flows of dwellings, including all those newly built, for which certificates have been issued. It is not therefore representative of the total

Table 2.2.3 **Energy efficiency bands for dwellings issued with EPCs in 2013**

Country	Energy Efficiency Bands					
	Band A/B	Band C	Band D	Band E	Band F	Band G
England	**6.7%**	**26.5%**	**44.3%**	**17.6%**	**3.9%**	**1.0%**
Wales	**5.0%**	**21.4%**	**43.5%**	**22.4%**	**6.0%**	**1.7%**

Source: Energy Performance of Buildings Certificates: Statistics Release Q1 2008 to Q3 2014 England and Wales, DCLG, 2014.

housing stock, but it is still a useful indication both of trends and of differences in energy-efficiency ratings in England and Wales, and in individual areas, according to tenure. Table 2.2.3 clearly shows, for example, far fewer EPCs assessed in Bands A-C in Wales compared to England, and far more in Bands E-G.

Finally in this Chapter attention is drawn to Compendium Table 28, which this year has been updated to include data on improvement grants (and loans) expenditure in England. The data are now collected as part of an omnibus local authority housing statistics return, and while the results do not feature in the annual covering DCLG report, the accompanying dataset does provide the data required to update the table in respect of improvement grants (after some quality control adjustments), although not for disabled facilities grants. The data confirm the sharp downwards trend in the provision in England of improvement grants (or loans), and this highlights one aspect of the challenges involved in trying to promote improved housing quality and energy efficiency in the private sector, as discussed further in Contemporary Issues Chapter 3.

References

1 One of the earliest analyses of this impact of housing market pressures can be found in Nevitt, A. (1966) *Housing, Taxation and Subsidies*. London: Nelson.

2 For a discussion of the net shortfall of dwellings based on Census 2011 data see this Chapter in the 2014 edition of the *Review*, pp.38-39.

3 DCLG (2014) *Net supply of housing 2013-14*, England. London: DCLG.

4 ONS (2015) *Families and Households, 2014*. ONS Statistical Bulletin. London: ONS.

5 *DCLG (2014) English Housing Survey 2012-13: Headline Report*. London: DCLG.

6 Wilcox, S. (2014) *Housing benefit size criteria: impacts for social sector tenants and options for reform*. York: Joseph Rowntree Foundation.

7 DCLG (2014) *English Housing Survey 2012-13: Headline Report*, table 13. London: DCLG.