Chapter 3
Private housing

The year 2015 proved to be a watershed in terms of government housing policies, particularly in England, with a clear shift to further favour homeownership, reduce social housing and restructure private renting. As noted in Contemporary Issues Chapter 3, housing policy is now diverging quite rapidly across the UK and it is becoming ever harder to offer generalisations, just as it has always been so with respect to the underlying housing market. We may still have a common currency and Bank of England base rate but market circumstances and policy interventions in the four UK countries are ever more distinct.

Notwithstanding that, a brief snapshot of the UK is an appropriate starting point. Starts and completions in 2014/15 rose to 166,700 and 152,540 respectively (77 per cent or 118,070 of the latter were private enterprise) while transactions for the year 2015 are likely to be around 1.2 million, similar to but possibly slightly higher than 2014 (1.22 million; this is for residential properties valued at £40,000 or above). Up to the end of November 2015 transactions were 1,112,890 (not seasonally adjusted, with England making up 953,580 of those – 85 per cent). As these data suggest, assessed across the UK as a whole, there has been a continued slow recovery in the market. Gross mortgage lending rose to an estimated £224 billion in 2015 from £210 billion in 2014 and house prices as measured by ONS increased by seven per cent in the year to October 2015. Annual house price inflation to October was 7.4 per cent in England, one per cent in Wales, 0.9 per cent in Scotland and 10.3 per cent in Northern Ireland, but with considerable regional and local variation around those figures.

House prices and the housing market

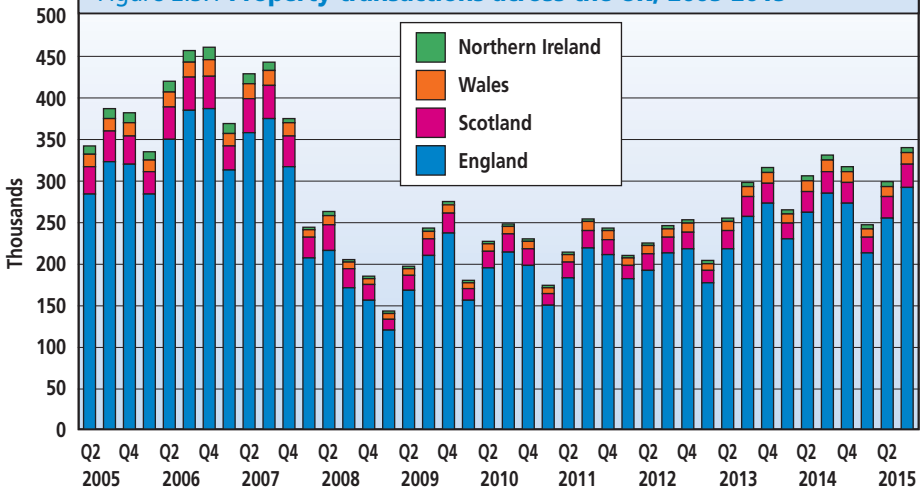
As is well known to readers of the *UK Housing Review*, there are many different measures and sources of house prices (e.g. asking prices, offer prices and completion prices along with variations according to mix and seasonal adjustment), producing a bewildering array of price and trends data. In terms of the estimated UK outturn for 2015, the average annual increase given by those data series produced to date is around five per cent but varying between four and ten per cent – with all increasing faster than wages (two per cent). Table 2.3.1 shows changes in median house prices between 2007 (the last peak) and 2014 on a consistent basis by property size (number of bedrooms) and region. This is a more precise comparison than normally achieved[1] and of course it highlights the divergent picture that exists across Great Britain. Prices in two English regions – the North East and Yorkshire and The Humber – and in Wales – were still below the 2007 peak in 2014 while, in contrast, London saw increases in the order of 40 per cent across all property sizes. This was despite massive and continuing interventions by the different governments to re-stimulate and/or rebalance the different markets. Property transactions across the four nations (see Figure 2.3.1) moved ahead over the year, as in 2014, but remain well down on the 2007 peak.[2] This lower volume market has meant property, on average, is turning over less frequently and housing chains are shortening. This has been triggered by the steady rise in older outright owners who remain in their homes, the growth of the rented sector where landlords hold their homes longer and by stretched first-time buyers who must stay longer in their first home to build the capacity to move. There is also a continuing shortage of homes for sale.[3]

Table 2.3.1 **Percentage differences in median house prices, 2014 compared with 2007**

Region	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms	5 bedrooms or more	All sizes
North East	- 3.6	- 5.8	- 1.1	- 2.7	- 2.2	- 2.4
Yorkshire & The Humber	- 12.2	- 3.8	- 1.4	- 1.7	- 2.6	- 2.0
North West	- 1.7	- 2.6	- 0.6	0.0	0.0	- 0.7
East Midlands	- 6.3	- 1.6	1.3	0.2	- 1.4	0.3
West Midlands	1.3	0.4	3.2	4.0	- 0.5	2.8
East	4.0	7.8	11.5	9.9	11.1	10.3
London	31.6	38.1	38.7	39.8	39.3	38.7
South East	8.4	9.5	9.6	15.4	18.2	12.6
South West	0.8	1.3	2.6	0.9	- 3.4	1.0
England	13.5	9.7	10.4	11.5	12.7	10.9
Wales	0.0	- 3.3	0.0	- 2.2	- 0.8	- 1.2
Scotland	11.6	8.5	3.9	2.9	0.8	4.6
Great Britain	13.0	9.0	9.4	10.4	11.5	10.0
England excluding London	2.1	2.8	4.5	6.0	6.7	5.0
Great Britain excluding London	3.6	3.2	4.2	5.4	6.0	4.6

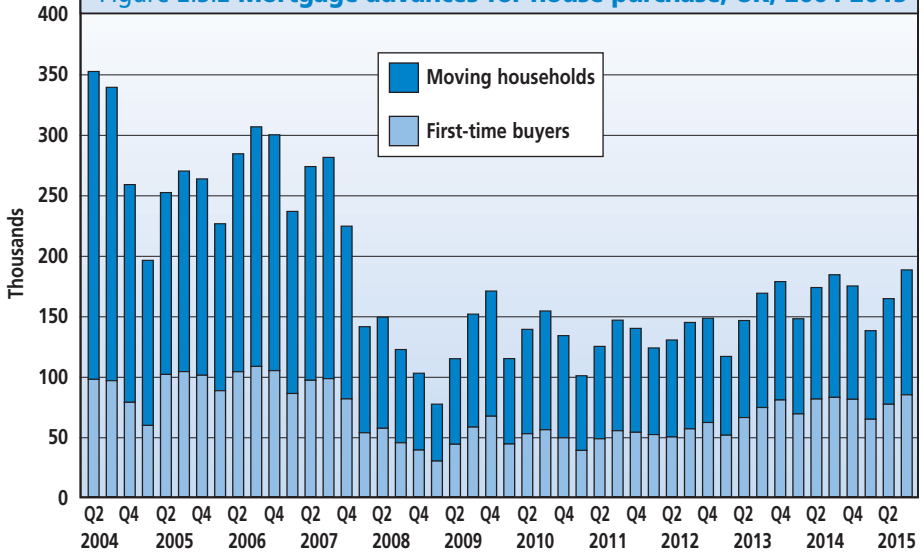
Source: RMS house prices. EHS survey data (and Scottish and Welsh equivalents) for owner-occupied stock by size and region.
Note: All sizes, England and Great Britain figures are computed based on a consistent stock basis taking into account regional distribution, and the number of bedrooms within the owner-occupied sector in each region.

Figure 2.3.1 **Property transactions across the UK, 2005-2015**



Source: HMRC Statistics, ONS website.

Figure 2.3.2 **Mortgage advances for house purchase, UK, 2004-2015**

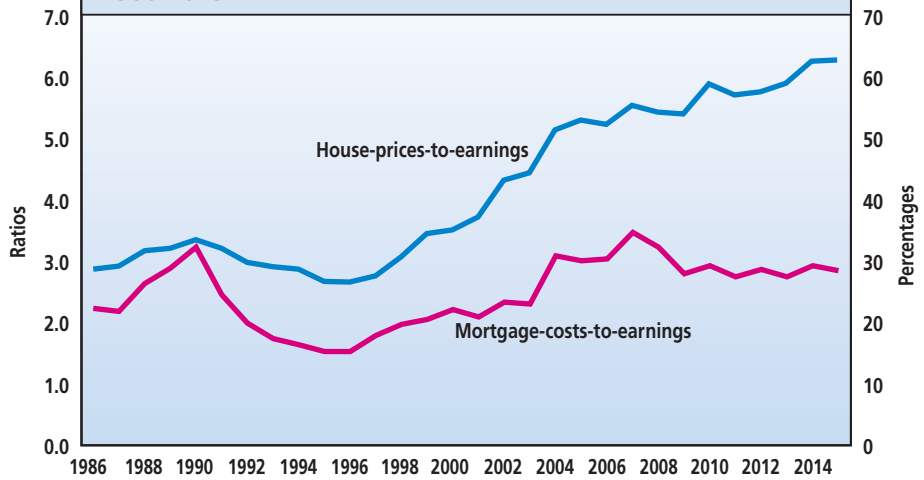


Source: Regulated Mortgage Survey, Council of Mortgage Lenders.

Mention has already been made of increased mortgage volumes with both gross and net mortgage lending higher in 2015 than in 2014 (see Figure 2.3.2). The Council of Mortgage Lenders has forecast this trend continuing over the next two years, with 2017 UK lending forecast at £261 billion gross and £39 billion net. This takes account of possible interventions by the Financial Policy Committee (FPC) around the buy to let market. Buy to let (BTL) loans are expected to rise from 241,000 in 2015 to 250,000 in 2017 but with loans for purchase, as distinct from re-mortgages, falling from 116,000 in 2015 to 90,000 in 2017.

The current low mortgage interest rates offset in part the affordability pressures generated by house prices rising faster than wages, at least in some areas of the UK (as well as being a cause of higher prices in that they enable demand to be effective). CML data show the average rate on fixed-rate mortgages for the year 2015 was 2.67 per cent and the revert standard variable rate was 2.68 per cent; we note that average rates have fallen below this over the last three months, largely due to the exit from the market of a lender offering higher-rate non-prime mortgages. Figure 2.3.3 highlights the divergence between the often over-used house-price-to-earnings ratio compared to the mortgage-cost-to-earnings ratio (though using Halifax data for the same chart produces a much dampened house-price-to-earnings trend line).

Figure 2.3.3 **Housing market affordability in Great Britain, 1986-2015**



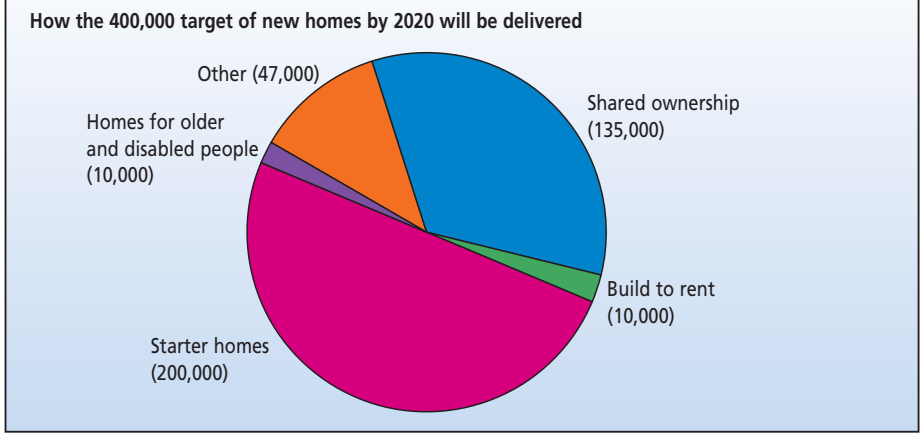
Source: RMS first-time buyer house prices; ASHE earnings (adjusted for changes in methodology).

Of course much turns on the ability to raise a five per cent or more deposit, because this is where the rise in prices also bites. It is clear that many households struggle to do this without parental assistance. BSA research[4] indicates that the number of buyers having difficulty raising a deposit has fallen from 69 per cent in 2011 to a still high 52 per cent in 2015. An estimated 50 per cent of first-time buyers (FTBs) are parentally assisted and of course that capacity is differentially distributed.

It is this problem which moved the government to develop the range of schemes now on offer to FTBs and other buyers. These schemes have been extended further with the Help to Buy ISA (as of December 2015) and, in England at least, a possible new scheme linking Help to Buy equity loans (20-40 per cent equity loan) with the Starter Home initiative (giving a 20 per cent discount on market price), for which potential buyers can already register an interest. We can also expect to see further developments around tenant purchase schemes in the social rented sector. FTB numbers rose to a recent high across the UK in 2014 (311,000 according to the CML) but it looks likely that the 2015 figures in total will be lower (closer to 300,000[5]) and of course this is well below the numbers achieved in previous decades (in excess of 500,000 for the UK).

The Starter Home scheme is directed at getting more, smaller new build homes into the housing market in England as an alternative mechanism to the national exceptions site planning policy (section 106). The government has strengthened requirements to make the presumption in favour of Starter Home development, beginning with land that is currently unviable or underused for commercial or industrial uses, not previously zoned for housing. The plan is that any reasonably sized housing site should include a proportion of Starter Homes. There are no equivalent schemes in the other three countries (because planning is a devolved responsibility). The original target was 100,000 starter homes over the next five years (2015 – 2020) but this has now been increased to 200,000 in the Autumn Statement 2015. The scheme is open to FTBs who are under 40 at the time of purchase. They will get a discount of 20 per cent of the open market value on the initial sale, which they retain without penalty if the property is not sold or let over the next five years. The cap set for the discounted price is that it should be no more than £450,000 in London and £250,000 elsewhere. Operationally there are still on-going debates between government, builders and lenders as to how the scheme might work in practice and this is slowing its development. It is also thought the scheme might erode some of the demand for the Help to Buy equity loan scheme. Figure 2.3.4 (from Hamptons) summarises the numbers of new homes the government hopes to generate by 2020 as set out in the Autumn statement, showing how market housing in general and Starter Homes in particular dominate its aspirations.

Figure 2.3.4 **The components of the new homes target in England**



Source: Hamptons International.

Housing affordability

A Bank base-rate rise may still be a year away but it is coming onto the near horizon. The Bank remains concerned about stretched household budgets though the concern has eased a little over the last year.[6] Affordability both of owning and renting homes remains a major concern across the UK, not least in the light of further curbs to housing benefit and the contraction of the social rented sector (see Commentary Chapter 4). Tables 2.3.2 and 2.3.3 give an important time-series view from the perspective of first-time buyers. Table 2.3.2 shows a 1994-based index of relative movements in the proportion of gross household incomes devoted to mortgage costs by FTBs. The improvements recorded in the ratios for 2013 over 2012 have now been reversed for all regions and countries, other than the North East. Table 2.3.3 shows the actual mortgage-cost-to-income ratios for

Table 2.3.2 **The *UK Housing Review* Affordability Index**

Based on mortgage costs for first-time buyers and average incomes for all working households

Country/Region	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
United Kingdom	100.0	95.5	94.6	112.5	118.8	119.6	135.7	126.8	140.2	141.1	183.9	181.3	179.5	200.9	178.6	137.5	143.8	143.8	158.0	155.4	174.1
North East	100.0	93.7	93.7	107.4	113.7	110.5	118.9	100.0	114.7	123.2	186.3	177.9	171.6	190.5	170.5	137.9	134.7	133.7	142.1	134.7	141.1
North West	100.0	90.9	87.9	103.0	108.1	106.1	123.2	117.2	127.3	123.2	176.8	180.8	180.8	192.9	170.7	136.4	133.3	124.2	126.3	120.2	128.3
Yorkshire and The Humber	100.0	98.0	96.9	109.2	113.3	110.2	125.5	109.2	130.6	126.5	179.6	183.7	187.8	204.1	186.7	149.0	148.0	139.8	148.0	140.8	149.0
East Midlands	100.0	94.0	93.0	110.0	113.0	110.0	122.0	114.0	136.0	141.0	192.0	191.0	188.0	220.2	189.4	140.4	143.6	133.0	146.0	138.0	149.0
West Midlands	100.0	92.2	88.8	100.0	101.7	100.9	112.1	112.1	130.2	125.0	160.3	159.5	154.3	169.0	150.0	122.4	130.2	129.3	135.3	130.2	139.7
East	100.0	99.1	100.9	120.7	127.9	123.4	146.8	143.2	160.4	153.2	192.8	184.7	176.6	200.9	182.0	136.9	141.4	137.8	150.5	145.0	160.4
London	100.0	94.6	93.1	113.1	123.1	135.4	146.2	136.9	143.1	145.4	186.9	177.7	178.5	200.8	181.5	137.7	156.9	164.6	186.9	190.0	223.1
South East	100.0	93.5	93.5	110.5	118.5	112.1	134.7	133.9	147.6	148.4	185.5	173.4	172.6	191.1	169.4	127.4	137.9	137.9	148.4	143.5	159.7
South West	100.0	97.4	98.3	121.7	123.5	125.2	143.5	136.5	167.8	163.5	211.3	200.0	192.2	213.9	188.7	144.3	148.7	142.6	152.2	144.3	155.7
England	100.0	93.9	93.0	110.4	116.5	117.4	134.8	127.8	140.9	142.6	187.0	180.9	178.3	199.1	177.4	136.5	143.5	143.5	157.4	154.8	173.0
Wales	100.0	85.6	89.2	101.8	106.3	106.3	114.4	111.7	127.0	118.0	171.2	173.0	168.5	174.8	154.1	118.0	120.7	118.0	129.7	125.2	132.4
Scotland	100.0	102.0	101.0	120.2	123.2	116.2	119.2	114.1	124.2	108.1	149.5	152.5	155.6	177.8	157.6	126.3	117.1	126.3	134.3	126.3	135.4
Northern Ireland	100.0	132.0	140.0	168.0	176.0	176.0	196.0	178.7	188.0	181.3	218.7	236.0	260.0	356.0	290.7	208.0	192.0	173.3	161.3	149.3	162.7

Source: Computed from Regulated Mortgage Survey mix-adjusted house prices for first-time buyers and household earnings data from the Living Costs & Food Survey.
Note: Mortgage costs assume a constant 82% mortgage-advance-to-house-price ratio, in line with the average over the period. They are based on average mortgage lender rates for new mortgages in the last quarter of the year, and assume a standard 25 year repayment mortgage.

Table 2.3.3 **Mortgage cost-to-income ratios**

Based on first-time buyer house prices and average incomes for all working households

Country/Region	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
United Kingdom	11.2	10.7	10.6	12.6	13.3	13.4	15.2	14.2	15.7	15.8	20.6	20.3	20.1	22.5	20.0	15.4	16.1	16.1	17.7	17.4	19.5
North East	9.5	8.9	8.9	10.2	10.8	10.5	11.3	9.5	10.9	11.7	17.7	16.9	16.3	18.1	16.2	13.1	12.8	12.7	13.5	12.8	13.4
North West	9.9	9.0	8.7	10.2	10.7	10.5	12.2	11.6	12.6	12.2	17.5	17.9	17.9	19.1	16.9	13.5	13.2	12.3	12.5	11.9	12.7
Yorkshire and The Humber	9.8	9.6	9.5	10.7	11.1	10.8	12.3	10.7	12.8	12.4	17.6	18.0	18.4	20.0	18.3	14.6	14.5	13.7	14.5	13.8	14.6
East Midlands	10.0	9.4	9.3	11.0	11.3	11.0	12.2	11.4	13.6	14.1	19.2	19.1	18.8	20.7	17.8	13.2	13.5	13.3	14.6	13.8	14.9
West Midlands	11.6	10.7	10.3	11.6	11.8	11.7	13.0	13.0	15.1	14.5	18.6	18.5	17.9	19.6	17.4	14.2	15.1	15.0	15.7	15.1	16.2
East	11.1	11.0	11.2	13.4	14.2	13.7	16.3	15.9	17.8	17.0	21.4	20.5	19.6	22.3	20.2	15.2	15.7	15.3	16.7	16.1	17.8
London	13.0	12.3	12.1	14.7	16.0	17.6	19.0	17.8	18.6	18.9	24.3	23.1	23.2	26.1	23.6	17.9	20.4	21.4	24.3	24.7	29.0
South East	12.4	11.6	11.6	13.7	14.7	13.9	16.7	16.6	18.3	18.4	23.0	21.5	21.4	23.7	21.0	15.8	17.1	17.1	18.4	17.8	19.8
South West	11.5	11.2	11.3	14.0	14.2	14.4	16.5	15.7	19.3	18.8	24.3	23.0	22.1	24.6	21.7	16.6	17.1	16.4	17.5	16.6	17.9
England	11.5	10.8	10.7	12.7	13.4	13.5	15.5	14.7	16.2	16.4	21.5	20.8	20.5	22.9	20.4	15.7	16.5	16.5	18.1	17.8	19.9
Wales	11.1	9.5	9.9	11.3	11.8	11.8	12.7	12.4	14.1	13.1	19.0	19.2	18.7	19.4	17.1	13.1	13.4	13.1	14.4	13.9	14.7
Scotland	9.9	10.1	10.0	11.9	12.2	11.5	11.8	11.3	12.3	10.7	14.8	15.1	15.4	17.6	15.6	12.5	12.3	12.5	13.3	12.5	13.4
Northern Ireland	7.5	9.9	10.5	12.6	13.2	13.2	14.7	13.4	14.1	13.6	16.4	17.7	19.5	26.7	21.8	15.6	14.4	13.0	12.1	11.2	12.2

Sources and Notes: As Table 2.3.2.

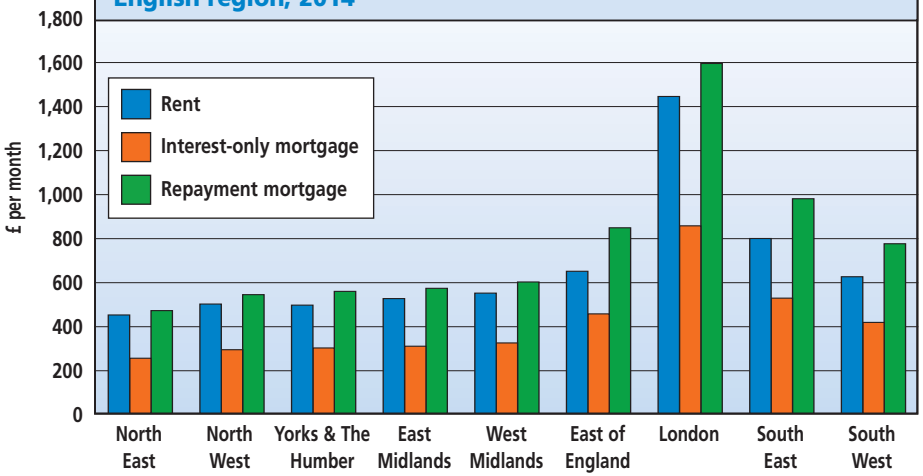
each region and country, again for the years from 1994. It is notable that while, as seen in Table 2.3.1, house prices in most of Great Britain other than Wales and the north of England, have now risen above their 2007 levels, outside London these ratios remain some way below 2007 levels as a result of much lower interest rates. However, in London the ratios are now much higher than in 2007, reflecting London's very much more substantial house-price increases.

The Hamptons *Ability to Buy Index* covers four types of households and is based on their financial cushion after taking into account costs, mortgage and house prices. The findings for the second quarter of 2015 were published in October with the index the best it had been in 13 years, up 40 per cent up on 2007.[7] The improvement was due to a fall in the cost of essential spending (reflected in the low inflation rate), the rise in incomes and the fall in mortgage rates. Aside from London, the North and South West, all other parts of England and Wales improved or at least stayed the same. This picture is then put in perspective by the latest Halifax *Generation Rent* report[8] which shows relatively little improvement in how potential FTBs see their prospects of getting onto the housing ladder. The report concludes 'we are seeing the emergence of a new demographic split between those who want to get on the ladder and those who say they don't' and that a 'lower level of homeownership may become the new normal'. There was a reported increase in the numbers who did not want to own, up three per cent over the period 2011-2015 to 16 per cent of the 20-45 year olds interviewed.

Owning v renting

Clearly for many households there is no choice – they rent because they cannot afford to buy – but as the Halifax report makes clear there are increasing numbers of households who choose to rent. Renting can often secure a better home in a better location than that household might be able to buy, though clearly the calculus of this will vary over time. Figure 2.3.5 shows that, by English region, the cost of renting a two-bed dwelling in 2015 is typically marginally below the cost of buying it on a repayment mortgage, but well above the cost of an interest-only BTL mortgage (the same data are given in Table 2.6.1 in Commentary Chapter 6). The current focus on landlords outbidding owner-occupiers[9] puts the owning v renting debate in a new light. The government is clearly of the view that landlords outbid owners in specific

Figure 2.3.5 **Rents and interest-only BTL mortgage costs by English region, 2014**



Source: ONS House Prices; VOA Rents 2014. Note: median prices for two-bed dwellings.

markets though it offers no empirical evidence to support this (even though it a plausible argument). In reality the number of FTB loans in a year far exceeds the number of BTL loans – so for 2014 for the UK there were 311,700 loans for FTBs with a value of £45bn compared to 100,300 BTL purchase loans with a value of £12.2bn.

The private rented sector is increasingly mixed in terms of incomes, household types and ages.[10] According to the latest (November) LSL *Buy to Let index* published on a monthly basis for England and Wales, rents in Wales rose by 2.9 per cent on a month-on-month basis but fell 3.8 per cent on an annual basis. Six out of ten English regions (mainly the South) saw rents fall but on a 12-month basis had risen substantially (8.9 per cent in London down to 5.1 per cent in the East Midlands). Yields from rental property have fallen and arrears have been rising. The ONS's experimental *Index of Private Housing Rental Prices* for the third quarter of 2015 showed rents paid by tenants in Great Britain rose by 2.7 per cent in the 12 months to September 2015 (2.8 per cent in England, 1.6 per cent in Scotland and 0.5 per cent in Wales).[11]

Table 2.3.4 **Summary of government support for private sector housing investment in England**

Programme	Period	Grant (£ million)	Loan (£ million)	Guarantee (£ million)	Notes
Help to Buy equity loan scheme(s)	2013/14-2020/21	–	12,300	–	Equity loan support for homebuyers, includes Help to Buy London; up to 40% equity loan
Help to Buy mortgage guarantee	2014-16	–	–	12,000	Mortgage guarantees: £12 billion is the cap on government liability. No new offers after 2015; claims must be made by end of 2024.
Help to Buy shared ownership	2016/17-2020/21	4,100	–	–	Grant to HAs and others for 135,000 new shared ownership homes
Help to Buy ISA	2015/16- 2019/20	2,200	–	–	Contribution of up to £3,000 per ISA held by FTBs; for homes to a value of £250k (£450k in London)
Starter Homes	2016/17-2020/21	2,300	–	–	Sum shown is the total allocation for different elements of the initiative and is partly recoverable.
Right to Buy social mobility fund	2015/16	42	–	–	Enables LAs to make cash payments towards purchase of an open-market property in lieu of an RTB discount
PRS Guarantee	2013/14-2016/17	–	–	3,500	Guarantees for bond finance for new build rented homes
Build to Rent	2014/15-2017/18	–	725	–	100% returnable loan finance for new build PRS homes.
Housing Development Fund	2016/17- 2020/21	–	3,000	–	Combines a number of earlier schemes
Local Infrastructure Fund	2015/16 to 2020/21	–	50	–	One element of £12 billion Local Growth Fund
Locally-Led Garden Cities	2017/18-2018/19	19	–	–	Funding for Bicester Garden Town
Ebbsfleet development	2015/16 onwards	310	–	–	Funding for Ebbsfleet Garden City
New Homes Bonus	2016-17	210	–	–	Part-funding of the New Homes Bonus – top-sliced from LA Revenue Support Grant.
NewBuy guarantee scheme	2014/15	–	–	1,000	Closed in 2015; contingency liability fund until 2022.
Totals		**9,181**	**17,375**	16,500	

Source: Author compilation, in consultation with DCLG.
Notes: The table complements Table 2.4.6; initiatives have been recorded in the table most appropriate for their purpose to avoid double-counting. Schemes generally apply only in England; however several have equivalents in the other administrations (see text).

Prospects for private housing and the housing market

Government activity to support the private housing market is particularly intense in England but all countries are active in this and of course schemes such as the Help to Buy equity loan apply across Great Britain and the Help to Buy mortgage guarantee to the whole UK (schemes vary in terms of the eligible price thresholds; Scotland is considering further reducing its threshold to focus more on lower-income households). Table 2.3.4 (previous page) provides an updated listing of government support to the private sector (and complements Table 2.4.6 on page 74 which is the equivalent for affordable housing investment).

We have seen the addition of the Starter Homes scheme, the Help to Buy ISA, Help to Buy London and the new money for shared ownership (of which perhaps ten per cent is intended to pass to private providers rather than housing associations). The table also shows some consolidation of existing schemes related to direct support to builders. The total scale of the interventions remains notable along with the distribution across grant, loans and guarantees (compare it with Table 2.3.6 in last year's *Review* which included some earlier schemes).

The Help to Buy mortgage guarantee scheme was always due to end (for new applications) in December 2016 and the recently updated scheme retains that deadline. It is understood that the government will not offer any assistance by means of a transition to a new private sector scheme. This seems to flow from the fact that a number of major lenders and all building societies did not participate because they chose to self-insure high loan-to-value (LTV) loans or already had mortgage indemnity cover in place.

There has been an expansion in higher LTV lending, though as Table 2.3.5 shows the recovery in this market fell away in the third quarter of 2015. This is probably a consequence of lenders needing to adjust volumes to stay within the FPC requirements – highlighting the fact that these controls may now be biting. Once again it brings into focus the tensions between the imposition of controls over the mortgage market and the expansionary plans by governments to respond to on-going housing pressures flowing from the growth in households, rising housing costs and continued under-supply. As we highlight in Commentary Chapter 2, there is probably a UK housing requirement of around an additional 250,000 homes per annum (net additions, i.e. new build plus conversions, less demolitions, etc.). Current output is well below this and of course there is then the question of the outstanding backlog of unmet need – variously estimated at 1 to 1.5 million homes across the UK.

Recognising the tensions between what some researchers see as the circularity of household formation and new homes provision (i.e. the more homes provided the

Table 2.3.5 **High loan-to-income and loan-to-value ratios as a percentage of all mortgage advances**

Percentages

	2007 Q 4	2008 Q 4	2009 Q 4	2010 Q 4	2011 Q 4	2012 Q 4	2013 Q 4	2014 Q 4	2015 Q 1	2015 Q 2	2015 Q 3
Loan-to-income ratios											
Single income: in excess of 4:1	**24.7**	**20.6**	**23.9**	**24.7**	**25.6**	**26.6**	**30.8**	**28.2**	**26.7**	**28.1**	**30.6**
Multiple income: in excess of 3:1	**47.2**	**41.3**	**45.2**	**45.7**	**48.2**	**51.3**	**53.8**	**50.6**	**49.0**	**51.9**	**55.4**
Loan-to-value ratios											
Between 90-95%	**8.8**	**5.1**	**1.0**	**1.6**	**1.5**	**1.7**	**1.7**	**3.5**	**3.0**	**3.3**	**2.6**
Over 95%	**6.1**	**1.5**	**0.6**	**0.6**	**0.4**	**0.4**	**0.4**	**0.3**	**0.4**	**0.3**	**0.2**
All over 90%	**14.9**	**6.5**	**1.5**	**2.2**	**1.9**	**2.1**	**2.1**	**3.8**	**3.5**	**3.6**	**2.8**

Source: FSA & FCA MLAR Statistics.

more households form), and the costs of more limited provision that results in forced sharing, homelessness and much more, is one of the most difficult trade-offs. However, given the scale of the mismatch between supply and demand or need, governments continue to support an expansionary private market through both demand-side and supply-side measures. But house prices continue to rise, reflecting the demand from owner-occupiers and investors, not least overseas investors who see UK residential real estate as a secure investment. The recent tax impositions on the private rental sector may trigger some rebalancing but it is hard to see current trends towards a bigger PRS being reversed. All the indications we can draw from across the commentary chapters in this 2016 *Review* are that we are still in the grip of both cyclical and structural changes that have shifted the tenure balance in the UK. The policy responses to date are important, but are still not adequate either to the scale or to the fundamental characteristics of the newly configured market challenges.

References and notes

1 This is lower than the more frequently quoted and readily available house price series that are not mix-adjusted (or fully mix-adjusted). Thus the ONS figures in Table 47a show a 20 per cent increase in England house prices between 2007 and 2014, against ten per cent in Table 2.3.1.

2 A recent LSE Spatial Economics Centre Report by Tony Champion confirms this pattern: Champion, A. (2016) *Are People Moving Home Less? An Analysis of Address Changing in England and Wales, 1971-2011, Using the ONS Longitudinal Study*. London: LSE.

3 RICS (2015) 'Low stock set to remain key driver of UK housing market for now', in *RICS Economics*, December. London: RICS.

4 Building Societies Association (2015) *Property Tracker*, December 9. London: BSA.

5 In a recent press release Halifax estimates the 2015 figure to be 310,000 (see www.lloydsbankinggroup.com/globalassets/documents/media/press-releases/halifax/2016/160111-first-time-buyer-annual-review-final.pdf).

6 Bunn, P. *et al* (2015) 'The potential impact of higher interest rates and further fiscal consolidation on households: evidence from the 2015 NMG Consulting survey', in *BoE Quarterly Bulletin*, Q4, pp.357-368. London: BoE.

7 For details see www.hamptons.co.uk/media/327860/ham1342-focusreport-abilitytobuy-lrweb.pdf

8 Halifax (2015) *Generation Rent; Five years of Generation Rent: Perceptions of the first-time buyer housing market 2015*. London: Lloyds Banking Group Research.

9 A recent Savills survey highlights the 'fact' that the net value of PRS homes in 2015 was £1.077 trillion compared to £1.067 trillion for mortgaged owners: see Cook, L. (2016) *The Total Value of UK homes passes £6 trillion mark*, Savills Press Release. London: Savills.

10 For a brief summary of the situation in England, see Hudson, N. (2015a) *Rental Britains*, Housing Market Note 13 March. London: Savills.

11 For a useful comparison of these two data sources see Hudson, N. (2015) *Rents and Returns*, Housing Market Note, 19 October. London: Savills.