

Cambridge Centre
for Housing &
Planning Research

Housing need and effective demand in England

A look at “the big picture”

A.E. Holmans

April 2014

I. Introduction and Purpose

1. The purpose of this note is to review current concepts and measures of housing need in use in England, and how they relate to effective demand. It looks at what is likely to be the new supply of housing that would be required to meet the need generated by population and household growth and change; how much of this supply could be generated by private effective demand; and how much would depend on assistance. “Housing need” is a normative concept, based on widely accepted ideas about what categories of the population “ought” to have access to separate accommodation of adequate standard. Effective demand is a totally different concept, demand made effective in the market by sufficient purchasing power from income, savings, and access to credit. Households with low incomes may “need” housing but not be able to afford it unaided. Conversely there may be people who buy or rent separate housing and live independently but may be deemed not to “really need it”. The policy salience of the latter is much smaller than the former, but is not totally negligible – witness complaints about large houses for which there is “no real need” being built instead of more moderate sized houses which would meet local needs.
2. Reference is first needed to definitions and measures required for producing numerical estimates of housing need, both currently and in the future. What constitutes a separate household is a key concept in assessing housing needs. The definition used currently in England is that a household is an individual living alone who caters for him (or her) self or two or more people who share a common housekeeping; and who do not share the use of a living room or sitting room with anyone else. Not sharing a living room or sitting room was added to the previous definition in 1981; otherwise the definition of a household has been unchanged since the 1861 census. With this definition of a household, two or more households can live in one dwelling. The number of sharing households is a very important element of un-met housing need at any particular time. Not all households that share necessarily do so involuntarily¹. Sharing households are to be distinguished from “concealed households” (or concealed families), who are couples or lone parents with dependent children who live as part of someone else’s household. Examples are newly married couples (or latterly newly formed cohabiting couples) sharing with in-laws, or a young deserted lone mother who goes back to live with her parents. Couples and lone parents who live in this way are often referred to colloquially as “sharing”. But strictly speaking and in the statistical terms in this note they are not counted as households. Recently married couples living as concealed households were very numerous after the end of the war in 1945. As housing shortages eased, their number diminished. But between the 2001 and 2011 censuses the number of concealed households increased by 140,000², potentially important information for understanding changes in the total and mix of household types during the decade. Events between 2001 and 2011 may also bring back into use on household category the former part of household projections in 1969 and in the 1970s but subsequently dropped, the “potential households”. This counted all married couples as households, not just those that counted as separate households according to the definition cited above. An important issue about household formation during the 2001 – 2011 decade is how far persons who might have lived as separate households were prevented from doing so by steep increases in costs of housing relative to income, and sheer lack of housing due to the house building slump from 2008 onwards.

¹ OPCS reference

² ONS release, quoted in Financial Times 07.02.14

3. Definitions and measurement of the supply of housing can be considered more briefly. Its central core is new building; but other elements are additions to the stock from converting residential buildings into two or more smaller dwellings; and transfers of buildings from non-housing to housing use. Against this has to be set losses from the housing stock through demolitions and transfers of buildings to non-housing uses. In recent years the number of dwellings demolished has run in the region of 20,000 a year. There seems to be little likelihood of higher figures as a result of a return to planned schemes of demolitions and replacement of the kind that took place from the 1950s to the 1970s. Higher numbers of demolitions and replacements are therefore not included in the discussion of future housing need.
4. The inter-relationship between totals of dwellings and households depends as well on the numbers (and size) of households that occupy only part of a dwelling – i.e. sharing households – and in concealed families (see paragraph 2). It depends as well on the number of dwellings not used as singly occupied main residences, i.e. second homes and other forms of secondary residences; and vacant dwellings. The number of secondary residences is primarily demand-determined, subject to availability for purchase of suitable dwellings in suitable locations. Information about the number of second dwellings is far from precise, even Council Tax information. A best estimate from information for recent years is the best that can be done for secondary residences in estimates of future housing need. The number of vacant dwellings would be expected to be affected by pressure of demand. When demand is strong and rising, vacant dwellings sell more quickly, and new tenants are found more quickly for vacated tenanted property. Not all vacant dwellings are “turnover” vacancies of this sort. Others are vacant through being in “wrong” places where populations have moved away; others are in poor condition and hence hard to sell or to let.
5. The body of this note is divided into the following sections:
 - II. Past changes in population and households and in housing supply, with particular reference to 2001 to 2011. Some of the changes in the number and type of households in this decade were in contrast with previous trends since the 1960s and 1970s. This decade saw an exceptional rise in house prices relative to income, the financial crisis, and the Great Recession. How far were these the cause of the changes in household formation?
 - III. Estimates of future housing need post 2011, and how they compare with earlier housing need estimates; and with new housing supply in earlier years.
 - IV. Housing tenure and effective demand. How much of the new supply of housing has been in response to effective demand in the market coming from household growth and economic change. What has influenced the supply of “assisted” housing, i.e. at rents or prices below full market levels – “affordable” housing.
 - V. How much of the supply that would be required to meet newly arising housing need (i.e. excluding making good arrears or backlogs of need), would have to be assisted housing. What form might the assistance take? What adjustment processes might there be if the assistance required for housing need to be fully met was deemed unaffordable.

II. Past and Recent Changes in Population and Households and in Housing Supply

6. The change in the total of households and in the mix of types of households between 2001 and 2011, relative to population change, was very different from the previous 30 years. What this contrast implies about changes in the interaction between the housing market and household formation, and the effect of the national economy more generally, is all important for an estimate of future housing need. There are signs of a stronger impact on the number of households from house prices and rents than previously understood. This included the effects of the “Great Recession”, but also rapid rises in house purchase costs relative to income (worsening “affordability” of housing) in the earlier years of the decade. Whether sheer shortages of housing supply constrained the increase in the number of households also merits a look.
7. From the 1960s to the end of the 1990s the number of separate households in England (and England and Wales)³ increased relative to the adult population by more than could be accounted for arithmetically by changes in the mix of ages and marital statuses. That is to say household headship rates⁴ rose.
8. Table 1 shows the proportions of increases in households in inter census decades accounted for by growth of the adult population, changes in age and marital status of the population, and changes in headship rates.

Table 1. Components of Increase in Households in 1961 to 2011

	(thousands)				
	<u>1961 - 71</u>	<u>1971 - 81</u>	<u>1981 - 91</u>	<u>1991 - 01</u>	<u>2001 - 11</u>
Adult population	840	620	1,300		
Age and marital status composition	480	110	180	} 930	}1,530
Headship rates, etc. (a)	830	720	410	430	50
<u>Total</u>	2,150	1,450	1,890	1,360	1,580

Note (a): The ‘etc’ is the statistical ‘remainder’ i.e. cross-products

Source: *Historical Statistics of Housing in Britain*, Table A.5

9. The division between the effect of headship rates and the growth of the adult population and its age structure and marital (and now cohabiting) status in 2001 – 11 is estimated from the 2011 based projections. The mix of household types in the projection is close to the actual changes between 2001 and 2011. After 40 years of increases in members of households relative to demographic change, there appears to have been hardly any increase at all between 2001 and 2011.

³ Until 1971 most ‘national’ census tables were for England and Wales, with figures for England obtainable only by taking Wales from “regional” tables and subtracting from England and Wales. For convenience, historical figures are taken from *Historical Statistics of Housing in Britain*, where the long series are for England and Wales.

⁴ The official terms are now “household representative rate” (DCLG’s household projections) or “household reference person rate” (Census). The older term “headship rate” is more familiar. It is the proportion of members of a defined population group who head separate households.

10. Part of the change from previous trends in the components of the increase in households in 2001 – 2011 was the consequence of an increase in the number of couples and lone parent families living as “concealed families” (see paragraph 2 above for definition). Table 2 shows the number of households and concealed families in census years from 1951, the first time figures for concealed families, then termed “family nuclei”, were published.

Table 2. Households and Concealed Families 1951 to 2011

(thousands)

	<u>Households</u>	<u>Concealed Families</u>	<u>Households plus Concealed Families</u>
1951	13,259	935	14,194
1961	14,724	702	15,426
1971	16,871	426	17,297
1981	No census data		
1991	20,213	273	20,486
2001	21,825	170	21,995
2011	23,740	289	24,036

Source: *Historical Statistics of Housing in Britain*, Table A.5

11. A fifty year downward trend in the number of concealed families was reversed by an increase of about 120,000 between 2001 and 2011. Many more couples and lone parents had to live as part of someone else’s household, either due to being unable to afford to live independently, or through shortage of housing.
12. Changes in numbers of households of particular types between 2001 and 2011 also differed from what had gone before. This may be shown by comparing the actual changes between 1991 and 2001 (which followed on from trends from 1971); the projected changes between 2001 and 2011 according to DCLG’s 2008 based projections (which except at young ages followed previous trends); and the changes since 2001 shown by the 2011 census.

Table 3. Changes in Numbers of Households in England in 1991 – 2001 and 2001 – 11

(thousands)

	<u>1991 – 2001</u> (actual)	<u>2001 – 11</u> (trend)	<u>2001 – 11</u> (actual)
Couples, no other adults	+ 299	+ 428	+ 314
Couples, one or more other adults	-489	-365	+ 218
(All couples)	(-190)	(+ 63)	(+ 532)
Lone parent households	+ 456	+ 373	+ 274
Other multi-person households	-158	-40	+ 291
One-person households	+ 1,252	+ 1,469	+ 481
<u>All households</u>	+ 1,359	+ 1,866	+ 1,579

Source: Table S.1 of A.E. Holmans *New estimates of housing demand and need in England, 2011 to 2031*, Town and Country Planning Association, 2013

13. The difference of 287,000 between the trend-based figure for the increase in households between 2001 and 2011 and the actual increase is not like with like. The actual increase in the population between 2001 and 2011 was higher than previously estimated. If the actual increase in the population were used, the difference between a trend-based increase in households and the actual increase would be 375,000. 70% of the actual increase in households between 2001 and 2011 was multi-person households, compared with only 21% of the trend-based estimate, and 8% between 1991 and 2001.
14. The much higher proportion of multi-person households, which is an alternative way of depicting a halt to the previous decline in average household size, had a number of causes. One is the arithmetical effect of the larger number of immigrants after 2001. Survey evidence⁵ shows that recent immigrants in aggregate have lower propensities to form separate households, i.e. live in larger households, than the whole population. The average inflow of immigrants to England from outside the United Kingdom was 500,000 a year in 2001 – 2010 compared with 316,000 in 1991 to 2000⁶. The difference in immigration could make a difference of 200,000 households over the decade, which would leave 175,000 to other causes.

⁵ See Annex A of A.E. Holmans *New estimates of housing demand and need in England, 2011 to 2031*.

⁶ See reference (5), Table A3

15. Other causes include more adult sons and daughters living with their parents for longer rather than leaving to live independently; and more families living as concealed families. Evidence for the effect of more adult sons and daughters living with parents is to be seen in the smaller number of one-person households aged 15 – 24 shown by the 2011 census compared with the trend estimate 252,000; and the larger number of couple households (with “other adults”) 45 – 54, 55 – 64, 65 – 74, 195,000, 206,000 and 83,000 respectively. Not all “other adults” living with couple households are necessarily sons and daughters, but those age ranges are where more adult sons and daughters living with parents would show in the census⁷.
16. The downward movement of headship rates at young ages after 2001 began early on in the decade⁸. At this time house prices and rents were rising very fast, faster than in the house price boom of the 1980s. So the timings are consistent with household numbers in relation to populations having been forced downwards first by higher housing costs relative to incomes and then by the housing market slump. It is logically possible, however, that the cause could be a change in ways of living, not the result of housing costs and the housing market. Whether the social changes were at least part of the explanation is not known, but it is probably wise not to exclude the possibility altogether.
17. Which of the possibilities just discussed is the more important is highly significant for future demand and need for housing. If the lower level of household formation was primarily the result of house prices and rents, the housing market, and the national economy, then effective demand for housing will be determined by these influences. If social change is important, both effective demand and housing need will be lower than could have been expected if past trends had continued. A study by the present author in 2013 worked on the basis of the reduction, relative to trend, of household formation being the effect of housing costs in relation to income, the housing market, and the economy, and so would gradually reduce as more normal conditions returned. This produced projected increases of 2.23 million households between 2011 and 2021 (25,000 higher than DCLG’s 2011 based projection); and 2.26 million between 2021 and 2031. Most of these increases thus come from the projected growth of the adult population, as did the actual increase between 2001 and 2011. The high importance of much more rapid population growth, mainly but not solely the consequence of high net inward immigration, will be commented on further in subsequent sections of this note.
18. The projected net increase in households is the central core of a calculation of housing need, an increase in the number of occupied main residences that balances the increase in households. There is as well an offset for any increase in the number of second homes and other secondary residences, as they cease to be available for use as main residences. An increase in vacant dwellings is also put in as a growing housing stock leads to increases in the number of dwellings changing hands and hence to more “turnover” vacancies. A conventional housing need calculation with the estimate of future numbers of households in the previous paragraphs produces a figure of 240 – 250,000 for the net increase in the dwelling stock required to meet new housing need. In no decade, however, was the net increase in the dwelling stock as high as this; in only two decades, 1951 – 60 and 1961 – 70, did the average exceed 200,000 a year. The questions that follow are considered in the next section of the note.

⁷ See reference (5), Table 2

⁸ 2008 based household projections, sources and methods volume

III. Current Estimates of Future Housing Need and Comparisons with earlier Estimates

19. The most recent estimate of housing need in England is by the present author in *New estimates of housing demand and need in England, 2011 to 2031*, published in September 2013 by the Town and Country Planning Association⁹. Its demographic core is a projected increase in households that average 225,000 a year. Provision for increases in the number of secondary residences and in vacant dwellings as a constant proportion of the dwelling stock brings the total, excluding any replacement of losses from the stock, to 240 – 245,000 additional dwellings annually. The increase in households was developed from DCLG's 2011 based projection¹⁰. This projection reached only to 2021, and showed an increase in households barely more than would be generated by population growth and change only. The present author worked the projection forward to 2031 using the same population assumptions as used by DCLG as far as 2021. It assumed that the reduction in household growth in 2001 – 11 due to increases in housing costs relative to income and the housing market slump (see previous part of the note) would gradually diminish. This produced estimated increases of 2.23 million households in 2011 – 21 and 2.26 million 2021 – 2031, hence the figure of 225,000 a year.
20. The previous 2008 based household projection by DCLG had a lower projected increase in the population, but a larger rise in household representative rates. Table 6 of DCLG's sources and methods report on the 2011 based household projections¹¹ shows that the higher population projection for 2011 to 2021 would have raised the projected increase in households by 107,000. This was more than offset by the lower projection of household representative rates, which lowered the projected increase in households in 2011 to 2021 by 356,000, so that overall the projected increase in households during the decade was 249,000 lower. The reasons were the household changes in 2001 to 2011 discussed in the previous section. The average annual increase in households between 2011 and 2021 shown by the 2006 based projections was 269,000; and in the 2004 based projection 233,000.
21. Published estimates of housing need derived from household projections began in the mid 1990s. The method for deriving an estimate of future demand and need for housing from household projections was worked out by the present author shortly before retiring from the Department of the Environment (as it then was). The method depended first on the fact that households' housing tenure (owner-occupations, social renting, private sector renting) varied with type of household, the age, sex, and marital status of the household head; and second that beyond the 40s, housing tenure "rolled forward" with time. The tenure distribution of married couple households aged 45 – 49 in 1991, for example, would be within a little the tenure of couple households aged 55 – 59 in 2001 and of couples aged 55 – 59 in 2011.
22. This method was first applied to the 1991 based household projections published by the Department of the Environment in 1995¹². It was used by the Department of the Environment to produce a 10 year estimate of future housing requirements¹³ and by

⁹ Town and Country Planning Tomorrow Series Paper 2011 to 2031

¹⁰ DCLG *Household Interim Projection 2011 to 2021, England*

¹¹ *Updating Department for Communities and Local Government Household Projections to 2011 Base. Methodology Report*

¹² Department of the Environment, *Projections of Households in England to 2016*, HMSO 1995

¹³ *Provision for Social Housing – Background Analysis: Households in England, Their Housing Tenure and the Housing Stock 1991 – 2001*. 1995

the present author for the Joseph Rowntree Foundation¹⁴. The JRF estimate quickly proved to be highly controversial, because the numbers were so large in relation to what had gone before, 4.4 million (almost) more households by 2016. In part this was just the arithmetical consequence of taking a 25 year time-span instead of 20. Over the full 25 years it produced an average of 175,000 a year. The previous projection (1989 based) gave 157,000 a year; and the 1985 based projection 118,000 a year. The population projection from which the 1991 based household projection was derived assumed net inward migration averaging 50,000 a year. Previous projections had assumed a zero balance, taking one year with another. This can be seen to have begun a new era in household projections: near dominance by the migration assumption in the underlying population projection.

23. The annual average increase in households in England in the official projections from 1991 onwards are shown in Table 4 below, together with the span of years to which they relate.

Table 4. Projected Annual Increases in Households in England

(thousands)

<u>Base Year</u>	<u>Average annual increase in households</u>	<u>Projection period</u>
1991	175,000	1991 – 2016
1996	153,000	1996 – 2021
2003	213,000	2001 – 2021
2004	223,000	2001 – 2021
2006	258,000	2006 – 2026
2008	234,000	2006 – 2026
2011	221,000	2011 – 2021

Source: 1991 to 2008 bases from various tables in Alan Holmans *Household Projections in England: Their History and Uses*, Cambridge Centre for Housing and Planning Research, Cambridge University, 2012

24. That the projected increase in households in the 1996 based projection was over 20,000 a year lower than the 1991 projection was not caused by a lower population projection. The “headline” assumption about annual net migration to the United Kingdom was 65,000 a year in the 1996 based projection, as compared with 50,000 a year in the 1991 based projection. The explanation was in the use by the Government Actuary’s Department in 1996 of a different and technically superior method of estimating future changes in the marital status of the population¹⁵. No further comment is therefore made on this projection.
25. The 2004 based projection was the basis of an estimate of future housing demand and need prepared in 2008 by the Cambridge Centre for Housing and Planning

¹⁴ Alan Holmans, *Housing Demand and Need in England 1991 – 2011*, Joseph Rowntree Foundation, York, 1995

¹⁵ See page 70 of Department of the Environment, Transport, and the Regions *Projections of Households in England to 2021*

Research (CCHPR) for Shelter¹⁶. It was also the rationale for housing targets announced by the Government of the day in 2007 in the Green Paper *Homes for the future; more affordable more sustainable*¹⁷. Targets were stated of 2 million more dwellings (in the sense of net additions to the housing stock) by 2016, an increase of 240,000 dwellings a year by 2016, and 3 million more by 2020. More new homes were needed, because the housing stock was growing at by only 185,000 a year when households were projected to increase by 223,000 a year¹⁸. The Green Paper did not comment on how many of the target dwelling totals would need to be publicly funded, or how many would come from private effective demand. The policy response was in terms of mechanisms to ensure a sufficient supply of land available for house building.

26. Central to the new mechanism was the National Housing and Planning Advice Unit (NHPAU), which would advise Ministers on the provision that ought to be made in Regional Spatial Strategies. This advice, in the form of ranges of numbers of dwellings, was published in 2008¹⁹. NHPAU's ranges comprised what they termed the "demographic" method (the projected net increase in households plus additions); and the "Affordability Model", an econometric model produced by the Department for Communities and Local Government. In this model the rate of rise of house prices was a function of the growth of the stock of dwellings and the growth of the population. The target increase in the housing stock would be set so as to produce a target rate of increase in house prices. Effective demand did not figure in this model; the measure of the housing stock was of all tenures together. The slump in the housing market that began in 2008 and gathered pace in 2009 led to a falling away of interest in measures to increase the supply of land for housing. In 2010 the Coalition Government abandoned the policy.
27. The method described above (page 8) for deriving an estimate of future demand and need for housing divided the increase in households between tenure sectors. There have been four sets of estimates of future housing demand need in England produced by this method: A.E. Holmans *Housing Demand and Need In England 1991 – 2011* (Joseph Rowntree Foundation, 1995); A.E. Holmans *Housing Demand and Need in England 1996 – 2016* (Town and Country Planning Association, 1999); Alan Holmans, Sarah Monk and Christine Whitehead *Homes for the Future* (Shelter, 2008); and Alan Holmans *New estimates of housing demand and need in England, 2011 to 2031* (Town and Country Planning Association, 2013). The 2008 estimate was of 243,000 dwellings a year, based on an annual increase in households of 225,000 a year. If DCLG's household projection had been used, the figures would have been 4,000 a year higher. Present day estimates of demand and need for housing – net addition to the housing stock – based on household projection with the net increase in dwellings used as occupied main residences balancing the net increase in households are thus about 240,000 a year. The next section of the note will ask how this figure compares with the addition to the housing stock in previous years; and how much of the addition to housing stock has been in response to private effective demand and how much was publicly funded.

IV. Housing Tenure and Effective Demand

¹⁶ *Homes for the Future, a new analysis of housing need and demand in England*

¹⁷ Cm. 7191, page 8

¹⁸ Cm. 7191, page 8

¹⁹ NHPAU, *Meeting the Housing Requirement of a Growing and Aspiring Nation, Taking the Medium and Long Term View. Advice to the Minister About Housing Supply Ranges to be Tested by Regional Planning Authorities*

28. Part of the rationale for the method of deriving estimates of future demand and need for housing from household projections was that the total number of additional dwellings required could be divided between a market sector and what was variously termed an assisted or social sector. The former was generated by privately financed effective demand. The latter depended to a degree on financing from public funds. The first set of estimates of housing demand and need that used this method, published in 1995 by the Joseph Rowntree Foundation, put the demand for owner-occupiers (at this time representing private owners in total) at 140,000 to 150,000 in 1991 – 2011, and the social sector at 95,000 a year. The division between the two sectors was put at 60:40. The 2008 estimate of future housing demand and need for Shelter put the annual averages at 169,000 in the market sector and 72,000 in the social sector, a division of 70:30. In the 2013 estimate for the Town and Country Planning Association, the figures were 165,000 and 78,000 respectively with a division of 68:32. These figures are very similar, and may be taken together. Estimating housing demand and need from household projections now produces figures in round terms of 170,000 a year in the market sector and 75,000 in the social (or non-market) sector. How do these figures and an all tenures total of 240 – 250,000 compare with previous years?
29. Table 5 shows decade averages for new dwellings completed, by tenure. They are for England and Wales, for convenience in using the long time series in *Historical Statistics of Housing in Britain*. As well as figures for private enterprise, local authorities, and housing associations, it also shows slum clearance. When slum clearance was taking place on a substantial scale, much of new building by local authorities was to rehouse people displaced by slum clearance, not to meet demographically generated need. The table therefore includes lines for slum clearance, and “social sector (net)” i.e. new building for housing associations and local authorities minus slum clearance demolitions.

Table 5. New House Building: Historical Figures from 1971

(thousands)

	<u>1971 – 80</u>	<u>1981 – 90</u>	<u>1991 – 2000</u>	<u>2000/01 to 2010/11</u>
Total new build (a)	<u>2,626</u>	<u>1,857</u>	<u>1,573</u>	<u>1,520</u>
of which				
<u>Private enterprise</u>	<u>1,453</u>	<u>1,460</u>	<u>1,303</u>	<u>1,312</u>
Local authorities etc.	1,011	261	18	4
Housing associations	148	133	252	204
<u>Total social sector</u>	<u>1,159</u>	<u>394</u>	<u>270</u>	<u>208</u>
Slum clearance	470	126	21	neg.
<u>Total social sector (net)</u>	<u>689</u>	<u>268</u>	<u>249</u>	<u>208</u>

Note (a) Totals include houses built for Government Departments in 1971-80 and 1981-90
Source: 1971-80, 1981-90, and 1991-2000 from *Historical Statistics of Housing in Britain*,
Tables B.8 and B.15. 2000/01 to 2010/11 from DCLG website, Live Table 209.

30. The “dwellings completed” series under-records the actual number of dwellings completed in 2000/01 to 2010/11. The new build completions component of “net housing supply” (see DCLG Live Tables 120 and 121) exceeds the “dwellings completed” series. The annual net housing supply figures include dwellings added to the housing stock from sources other than new building, minus losses from the stock. In the decade 2000/01 to 2010/11 net housing supply totalled 1,739,000 (Live Table 118). There is no information about the division of this total between market and social sectors.
31. Social sector new building has run a long way below demographic estimates of social sector housing needs. There is, however, another measure that is relevant: the new supply of affordable homes. This is a term of art: all dwellings put up for sale or rent are affordable by somebody unless the market has been completely misjudged. But in the present context the meaning is of dwellings for rent or sale at below market levels. “Affordable housing” in Table 6 below comprises “social rent”; intermediate rent (data from 2003/04 only); and low cost home ownership.

Table 6. New Supply of Affordable Housing in England 1991/92 to 2010/11

(thousands, annual averages)

	1991/92 to 1995/96	1996/97 to 2000/01	2001/02 to 2005/06	2006/07 to 2010/11
<u>Social rent</u>				
New build	37	23	19	28
Acquisitions	11	11	5	3
<u>Total</u>	48	34	24	31
<u>Intermediate rent</u>				
New build	...	...	1	3
Acquisitions	...	...	1	1
<u>Total</u>	...	...	<u>2</u>	<u>4</u>
<u>Low cost home ownership</u>				
New build	3	4	6	15
Acquisitions	9	6	7	5
<u>Total</u>	12	10	13	20
<u>All affordable housing</u>				
New build	40	27	26	46
Acquisitions	20	17	13	8
<u>Total</u>	60	44	39	54

Source: DCLG, Live Table 1009

32. Comparison with the social sector figures in Table 5 shows two important differences: the figures in Table 6 for new build affordable housing are considerably higher than the social sector new build figures in Table 5; and acquisition of dwellings from the private market is a significant source of new supply of affordable housing. The nearest comparison of like with like is between social sector new build in Table 5 (208,000 or 21,000 a year in 2001/02 to 2010/11), and social rent new build in Table 6 (275,000 or 28,000 a year). The figure in Table 6 is probably the more reliable. Important in the present context is how far the new supply of 48,000 “affordable homes” a year is commensurate with the figure of 75,000 a year for housing need in the social sector. The figure for affordable homes includes low cost home ownership, which averaged 17,000 a year. It is unlikely that more than a small proportion of households that took up low cost home ownership would have been among the households needing social sector rented housing. If so, about 30 - 35,000 “affordable” dwellings a year would count towards meeting the need for social sector

housing. That figure is an average for the decade. In 2010/11 the figure would have been 40 - 42,000.

33. Even 40 - 42,000 is a long way below the number required to meet the estimate of additional dwellings in the social sector year by year. Another potential source of accommodation, however, is renting in the private rented sector with the aid of Housing Benefit. The number of private sector tenants receiving Housing Benefit has risen rapidly in recent years. Detailed figures, including the all important (in this context) distinction between claimants who were in employment and other claimants, are available only for recent years; but they are sufficient to show a rapid rise. Table 7 shows the available figures for England.

Table 7. Employment Status of Private Rented Sector Housing Benefit Claimants in England

	(thousands)			
	<u>2011</u> (Jul)	<u>2012</u> (Jul)	<u>2013</u> (Jul)	<u>2013</u> (Nov)
In Employment (not receiving Income Support)	393	436	478	491
Others not receiving Income Support	194	194	190	182
Receiving Income Support	801	833	813	788
Not known or missing	1	1	2	1
<u>Total</u>	<u>1,389</u>	<u>1,464</u>	<u>1,483</u>	<u>1,462</u>

Note: Technically the term for claimants receiving Income Support is “passported”.
Source: CCHPR from data from the Department for Work and Pensions

34. There has been a steep rise in the number of Housing Benefit claimants in employment, almost 100,000 in two and a half years. As of November 2013 (the most recent available data) over one third (34%) of Housing Benefit tenants in the private rented sector were in employment. Only 54% were receiving Income Support. In 2011 the proportions were 28% and 58% respectively. At this time the size of the private rented sector was growing fast. It would appear that a growing part of the need for assistance with housing costs has been met by Housing Benefit for private sector tenants in employment.
35. Estimates of 75,000 households a year needing social rented sector accommodation imply 170,000 dwellings a year in the market sector. Table 5 shows that since 1971 – 80, new building for private owners has run well below this figure. Actual new building has run higher than the official figures for new building (see page 12 above), but by how much is not known. Not all new supply comes from new building: conversions of large houses into small flats and conversions of non-residential buildings such as offices into residences also contribute. Despite ambiguities, it seems reasonable to conclude that new supply of dwellings for the market sector in past years (since the 1970s) did not reach the levels required to meet need as estimated from recent household projections.

36. The argument above about need for rented accommodation at rents below market levels has implications for market demand and supply. If dwellings are bought with buy-to-let loans and then rented out to people who pay the rent with the aid of Housing Benefit, they are not available for purchase, or for renting on market terms. To balance supply with need and demand, there has to be supply on ordinary market terms to make up for new supply being rented out to households with Housing Benefit. The overall total required is not affected, but building for private owners is increased by building for letting to Housing Benefit tenants, effectively in place of those not being accommodated by affordable housing supply.

V. Future Housing Demand and Need in England: A Fresh Look at Effective Demand and Supply

37. A fresh look is needed at the current estimates of demand and need for housing in England (see Part III above) of 240 - 245,000 dwellings a year. There are two points about this figure that warrant comment here. It is substantially ahead of the number of new dwellings completed year by year since the end of the 1970s by as much as 50 - 60,000 a year; and it depends on population projections which rest on high assumptions about immigration. From these facts follows a question about whether inward migration could generate effective demand on a sufficient scale to validate the estimates of need. A related question concerns the division between the market and social sectors. The estimate of 240 - 245,000 dwellings needed annually includes 75,000 for the social sector. New building for local authorities and housing associations has run much lower than this (Table 5). Even "affordable" housing figures are much lower. In round terms, to meet the estimated need for social sector housing, recent levels of supply would have to be nearly doubled.

38. There are reasons, however, to think that these estimates of the future number of households may be too high, because the household projections take no account of lower rates of household formation by inward migrants. This was shown by data from the Labour Force Survey for 2002 - 05 and the 2001 Census (see footnote 5 above, where the original source is cited). Nearly all the survey data are before the removal of restrictions on immigration from the 'EU - 8' countries in 2004. It is highly likely that not distinguishing household formation rates among the immigrant population from those of the rest of the population results in overall household formation in total being substantially over-estimated, by well into the tens of thousands annually.

39. The housing and households system could also adapt to a situation in which the growth of the housing supply did not keep pace with the growth of "need". There are signs of this in the 2011 census (see Part II). There were more multi-person households of un-related members (Table 3); and more "concealed" families, i.e. families that live as members of other families. The increase of 120,000 concealed families between 2001 and 2011 after successive declines between censuses is a pointer to supply shortages, or increases in rents and house prices relative to incomes having constrained the number of households. This is an instance of need not having been met due to constraints, not to lower demand or need; but the difference may be blurred.

40. A separate aspect of contrast between estimates of need and information about supply is in the social rented sector. The amount to supply is a policy decision, heavily constrained by public expenditure. If the amount supplied falls short of need, some of it goes un-met, unless alternative sources of supply pick up some of the

shortfall. This appears to have occurred through the rapid growth of the private rented sector through “buy to let” and in other ways; and the increase in the number of private sector tenants receiving Housing Benefit. HB can be claimed by tenants in paid employment if their combination of rent, household circumstances and income makes them eligible. Increases in rents relative to levels of pay increase the number who can qualify.

There was in fact an increase of nearly 100,000 private sector tenants in employment and claiming Housing Benefit in two and a half years between 2011 and 2013 (see Table 7 above). Housing Benefit has however largely ceased to be regarded as income-related assistance with housing costs but become part of “welfare”, which has come to acquire here the pejorative connotation that it has had in the USA.

41. Conclusions that might be drawn include:

- a) Private sector effective demand generated by increases in households appears unlikely to be sufficient to provide enough housing to support the projected private sector share of the increase in households where so high a proportion of that increase comes from immigration
- b) To make the point in (a) more precise, there is need for new analysis of the types of immigrant households and their housing, and how that differs from that of indigenous households
- c) Supply of private sector new housing is likely to be less than the 170,000 a year estimated as required
- d) The supply of “affordable” housing appears likely to be well below the “need”
- e) It appears that part at least of the need for “affordable” housing is picked up through the expansion of the private rented sector and Housing Benefit
- f) Private renting plus Housing Benefit appears to be acting as a substitute for the social sector though with possible queries about quality of accommodation, rent levels and security. Is the growth of private renting plus Housing Benefit a short term phenomenon or is it longer lasting. If the former, the need for more “affordable” housing will return. There are evident implications for the way in which the “cap” on “welfare” expenditure could constrain Housing Benefit for “working” families in housing need.

A.E. Holmans