

Section 2 Commentary

Chapter 2

Dwellings, stock condition and households

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Initial results from the 2021 census enable the *Review* to comment more definitively on the UK's population. However, analysis of census results has not yet proceeded to the point where anything new can be said about household growth and hence housing need. Meanwhile, issues about the existing housing stock have gained ever more prominence. As ever, this chapter covers a range of topics, this year summarising the current evidence and debates about:

- trends in the UK's population and in-migration
- housing need, housing supply and changing tenure patterns
- Issues with the existing stock: energy efficiency, building safety and damp.

Population growth halts, yet migration surges

Population growth is an important driver of household growth and hence of housing demand. New population estimates take account of the 2021 census results and indicate that population growth over the last ten years has been slightly lower than ONS had previously calculated. In mid-2021, the UK had an estimated population of 67.03 million, around 5.9 per cent more than in 2011. The rate of growth may be adjusted further once census results for Scotland are available.

Within the UK, population growth in the decade to mid-2021 was concentrated in England (6.5 per cent) and Northern Ireland (five per cent), with slower growth in Wales (1.4 per cent) and Scotland (3.4 per cent).¹ So far, ONS has not updated the projection noted in the 2022 *Review*, that the UK population will increase by 3.2 per cent to around 69.2 million by mid-2030. This growth is projected to be concentrated in England, with Scotland projected to see slight population decline.

Reduced numbers of births and reduced life expectancy are bringing the number of births and deaths almost into balance, meaning that migration is the main factor driving growth. Net international migration for the UK for the year to June 2021 (the relevant date for the population figure above) was an estimated 173,000. Due to the pandemic, this was lower than the ONS projected. Currently, ONS sees net migration falling to 200,000 annually by 2026 and then continuing at that level until 2045.²

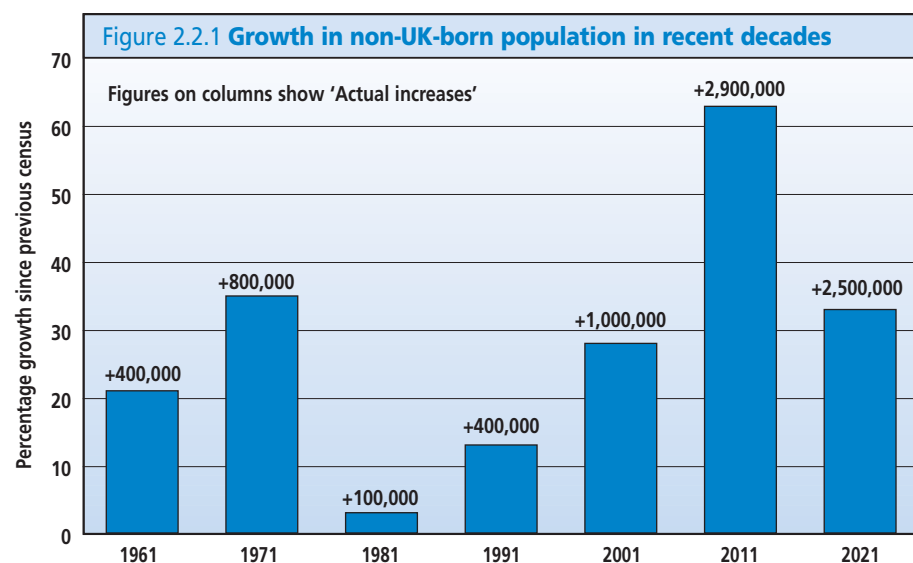
However, in reality there was a remarkable increase in net migration in the year to June 2022, which reached 504,000, around 331,000 higher than in the year before

and nearly double the previous record. The increase was driven by a large increase in people from non-EU countries moving to the UK. Of the estimated total of 1.1 million migrating to the UK during the year, 704,000 came from non-EU countries, 379,000 more than arrived in the year to June 2021. By contrast, almost half of the 560,000 people estimated to have *left* the UK during the year were people returning to the European Union, resulting in a net reduction in EU migration.

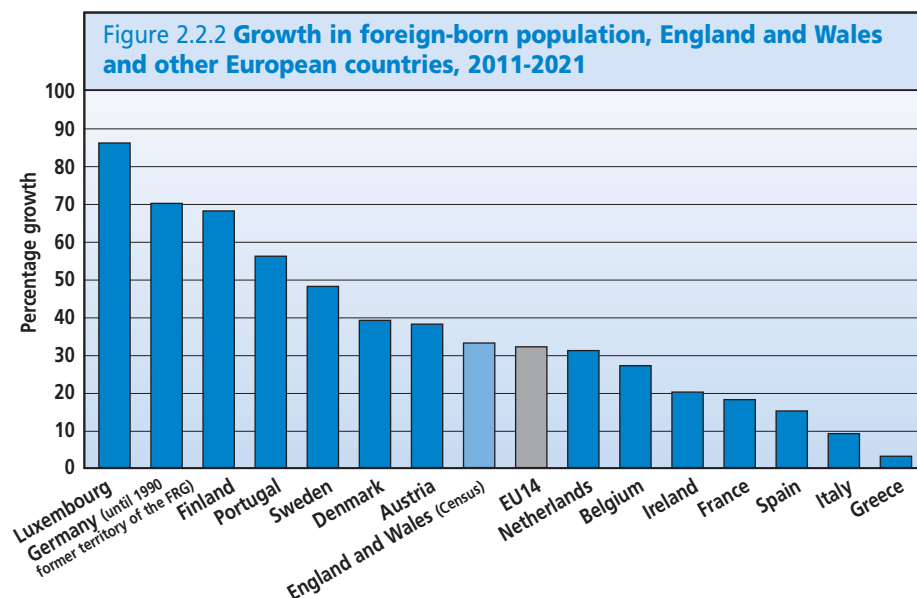
The last edition of the *Review* commented on the 'uncertainty of future migration patterns'. Commentators have advised against assuming that the record number in 2022 represents a 'new normal'. The ONS noted that the UK was living through a 'unique' period when several factors combined to boost migration, notably the lifting of pandemic travel restrictions, the end of the transition period from the EU, the war in Ukraine, the resettlement of Afghans and the new visa route for Hong Kong British nationals.

Professor Jonathan Portes argues that there are still labour shortages in some sectors of the UK economy that were dependent on EU workers, and these explain the sharp increase in those coming to work under the new health and care visa, more than offsetting falls in EU migration. 'This readjustment, from EU to non-EU migrants is broadly what the new system was designed to achieve... immigration is about the only area where policy is contributing to higher economic growth' he commented.³

Madeleine Sumption and Peter Walsh of the Migration Observatory note that the detailed picture provided by the 2021 census marks 'the end of an era', as it coincided almost exactly with the end of 'free movement' following Brexit.⁴ As Figure 2.2.1 shows, the last decade was not unusual in migration terms, whereas the decade that ended in 2011 was. Over those ten years, EU migrants made a larger contribution to net migration than in previous decades, contributing 48 per cent of the 2.5 million growth. Historically, non-EU migrants made up the large majority of migration to the UK, and one consequence of Brexit appears to be a reversion to this trend. Census figures suggest that by March 2021, only around 3.9 million EU passport holders were still living in England and Wales, a significant fall given that previous estimates indicated that five million EU nationals lived in the UK as a whole prior to Brexit.



Source: ONS.



Source: Migration Observatory.

Clearly migration has changed the makeup of the UK population. The number of people born abroad increased by 2.5 million in England and Wales between 2011 and 2021, from 7.5 million to 10 million. Compared to other high-income countries this increase is average, however: the 33 per cent growth in the foreign-born population was very similar to the increase seen across Western and Southern European EU-14 countries (Figure 2.2.2). It takes the non-UK born population share to 16.8 per cent (for the whole UK).

Leicester and Birmingham are the UK's first cities where over half the people are from black, Asian or minority ethnic (BAME) backgrounds, according to the 2021 census. As a result of previous waves of migration and subsequent population change, 59 per cent of people in Leicester are from minority ethnic backgrounds, compared with 51 per cent in Birmingham and 54 per cent in Luton. Across England and Wales, 18 per cent of people are BAME. At 69.2 per cent, Newham is the London borough with the highest proportion of BAME citizens.

Despite the current home secretary's ambition to reduce net migration to below 100,000, it seems unlikely that levels will fall below the ONS long-term projection of 200,000 annually. A number of factors are at play, including: the continued demand for labour, with industry calling for a relaxation of the rules; irregular migration (e.g. in excess of 40,000 'small boat' arrivals in the UK in 2022 which are not yet included in the figures but will be), and the Ukraine conflict, which shows few signs of ending. More broadly, global displacement reached a record 100 million people in 2022, according to the UNHCR:⁵ climate change, disastrous weather events and worsening global disparities in economic opportunities are all likely to make displacement worse. Brexit may have marked a turning point in where migrants come from, but it is unlikely to have permanently reduced the numbers.

Housing need and supply

Recent editions of the *Review* have carried commentary on housing need, based on available evidence from across the UK. There have been no recent updates in projections of household growth – in England, Wales and Scotland the latest projections are 2018-based, and in Northern Ireland 2016-based. The 2021 edition of the *Review* summarised the most recent projections of housing need, which still apply although are increasingly dated.

The projected need in England, assessed by Glen Bramley in 2018 and partially updated in 2020, is to provide 340,000 new houses annually. In Wales, the most recent needs assessment was in 2020, with a central estimate of need at 7,400 annually; in Scotland, a 2020 estimate projected a requirement of 15,300 annually and in Northern Ireland the projected annual requirement from 2020 was 4,800 new homes. All of these need to be revisited against the backdrop of 2021 census findings and changing economic conditions and patterns of migration, post-Brexit, to provide updated projections of household growth.

In the absence of such projections or assessment of wider housing need, this chapter simply records the latest data on new housing supply. While data are available for 2021/22 for England (see below), new data were not available for Wales at the time of writing. For both Scotland and Northern Ireland, data show that while supply was affected by the pandemic it has now recovered, almost to previous levels. In both cases output meets projected needs.

New housing supply in England had been increasing steadily pre-pandemic and in 2019/20 reached 242,700 additional dwellings. During 2020/21, output fell because of the pandemic, but recovered in 2021/22. 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).

As noted in previous editions of the *Review*, supply would have to grow considerably to meet the government’s target of providing 300,000 homes a year by the mid-2020s, a target which in any case has been strongly questioned by Conservative MPs. While the target continues to be a ‘commitment’ it will now have ‘new flexibilities’ to reflect local circumstances. This suggests that in practice the target will be hypothetical and unenforceable, even as it remains below the level of projected housing need. The updated National Planning Policy Framework on which consultation is taking place has been summarised as likely to result in ‘fewer new homes in the wrong places’, meaning fewer homes where they are actually required but where building them might be ‘out of character with the existing area’. The new NPPF has thus been dubbed a set of ‘planning reforms for those already comfortably housed’. Indeed, there are reports of councils delaying their local plans so as to take advantage of the weaker NPPE, and even of councils already cutting their housing targets so that they fall below the previously required levels.⁶

Table 2.2.1 Net additions to housing supply in England, 2015/16 to 2021/22

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
New build completions	163,940	183,570	195,390	214,410	219,120	191,820	210,070
+ Net conversions	4,760	5,680	4,550	5,160	4,340	3,410	4,870
+ Net change of use	30,600	37,190	29,730	29,300	26,710	21,470	22,770
+ Net other gains	780	720	680	970	860	640	780
– Demolitions	10,420	9,820	8,060	7,960	8,330	5,480	5,680
= Net additional dwellings	189,650	217,350	222,280	241,880	242,700	211,870	232,820
Quarterly new build figures	139,710	147,520	160,910	169,060	175,340	154,630	171,190

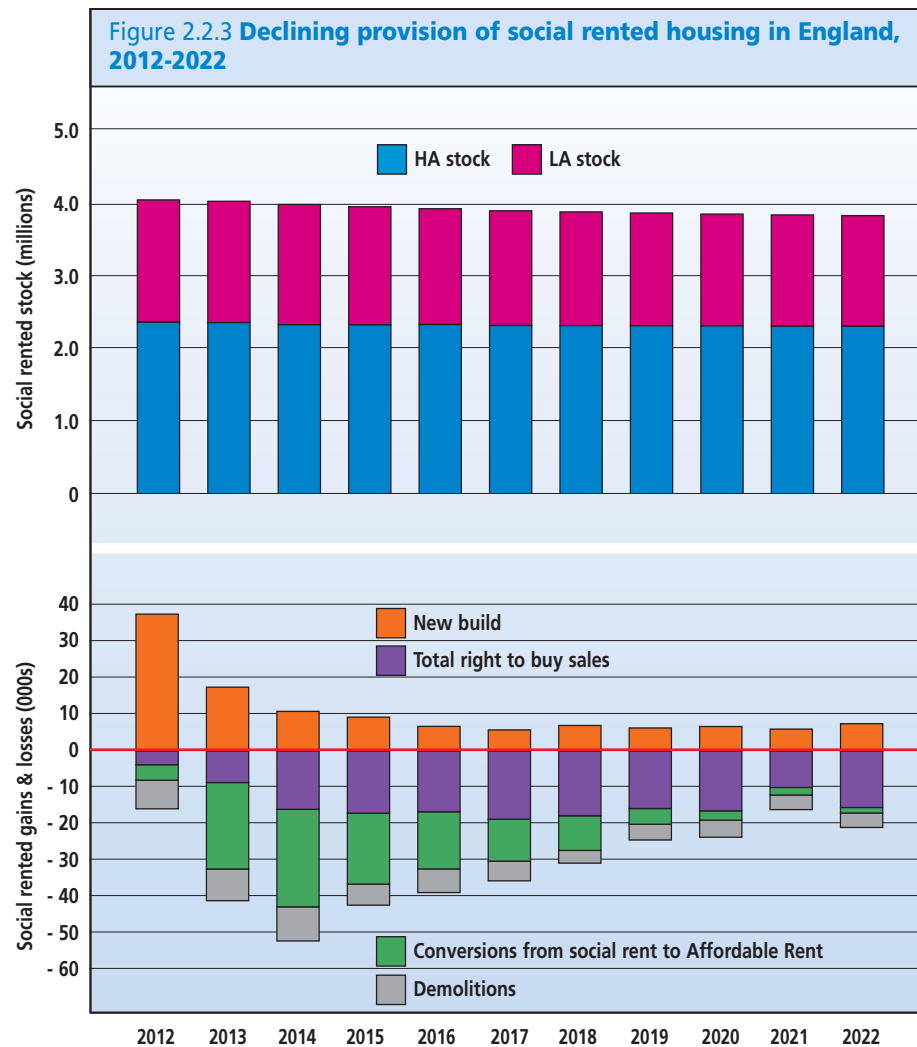
Sources: DLUHC Housing supply: net additional dwellings, England: 2021/22; DLUHC Live Table 213 Quarterly new build completions (not seasonally adjusted).

Note: Totals are affected by rounding and figures may have been updated since the previous *Review*.

Supply of affordable housing relies heavily on the existing stock. Census data show that, over the past decade, the proportion of households living in the social sector has fallen slightly in England and Wales (to 17.1 per cent) although absolute numbers have shown a small increase (of 100,000 households). Compendium Table 17 shows a similarly slight growth in the UK’s total social housing stock over the last decade (comparing updated figures for 2020 with those for 2010, there is a UK-wide increase of just 112,000 dwellings). Although census figures are not yet available for Scotland and Northern Ireland, both have been producing more new affordable homes relative to their population than England and Wales (see Figure 2.4.1 on page 82), and most of this is for social rent.

In addition, the nature of affordable supply is also shifting, mainly in England, away from the provision of homes let at the lowest, social rents. The *Review* has regularly monitored the decline of social rented provision in England, and this is summarised in Figure 2.2.3, which shows that in the last decade the number of homes let at social rents has fallen by 218,000. This is in part because new build has fallen considerably, producing just 122,000 homes in 11 years, while 157,000 have been sold via right to buy, 122,000 have been converted to lettings at Affordable Rents, and (among other gains and losses) more than 60,000 homes

have been demolished. Over the same timescale, the stock of dwellings let at higher, Affordable Rents grew to 326,000 (a result of both new build and conversions). Paradoxically, of course, this combination results in *reduced* access to rented homes that are affordable to those on the lowest incomes.



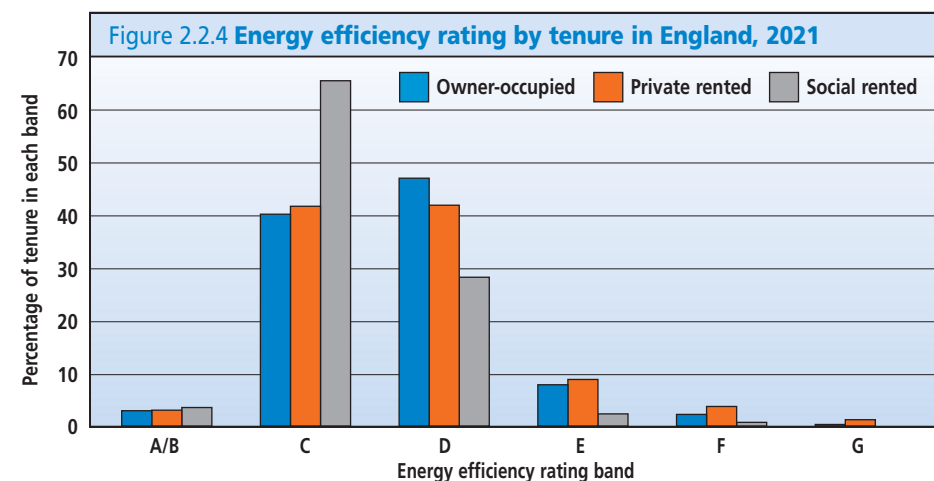
Source: Regulator of Social Housing, registered provider stock data.

Issues with the existing stock: Energy efficiency

Significant progress still needs to be made in decarbonising the UK's housing stock at the scale and pace needed to meet net zero targets. Buildings contribute 20 per cent of the UK's carbon emissions, second only to surface transport. This means it will be impossible to meet the government's wider net zero target by 2050 without comprehensive action to reduce domestic emissions.

Most of this work requires retrofitting existing homes to improve their energy efficiency, given that four-fifths of the buildings that will be with us in 2050 have already been built. This has become increasingly imperative over the last year, as soaring energy prices mean more people are struggling to afford adequate heating. An estimated 6.9 million households in England were in fuel poverty in October 2022, potentially rising to 8.6 million by 1 April 2023.⁷ Improved energy efficiency will reduce the amount of energy needed to keep homes warm, thus potentially cutting both fuel bills and the need for government subsidies.

However, we are still far from meeting energy-efficiency targets across the UK. In England, the government has set a target of all homes reaching EPC Band C by 2035. Almost 70 per cent of England's social rented homes already meet this threshold, but over half of the country's private rented and owner-occupied homes have a rating of D or below (Figure 2.2.4).



Source: English Housing Survey 2021-22.

There have been some positive steps over the last year. The ECO 4 scheme opened (albeit belatedly) and was augmented by the ECO Plus scheme, collectively providing £5 billion in government grants for energy-efficiency measures open to all sectors, and VAT was removed on energy-saving materials and installation. Furthermore, in the Autumn Statement the chancellor announced an increased focus on energy efficiency and an ambition to cut energy use by 15 per cent by 2030, £6 billion in additional funding from 2025, and a new energy-efficiency taskforce. In England, social landlords had the opportunity to bid for £800 million in funding through wave 2.1 of the Social Housing Decarbonisation Fund.

Unfortunately, this has been far short of both the scale and pace needed to meet the sector's decarbonisation targets. The Climate Change Committee was damning in its 2022 evaluation of the progress in reducing emissions from existing homes.⁸ Whilst government schemes supported energy-efficiency upgrades in more than 150,000 homes in 2021, this needs to increase to 500,000 annually by 2025 to meet the government's pathway to net zero. The Environmental Audit Committee highlighted energy efficiency as the largest gap in the government's energy-security strategy and called for a national 'war effort' mobilisation to rectify this.⁹

The picture is similar outside England. Despite the Scottish government's ambitions to decarbonise buildings much faster than the UK as a whole, and substantial funding commitments to support this, the Climate Change Committee judged that 'there are not yet adequate policies in place to deliver low-carbon heat and energy efficiency improvements at the required rate' in Scotland. In Wales, there is an 89 per cent funding shortfall for bringing all private rented sector homes up to EPC C, and a £2.7 billion funding gap for retrofitting all social homes up to EPC A. In Northern Ireland, government spending will need to triple to meet the targets in their energy strategy, and work to retrofit the Northern Ireland Housing Executive's 84,000 homes is delayed by uncertainty about its future and how it can raise the necessary capital.¹⁰

A significant issue going forward is that much of the 'low-hanging fruit' has already been taken. According to Resolution Foundation research, the vast majority of homes in England now have decently efficient roofs and windows, which have been relatively simple to upgrade. However, 40 per cent of homes have walls of poor or

very poor efficiency, requiring solid wall rather than cavity wall insulation.¹¹ This type of insulation is particularly disruptive to residents and can cost up to £8,000, taking almost 20 years to deliver a return on investment. This means that retrofit costs for many homes are currently too expensive; the *Building Back Britain* report suggests that, without access to public subsidy, retrofit will be financially unviable in homes worth less than £162,000, creating a particularly acute challenge in poorer areas.¹²

The installation of heat pumps and other low-carbon heat sources is also lagging behind target. Data from the census shows the extent of reliance on fossil-fuel heating; almost three-quarters of English households used only mains gas to heat their homes in 2021, and fewer than one per cent used renewable energy sources. The Climate Change Committee advises that 600,000 heat pumps need to be installed each year by 2028 and that we are far short of this: despite a 47 per cent increase, in 2021 only 55,000 heat pumps were installed. There are several barriers which disincentivise replacing gas boilers with low carbon heat sources: they can be more expensive to run if homes are insufficiently insulated; government grant schemes (such as the Boiler Upgrade Scheme) fall well short of the full cost of a replacement, and there are insufficient numbers of trained heat-pump engineers to meet installation targets.¹³

Additionally, we are still building new homes that will need to be retrofitted before 2050. In England, interim elements of the Future Homes Standard came into force in June 2022, which should reduce emissions from new homes by at least 31 per cent compared to old regulations, but the full standard will not come into force until 2025 and even then will not require homes to fully meet 'zero-carbon-ready' requirements. Other areas of the UK have similar standards in place currently. For example, revised guidance published in Northern Ireland requires new buildings completed from 20 June 2022 onwards to reduce carbon dioxide emissions: by 40 per cent for new houses and 25 per cent for new flats.¹⁴

The Westminster government has missed an opportunity to drive up energy-efficiency standards through its grant funding of new affordable homes; it has not set increased standards for homes built with grant, nor has it modelled the potential cost of retrofitting these homes to meet future net zero standards.¹⁵

Conversely, the Welsh Government has set a target to build 20,000 new low-carbon homes at social rent during this Senedd term (see Commentary Chapter 4). Even more ambitiously, the Scottish Government plans to require new build homes to meet Passivhaus standards. If set out in legislation as planned, it would then be the most ambitious energy-efficiency standard for new homes in the UK.

Overall, the UK clearly has a long way to go to decarbonise its homes. On a slightly positive note, however, the importance of investing in energy efficiency has never been clearer and it appears that this imperative is now acknowledged at the highest levels of government. In his independent review *Mission Zero*, Chris Skidmore MP recognised domestic energy efficiency as a critical area of focus and made a range of substantive recommendations for government action.¹⁶ We know what needs to be done – what is now needed is for governments to translate this awareness into practical action at the scale required.

Issues with the existing stock: Building safety

Building safety continues to be a top priority for landlords: this section looks at the issue in England, where pressures for action have been particularly acute. Five years on from the fire at Grenfell, England has two major pieces of legislation in the Fire Safety Act and Building Safety Act, an emerging building safety regulator, and a housing secretary pushing to make developers pay to fix safety issues in buildings for which they are responsible.

There has been some progress in remediating buildings with unsafe cladding. More than 440 high-rise buildings with the aluminium composite material (ACM) cladding used on Grenfell Tower (over 90 per cent of those identified) have now had this cladding removed, including all but one of the affected social sector buildings.¹⁷ This, however, represents only a small portion of the buildings affected by the building safety crisis. It does not include low- or mid-rise buildings, or buildings of any height with other life-threatening safety issues. Progress here has been much slower, in part due to the prioritisation of buildings deemed to pose the highest risk.

The true scale of the problem beyond the high-rise buildings with ACM cladding is unknown, as the government does not collect data on building safety issues in low- and mid-rise buildings. But data on applications to the government's Building Safety

Fund, which is designed to assist works to remove other types of unsafe cladding in buildings over 18 metres tall where developers cannot be forced to pay, give some further insight. This fund is significantly oversubscribed; it has received 2,829 private sector registrations, although only 360 private sector applications have been approved to date. Only 96 buildings receiving such funding had remediation works completed by December 2022.¹⁸

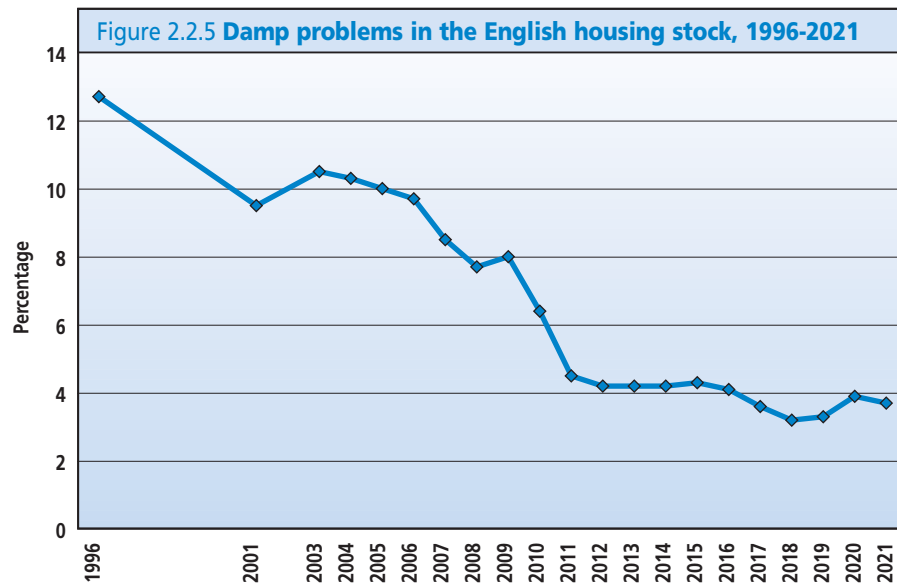
It is clear that we are still years away from all buildings with historic safety defects being fixed. Barratt Homes, the country's largest house builder, has admitted it could take up to seven more years for them to fix all the buildings they need to remediate.¹⁹ Landlords are still conducting assessments of low- and mid-rise buildings, so it is likely that many more issues will be identified that will then require remediation.

This leaves thousands of leaseholders across the country still trapped in unsafe buildings, as in most cases banks have been unwilling to lend on homes with identified building safety issues. Some progress has been made since the discussion in this chapter of the 2022 *Review*; following updated guidance from the Royal Institute of Chartered Surveyors, from January 2023 lenders will be able to consider mortgage applications on properties in buildings over 11 metres in height, where a funded remediation plan is in place.²⁰ However, as yet it is unclear how much difference this will make in practice. The six largest banks have updated their policies in response, but some will likely still want confirmation of the safety of external walls in certain circumstances.²¹ This may block or delay mortgage approvals. Furthermore, this agreement does nothing to help leaseholders in buildings under 11 metres tall with identified safety issues.

Alongside work to fix safety issues in existing buildings, a series of changes are being brought in by the government to improve standards in new buildings. This includes additional requirements for sprinklers in new buildings taller than 11 metres, and proposals for buildings over 30 metres tall to have a secondary staircase. The Health and Safety Executive has already begun assessing planning applications for residential buildings above 18 metres tall under the new checkpoint process established by the Building Safety Act. Analysis of initial data from August 2021 to October 2022 showed that safety concerns were raised in 60 per cent of all planning applications.²²

Issues with the existing stock: Damp

Understandably, there is heightened concern about the incidence of damp in the housing stock after the inquest into the tragic death of Awaab Ishak in Rochdale in 2020 (see Contemporary Issues Chapter 4). This has resulted in a proliferation of estimates of the scale of the problems, but inevitably data often result from householders' opinions or come from other subjective sources. Data from the English House Condition Survey, which has measured the incidence of damp consistently for 15 years, shows a (perhaps surprising) decrease in its prevalence (Figure 2.2.5). A breakdown of the data for 2021 shows the private rented sector to be most affected (10.7 per cent of properties with some incidence of damp), followed by social dwellings (4.5 per cent) and owner-occupied dwellings (rather surprisingly low at only 1.7 per cent). The respective house condition surveys for the rest of the UK have shown the incidence of damp as higher in Wales (six per cent of the stock in 2016) and much higher in Scotland (nine per cent in 2019). In Northern Ireland, almost half of all unfit dwellings (9,300) were damp, equating to 1.2% of the occupied stock.



Source: English Housing Survey.

As an example of more subjective data, YouGov research for the End Fuel Poverty Coalition found that 19 per cent of people across the UK live in 'cold damp homes', with up to 22 per cent of vulnerable people doing so (i.e. those with a disability, long-term lung, heart or mental health condition, being aged over 65 or having a child aged 0-6 in the home).²³

In England, Wales and Scotland, social landlords will need to submit evidence to the regulator to demonstrate that they have systems in place to identify and deal with damp and mould issues in their homes, and that they are addressing risks to their tenants' health. As occurred with the fire safety issues discussed above, it would not be at all surprising if the closer attention given to damp problems in new surveys and regulatory inspections were to identify a more sizeable problem than is evident from statistics compiled before the Rochdale tragedy. So far, in England, the regulator reports that between 120,000 and 160,000 social homes have 'notable' amounts of damp, and in 8,000 cases it is severe.²⁴

Notes and references

- 1 ONS (2022) *Population estimates for the UK, England, Wales, Scotland and Northern Ireland: mid-2021*. London: ONS.
- 2 ONS (2022) *Long-term international migration, provisional: year ending June 2022*. London: ONS.
- 3 Portes, J. (2022) 'Why are politicians unwilling to acknowledge the truth about migration?' in *The Independent*, November 24.
- 4 See <https://ukandeu.ac.uk/what-have-we-learned-about-migration-from-the-census/>
- 5 See the UNHCR *Global Trends* report (www.unhcr.org/globaltrends.html).
- 6 Birch, J. (2023) 'Planning reforms for those already comfortably housed', in *Inside Housing*, January 13 (www.insidehousing.co.uk/comment/planning-reforms-for-those-already-comfortably-housed-79647).
- 7 See www.endfuelpoverty.org.uk/about-fuel-poverty
- 8 See www.theccc.org.uk/wp-content/uploads/2022/06/Progress-in-reducing-emissions-2022-Report-to-Parliament.pdf
- 9 See <https://committees.parliament.uk/committee/62/environmental-audit-committee/news/175274/national-war-effort-mobilisation-needed-to-improve-energy-efficiency/>

- 10 For details, see: Scotland (www.theccc.org.uk/2022/12/07/scotlands-climate-targets-are-in-danger-of-becoming-meaningless/); Wales (www.cih.org/media/zbccclbu/0510-ttc-decarbonising-wales-private-rented-sector-v5.pdf and www.futuregenerations.wales/wp-content/uploads/2021/07/ENG-Exec-Summary-Financing-the-decarbonisation-of-housing-in-Wales.pdf); Northern Ireland (www.economy-ni.gov.uk/publications/energy-strategy-path-net-zero-energy).
- 11 See <https://economy2030.resolutionfoundation.org/wp-content/uploads/2022/12/Hitting-a-brick-wall-report.pdf>
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- 17 DLUHC (2023) *Building Safety Programme: Monthly data release – December 2022*. London: DLUHC.
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- 21 See www.insidehousing.co.uk/news/major-mortgage-lenders-reveal-mixed-approach-on-cladding-as-new-guidance-takes-effect-79618
- 22 See www.insidehousing.co.uk/news/fire-safety-concerns-flagged-by-regulator-in-60-of-englands-proposed-high-rises-79525
- 23 See www.endfuelpoverty.org.uk/energy-self-disconnection-epidemic-hitting-most-vulnerable/
- 24 Cuffe, G. (2023) "'Notable' damp and mould affects up to 160,000 social homes in England, says regulator', in *Inside Housing*, 2 February.