Chapter 2

Dwellings, stock condition and households

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The pandemic has had a significant effect on the availability of new data on housing demand and supply, and indeed adds an extra degree of uncertainty to projections of population growth and contributory factors such as migration. As ever, this chapter covers a mixed bag of issues, this year summarising the current evidence and debates about:

- Slowing UK population growth.
- Migration trends and the effects of post-Brexit policy changes.
- New housing supply.
- The age of the UK housing stock and the challenge of making it energy efficient.
- The need for radical and urgent reform of leasehold.

UK population growth slows further

Population growth, an important component of household growth and hence of housing demand, continues to slow down. In mid-2020, the UK population stood at an estimated 67.1 million, an increase of just 0.4 per cent on the mid-2019 figure, the lowest annual growth rate for 15 years. Reduced numbers of births and reduced life expectancy are bringing the number of births and deaths almost into balance, meaning that net international migration is the main factor driving population growth, albeit that it is projected to fall slightly until 2026 then remain constant. Within the UK, population growth is concentrated in England with a slight decline forecast in Scotland.[1]

The Office for National Statistics (ONS) emphasises the uncertainty around these figures, commenting that 'there has probably never been a more difficult time to develop the assumptions for such long-term projections'.[2] In part this is because of the effects of the pandemic and confusing patterns of international migration (see below), but also because we are at our furthest point from the last full census (2011). Improved projections should be possible as 2021 census data become available during 2022 (except for Scotland, whose census is a year later).

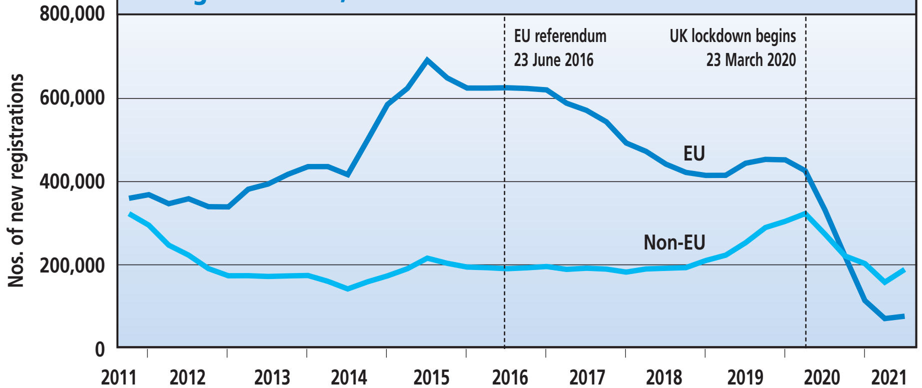
The Mayor of London has published specific data on population change in the capital during the pandemic.[3] They show that there was a short-term movement of young adults away from the centre related to the economic slow-down, now largely reversed, but leaving a more persistent trend for other age groups to move to surrounding regions. International migration flows fell but appear to have partly recovered.

Current and future trends in migration

Covid-19 clearly has short-term and possibly long-term implications for international study and work patterns, with continued global uncertainty about travel. These effects have overlaid other, longer-term trends, notably those set in hand by Brexit.

Determining the short-term effects of the pandemic on migration has been hindered by the absence of some vital data sources, such as the International Passenger Survey which was suspended from March 2020 to January 2021. Notwithstanding the difficulties, latest estimates indicate a substantial decline in net international migration in 2020, with an estimated 34,000 more people immigrating than emigrating, an 88 per cent fall compared with the 2019 figure of 271,000. Particularly notable is the changing flow of EU migration, with 94,000 more EU nationals estimated to have left the UK than to have arrived. ONS comment that 'Although there is no evidence of an exodus from the UK in 2020, global travel restrictions meant the movement of people was limited, with all data sources suggesting migration fell to the lowest level seen for many years'.[4]

Figure 2.2.1 **National Insurance numbers: new registrations to foreign nationals, 2011-21**



Source: DWP data on NiNo registrations to foreign nationals.

Current evidence suggests that the steady decline in EU nationals working in the UK continued during the pandemic. After a sharp fall in numbers of EU nationals in the UK workforce by September 2020 compared with six months earlier, numbers stabilised. However, numbers of other foreign nationals continued to increase, so that the overall number of non-UK workers actually increased slightly in the year to September 2021.[5] Somewhat conflicting evidence is provided by registrations of new national insurance numbers (see Figure 2.2.1), which continue to show very low levels of non-UK registrations, albeit with a slight uptick in the latest quarterly figures (June 2021).

Uncertainty about future migration patterns seems likely to continue during 2022, not least because of the continuing effects on the economy of the pandemic and of the UK's exit from the EU (see Commentary Chapter 1). New migration from Europe (except for Ireland) is now subject to broadly the same rules as apply to the rest of the world, including the points-based visa system for foreign workers. In the first six months after EU 'free movement' ended-January to June 2021-just over 15,000 EU citizens made work visa applications, representing only 14 per cent of total applicants. Work visas issued to non-EU citizens fell by 40 per cent from 2019 to 2020, after years of growth. Overall applications for work visas remained lower than pre-pandemic levels in the first half of 2021– except for those from skilled workers, which continued their upward trend.[6]

Pointing in the opposite direction is the increase in emigration from Hong Kong, with 57,000 migrants using the new British National (Overseas) visa route to enter the UK in the year ending September 2021, although this was below the projections noted in the 2021 *Review*. A survey suggests that of 2.9 million people in Hong Kong who are eligible for this route, some 186,000 were planning to come to the UK and a further 932,000 were considering applying, although there is considerable caution about how many of the latter will actually migrate.[7] New Hong Kong migrants appear to be trying to access the private rented sector, encountering problems if they do not yet have jobs. Many have been asked to pay 12 months' rent in advance, while others have not been able to rent at all due to confusion amongst agents and landlords about their legal status.[8]

With the government's Nationality and Borders Bill passing through parliament, its 'hostile environment' towards immigration is intensifying. While the current focus is on deterring asylum seekers (numbers of whom have increased slightly but are still well below the levels of the 2000s), the publicity given to the bill and a general toughening of procedures may have a wider deterrent effect. It is notable, for example, that numbers denied entry at the UK border are at their highest for several years and for the first time more than half are EU citizens and two-thirds of these are from Romania.[9]

Housing need and supply

The 2021 edition of the *Review* carried extensive commentary on housing need and supply, based on new evidence relating to Wales, Scotland and Northern Ireland, in particular. In the absence of new projections of household formation or wider housing need, this chapter simply records the latest data on new housing supply. While data are available for 2020/21 for England (see below), new data are not yet available for Wales. For Scotland, the data for 2020/21 are incomplete, but already show that supply was affected by the pandemic. In Northern Ireland, new build completions peaked in 2018/19, then fell slightly in 2019/20 and by 12 per cent in 2020/21, although only to the same level as they were at four years earlier.

Table 2.2.1 **Net additions to housing supply in England 2014/15-2020/21**

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
New build completions	**155,080**	**163,940**	**183,570**	**195,390**	**214,410**	**219,120**	**194,060**
+ Net conversions	**4,950**	**4,760**	**5,680**	**4,550**	**5,160**	**4,340**	**3,870**
+ Net change of use	**20,650**	**30,600**	**37,190**	**29,730**	**29,300**	**26,710**	**23,790**
+ Net other gains	**630**	**780**	**720**	**680**	**970**	**860**	**530**
– Demolitions	**10,610**	**10,420**	**9,820**	**8,060**	**7,960**	**8,330**	**5,760**
= Net additional dwellings	**170,690**	**189,650**	**217,350**	**222,280**	**241,880**	**242,700**	**216,490**
Quarterly new build figures	**124,640**	**139,710**	**147,520**	**160,910**	**169,060**	**175,330**	**155,950**

Sources: DLUHC Housing supply: net additional dwellings, England: 2020/21; DLUHC Live Table 213 Quarterly new build completions (not seasonally adjusted). Note: Totals are affected by rounding.

Housing supply in England had been increasing steadily and in 2019/20 reached 242,700 additional dwellings, but output in 2020/21 was clearly affected by the pandemic. Table 2.2.1 shows net additions, with the new build completions regularly exceeding those reported in DLUHC's quarterly construction statistics (included for reference at the bottom of the table). Although some recovery can be expected in 2021/22, supply would have to grow considerably to meet the government's current target of providing 300,000 homes a year by the mid-2020s.

The UK's ageing housing stock and tackling energy efficiency

Largely due to the legacy of dwellings built during the industrial revolution, the UK has the oldest housing stock in Europe and quite possibly in the world. One in five homes were built over a century ago, presenting a huge challenge in making them healthy, safe and energy efficient. Wales has the oldest, and poorest, housing stock in the UK (31 per cent is pre-1919); Northern Ireland has the newest stock and the one least likely to contain health and safety hazards. London has the highest proportion of older homes in England (30 per cent). Outside London, the three Northern regions have a high proportion of pre-1919 dwellings (22.3 per cent) compared with the English average (20.1 per cent); the North West, in particular, has the highest proportion (24 per cent) of any region apart from London.[10]

Table 2.2.2 **Age of UK housing stock**
Dwelling numbers (thousands)

Dwelling age	England	Scotland	Wales	Northern Ireland	UK	Percentages
Pre-1919	**5,139**	**469**	**441**	**82**	**6,131**	**22**
1919-1944	**2,590**	**281**	**143**	**68**	**3,082**	**11**
1945-1964	**4,164**	**530**	**235**	**126**	**5,055**	**18**
1965-1980	**4,684**	**529**	**261**	**189**	**5,663**	**20**
Post-1981	**6,968**	**667**	**358**	**315**	**8,308**	**29**
Total	**23,545**	**2,476**	**1,438**	**780**	**28,239**	**100**

Source: Valuation Office Agency for England & Wales (2021); Scotland (2018) and Northern Ireland (2016) House Condition Surveys.
Note: Data should be used with caution as they combine different dates and sources. For England & Wales, data shown as post-1981 are post-1982.

The age of a property is the most significant factor in determining its energy efficiency, ahead of fuel type and property type, according to new analysis from the Office for National Statistics.[11] Almost all homes built since 2012 in England and Wales have a high energy efficiency rating (EPC band C or above), compared with just 12 per cent of those built before 1900 in England, and eight per cent of homes built before 1900 in Wales.

The UK government has set a goal for fuel-poor homes (households where the cost of heating is high relative to income) in England to reach EPC C or higher by 2030 (where reasonable), contributing to the UK-wide net zero 2050 target. At present, 42 per cent of homes are rated EPC C or higher. The Welsh Government is currently consulting on plans to bring homes rated F or G to band D, and homes rated D or E to band C; with its older housing stock, only 37 per cent of homes in Wales meet EPC C. In Scotland, the government will require all homes to meet EPC C by 2033, with the PRS having to meet the target by 2028; 45 per cent of homes meet the target at present. Northern Ireland does not yet have a target for reaching EPC C but half its stock is already at that level.

The zero-carbon challenge was described comprehensively in Contemporary Issues Chapter 3 in the 2021 *Review*. Regrettably, little has changed in the past year to signify that progress is being made at the required pace to achieve either long-term or short-term targets. The ONS survey cited above includes the worrying finding that fewer than a fifth of people in Great Britain (19%) were considering improving their home's energy efficiency, the biggest reason being that they already thought it was sufficiently efficient, closely followed by the cost and not being the home's owner. A survey by Nesta found a higher level of interest, but still only one-third of households. They also found widespread lack of awareness of the high levels of emissions produced by gas heating systems.[12]

In England, the government has allocated £4 billion of funding for decarbonisation of housing from 2022-25, but this is much less than the £9.2 billion promised in the Conservative election manifesto. It is also a fraction of the government's estimate that £35-65 billion of investment is needed by 2035 (an estimate already criticised as being too low). The Scottish Government has allocated £1.8 billion over five years against a total decarbonisation cost of £33 billion (which includes non-domestic buildings). In Wales, where the total retrofit bill is estimated at £15 billion, only small pilot schemes are so far being funded. The picture is similar in Northern Ireland, where achieving EPC C is estimated to cost £2.4 billion.

Lack of clear strategies and insufficient financial incentives are key problems, not least because governments continue to focus their priorities on changing heating systems without giving equal priority to improving the energy efficiency of the fabric, crucial to ensure that renewable heating sources provide comfortable homes. The House of Commons Business, Energy and Industrial Strategy Select Committee says that it is critical that government policies and strategies for the two are interlinked. Without a clear plan, it says, the government will not meet its net-zero target. It stresses the urgency of the task, calling for such a plan to be published by September 2022.

In England, the government might have been expected to tackle decarbonisation of older housing in its levelling-up strategy. Brian Robson called for such an approach in the *Review's* Autumn Briefing Paper, and the *Northern Housing Monitor* says that 270,000 homes in the three Northern regions will need to be retrofitted each year to 2035 (one every two minutes), at a cost estimated at £143 billion. However, in its Levelling Up white paper the need to reach net zero received scant attention, with the 'green industrial revolution and transition to net zero' close to the bottom of its 16 priorities. Asking 'Must we choose between levelling-up and net zero?', Henrietta Moore argued that 'without tax reform, the cost of funding net-zero will fall disproportionately on the shoulders of those least able to afford it but most likely to suffer the consequences of a rapidly degrading environment'.[13]

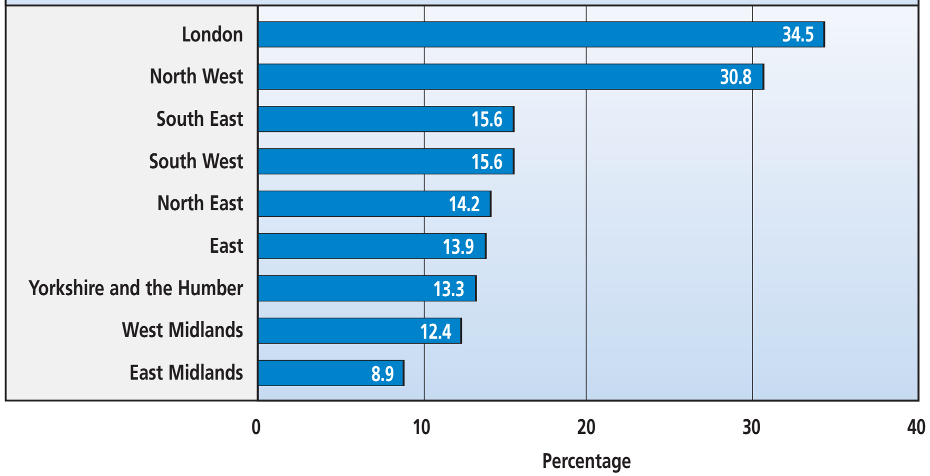
Across the UK, reviews are taking place of the quality standards for the existing housing stock, likely to embrace tougher energy-efficiency requirements. In England, the Decent Homes Standard (DHS) is being reviewed this year. The Welsh Housing Quality Standard is also being updated and Scotland is reviewing its current Tolerable Standard. In Northern Ireland there is a broad commitment to a review with higher energy-efficiency standards proposed for the PRS. With the Northern regions of England having the highest proportion of dwellings that fail to meet the DHS, the Levelling Up white paper proposes that the updated standard will apply to all rented property, and that numbers of non-decent homes will be cut by half by 2030. However, it does not indicate how this will be achieved given the severe cutbacks suffered by local authority environmental health services, which struggle to enforce current standards let alone tougher ones.

The UK government's levelling-up agenda will fail if too little action is taken to ensure that the six million UK homes that are over a century old meet modern requirements. Some 95 per cent of them are privately owned, in many cases by private landlords or low-income homeowners. Previous large-scale programmes such as slum clearance in the 1960s and housing renewal in the 1970s and 1980s directed considerable public resources to this older housing stock, but they were replaced in the 2000s by much more selective initiatives such as the housing market renewal programme. Then in 2010 even these came to a halt, leading to a decade of inaction. The now-aborted Green Homes Grant in 2020 marked a restart for various initiatives to address energy inefficiency in older homes, but the remaining incentives fall well short of what is required. Without significant extra funding, government moves to update standards and set new energy-efficiency targets will have little impact on the one in five UK homes built before 1919.

Leasehold – in need of radical and urgent reform?

Leasehold tenure in England and Wales has a long history. In the nineteenth century, long leaseholds were used to create building leases which enabled the landowner to retain ownership of the land, while allowing building to take place. Later it began to be used to tackle more intractable problems, such as creating interlocking obligations in blocks of flats between different flat owners. In specialist housing provision, such as for older people or homeownership schemes such as shared ownership, there is a need for the provider to retain an interest in the property and the lease proved to be an attractive device. It is of widespread application and is well-known to lawyers. It is basically a contract which also creates a property right, tradeable on the open market. Its uneven distribution across England is shown in Figure 2.2.2.

Figure 2.2.2 **Proportion of housing stock owned on a leasehold basis by region in England, 2019**



Source: DLUHC Leasehold dwellings, 2019 to 2020.

Problems arose when nineteenth-century building leases ran out, for example in Birmingham and Notting Hill in London, where slum landlords bought up the short 'ends' of long leases. Governments tackled this by enabling long leaseholders to buy an extension to their lease (or the superior freehold interest), although the results of these changes created new problems. In addition, complexities exist in practice with buildings having a mix of tenures, and with the freeholder employing third-party managing agents. Complaints about management have given rise to leaseholders being able to set up their own management companies under 'right to manage' laws, but these can lead to complex problems around responsibilities and rights.

A further problem has occurred by a slight of hand. Housing policy has lumped long leaseholds into a category called 'homeownership' – but lawyers will say there is no such thing as homeownership, but rather that there is a relationship that is inherent in the lease between landlord and tenant. Shared owners are particularly hard-hit by this because the lease restricts their rights and they find out that, rather than being owners, they have in some important respects the same rights as assured tenants. If they fail to pay the rental element, the provider can seek possession and, in legal principle, they will also lose their capital stake as well.

More egregious problems have emerged over the payment of rent by the long leaseholder to the landlord. These ground rents can be sold on to others as products in their own right, which deliver an income stream. Some building companies have included multiplier clauses in leases enabling them to raise the rent, even extending these to house sales where such arrangements were not normally required. Leaseholders unused to appreciating the finer detail in their leases were sold these products and found that their homes were unsaleable because of built-in increases in annual rent payments. The government's Leasehold Reform (Ground Rent) Bill should stop this practice in the future, but it leaves unaddressed the question of existing leases. Some companies have said that they will vary their leases, but this is a voluntary matter.

The most significant and heart-rending issues have emerged as a result of the cladding scandal that followed the Grenfell Tower fire. The landlord normally retains the obligation to maintain the structure and exterior of the property and charges each leaseholder a proportion of repair costs. There are controls in place to ensure that these costs are both fair and reasonable. However, leaseholders have been charged for 'waking watches' to prevent fire and have found their properties unsellable where their buildings have been found to have problematic cladding. Indeed, the costs are such that some leaseholders have been made bankrupt (which may give rise to a right of their landlord to forfeit the lease). This is despite the original problems being caused by the developer of the building and, as has become clear, the government's own lax regulatory standards in the cladding market and subsequent inaction. Vociferous pressure groups representing leaseholders have been pressing the government for action.

The policy response has been (at best) haphazard, faltering and shifting.

One significant problem was a consolidated advice note, issued by the government in January 2020, which required all buildings to be checked and for dangerous materials to be removed. The assessment process led to the inclusion of many more buildings in the problematic category and requiring an 'EWS1' (external wall safety) form in order for them to become mortgageable and sellable. Another problem has been that the government has never ascertained how many properties are affected (nor do they know with any certainty how many leasehold properties there are).

It often appears that something is being done – and is presented as such – but the detail tells a different story. The government is, for example, making a technical change to allow developers to be sued for much longer periods than previously (up to 30 years). However, making a claim of this sort is not easy (and will be costly for those not entitled to legal aid); and, in any event, many developers have become insolvent (and designedly so, shortly after selling the buildings). There will be a requirement that the freeholder will comply with building safety duties and will make applications for grant funding or seek third-party funding, but this does not stop the freeholder from billing leaseholders for works if they are unsuccessful in obtaining funding.

The UK government set up a grant fund to assist with cladding remediation costs for buildings over 18 metres high (originally with an inadequate £1 billion, subsequently enhanced by a further £3.5 billion). A fund was also set up to provide loans for buildings between 11-18 metres. The latter was widely pilloried as being inadequate; and the grant process was slow, with only £209 million allocated to high-rise blocks (according to *Inside Housing*), and difficulties in making applications.

In an announcement on 14 February 2022, the secretary of state, Michael Gove, sought to draw a line under the problematic government grant and loan scheme for cladding remediation by announcing a kind of 'polluter pays' approach. This would leave in place the government grant scheme for cladding work on buildings higher than 18 metres, but extend it to cover cladding work on buildings between 11-18 metres by raising a further £4 billion from developers, manufacturers and contractors. It would also prevent leaseholders in buildings taller than 11 metres from being charged for remedial cladding work.

There is considerable detail still to emerge and, while the principle is important, the legality of the government's approach (essentially using other levers and disincentives) has been questioned; the amendments to the Building Safety Bill are headscratchingly complicated, which suggests that there will also be room for developers to manoeuvre. Further, there are exclusions from support (including buy-to-let landlords, buildings less than 11m, and non-cladding remediation) and suggestions that there are further risks for councils and housing associations in the detail.

Costs of dealing with non-cladding risks, such as the lack of proper compartmentation and firebreaks, could still fall to leaseholders, although there will be limits to the costs that can be imposed and arrangements to spread out the payments so they are more readily afforded. It remains to be seen if this produces solutions that cover all of the problematic buildings where leaseholders are unable to sell their properties.

All of this demonstrates the fragility of the concept of leasehold. Originally designed to escape the mess of feudalism, its widespread use has generated significant problems which law reformers have been seeking to resolve since the 1960s. What we see at the moment – and it is in a highly unstable political environment – is the Building Safety Bill moving through its parliamentary stages with amendments being made as it goes. The goal of reformers since the 1990s has been to develop a new form of tenure, called Commonhold. That has not been taken up on any scale, partly because of its complexity and partly its novelty. The issues are the subject of further consideration and development, and likely to form the basis for the next set of reforms. The Welsh Government is considering its own reform programme though it is focused on housing as property law has not been devolved.

There is no escaping the fact that leasehold in England and Wales remains a mess. The government has committed to 'comprehensive reform', but a bill to achieve this is not expected until the third session of the current parliament.

Notes and references

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