

Cambridge Centre
for Housing &
Planning Research

**Interim Revised Estimates of
Future Demand and Need in
England in 2006 – 2026
with 2008-Based Demography**

A.E.Holmans



**UNIVERSITY OF
CAMBRIDGE**

Introduction, Purpose, and Method

1. The purpose of this work is to revise the estimates of newly arising future demand need for housing published in 2008 by Shelter in *Homes for the Future – A new analysis of housing need in England*. The occasion for revising these estimates is publishing by the Department for Communities and Local Government (DCLG) of new, 2008-based, projections of households. DCLG's (and predecessors') projections of households are the central core of the estimates of newly arising future need for housing made by the method used in *Homes for the Future* and previous work done by the Cambridge Centre for Housing and Planning Research for Shelter, the Town and Country Planning Association, and the Joseph Rowntree Foundation.
2. The method used is to divide projected household totals between market and social sectors in future years, and compare projected future numbers of households in each sector with the numbers in the base year. The projected net increase in households in each sector is the principal element of the estimate of the needed net increase in the dwelling stock in each sector. This procedure produces a two-sector estimate of newly arising housing demand and need. In *Homes for the Future* a three-sector estimate was produced with market, intermediate, and social sectors. In the present work an estimate of need for intermediate housing is not attempted because developments in the housing market since 2007 have called into question the assumptions and logic on which the method depended. The argument here is set out more fully further on in the paper.
3. It is important to emphasise that in the estimate of the needed future net increase in the dwelling stock, only the demography is new. The other parts of the figuring are as in *Homes for the Future*. These are:
 - a) The division of households between the market and social sectors, specific for type of household and age of the household representative
 - b) Any change in future in the number of dwellings used as secondary residences, second homes
 - c) Any change in the number of vacant dwellings
 - d) The number of new dwellings in the social sector needed to replace re-lets lost as a result of past sales to sitting tenants. If they had remained in the social sector their dwellings would have become available for re-letting when the household dissolved, but because they became owner-occupiers their dwellings go into the market sector.

The figures for these are taken from Table 3 in *Homes for the Future*.

4. The 2008-based household projections are taken as they stand as published by DCLG. In *Homes for the Future* it is suggested (page 22) that DCLG's projection procedure may overstate the increase in households owing to not taking account of lower household formation rates among recently arrived immigrants. When the numbers of immigrants assumed in the population projections on which the household projections are based were fairly low this had only a small potential effect on future numbers of households.

But when the numbers are as large as in the 2004, 2006, and 2008 population projections this is a much more serious issue. No account of this is taken in the present paper; so it is possible that the projected increase in households, and hence the estimate of future housing needs derived directly from them, are on the high side.

5. The method developed for estimating need for intermediate housing assumed explicitly that the problem to which provision of intermediate housing was addressed was one of income in relation to house prices. The rise in house prices from the late 1990s onwards resulted in there being numerous new and recently formed households that could afford to pay considerably more for their housing than the rents charged for social sector housing but could not afford to purchase an adequate dwelling at market prices. In this situation the number of new households needing intermediate housing – subsidised but more lightly than social sector housing – depended on the purchase costs of “entry level” housing in relation to incomes. Implicitly assumed was that owner-occupation was the tenure of choice; and that most new households that rented from a private landlord did so because they could not afford to buy a house. Since the housing market slump and the financial crisis these assumptions are no longer valid in the way they once were. High ratios of deposit to price are a widely reported problem; and with the growth of the private rented sector even before the housing market slump, the assumption that most recently formed households that were renting were thwarted would-be home owners was becoming increasingly questionable. High deposits as a barrier to house purchase and a ground for providing housing on (lightly) subsidised terms are very intractable for an estimate of need, for there is far less information about ownership of financial assets than of incomes. Need for intermediate housing in present circumstances is too complex a problem to be addressed in an interim study.

1. Division of Households in 2006, 2016, and 2026 between the Market and Social Sectors

6. The projected division of households in future years between the market and social sectors depends on the way this division varies with type of household and the age of the household representative. Age for age married couples are the most likely to be in the market sector, and lone parents the least. Higher proportions of married couples in their 50s and 60s are in the market sector than in their 70s and above. The source of this information has thus far been the Survey of English Housing (SEH).
7. The 2008-based household projections distinguish 17 types of household, which for present purposes are condensed into 5: couple households, lone parent households, other multi-person households, male one-person households, and female one-person households. The distinction between married couple and cohabiting couple households that was in 1992-based to 2006-based projections was not retained. The 2008-based projections use 10-year age ranges, in contrast to the 5-year ranges previously used. The division between market and social sectors in each age range is used to estimate the division in future years by “rolling forward” the sector proportions in the base year. The proportion of couples aged 45 – 54 in the market sector in 2006 (the base year) will be approximately the proportion in the 55 – 64 age group in 2016 and the 70 – 74 group in 2026, as comparatively few people become owner-occupiers at ages above the mid-40s other than by purchase as sitting tenants on advantageous terms. In practice “rolling forward” can be used only for couple households and one-person households.

There are few lone parent households in the higher age ranges where the rolling forward effect is greatest, because lone parent households must by definition include one or more dependent children (under 16, or 16 – 18 if in full-time education). By the time most lone parents reach their 50s, their children will have ceased to be dependent in the technical sense. For “other multi-person households” the sector proportions vary too erratically for “rolling forward” to be meaningful.

8. The demographic core of the present estimates of future housing demand and need is the 2008-based projections of couple, lone parent, other multi-person and one-person households. These are shown in Table 1.

Table 1. 2008-Based Projections of Households in England to 2026

	(thousands)		
	<u>2006</u>	<u>2016</u>	<u>2026</u>
Couple households	11,394	11,727	12,060
Lone parent households	1,607	2,035	2,495
Other multi-person households	1,318	1,287	1,268
Male one-person households	3,100	3,944	4,787
Female one-person households	3,924	4,614	5,407
<u>All households</u>	21,344	23,608	26,016

Source: 2008-based projection tables made available by DCLG

9. The household totals in Table 1 are next divided between the market and social sectors, in the way described in paragraph 7 above. The categories of household for which the market and social sector proportions are projected by “rolling forward” the base year proportions, couple households and male and female one-person households were 86 percent of the total for all households in the base year, as were 83 percent of the net increase in households. For the other categories of household, lone parent and “other multi-person households”, the sector shares in each age range in the base year are taken to apply in 2016 and 2026. Table 2 shows the division of the household totals in Table 1 between the market and social sectors.

Table 2. Projected Division of Households in 2006, 2016, and 2026, between Market and Social Sectors

(thousands)

	<u>Couple households</u>	<u>Lone parent households</u>	<u>Other multi-person households</u>	<u>Male one-person households</u>	<u>Female one-person households</u>	<u>All households</u>
<u>2006</u>						
Market sector	9,348	608	899	2,055	2,483	15,393
Social sector	2,046	999	419	1,045	1,441	5,950
Total	11,394	1,607	1,318	3,100	3,924	21,344
<u>2016</u>						
Market sector	9,736	774	895	2,711	3,037	17,153
Social sector	1,991	1,261	392	1,233	1,577	6,454
Total	11,727	2,035	1,287	3,944	4,614	23,608
<u>2026</u>						
Market sector	10,072	971	873	3,363	3,633	18,912
Social sector	1,988	1,524	395	1,424	1,774	7,105
Total	12,060	2,495	1,268	4,787	5,407	26,017

Source: Data on household tenure used in *Homes for the Future*; working detail on file

10. In the two decades between 2006 and 2026 net increases of 3,519,000 households in the market sector and 1,155,000 in the social sector are projected. In the social sector 525,000 of the increase in households, not far short of one half of the total, are lone parent households.
11. These projected increases in the number of households in each sector can be divided into: (a) the effect of the projected total increase in households, i.e. what would happen if the proportions in each sector remained the same as in the base year; (b) the effect of changes in the mix of household types and ages; and (c) the effect of “rolling forward” the sector proportions for couple and one-person households aged 45 – 54 and upwards. This analysis is shown in Table 3, with comparison with the corresponding figures in *Homes for the Future* (Table 11).

Table 3. Analysis of Projected Change in Household Totals in 2006 - 2026

(thousands)

	<u>Present report (2008-based)</u>			<u>Homes for the future (2004-based)</u>		
	<u>Market sector</u>	<u>Social sector</u>	<u>Total</u>	<u>Market sector</u>	<u>Social sector</u>	<u>Total</u>
Overall increase in households	+ 3,370	+ 1,303	+ 4,673	+ 3,213	+ 1,243	+ 4,456
Changes in mix of household types and ages	- 490	+ 490	0	- 390	+ 390	0
Changes in sector shares from "rolling forward"	+ 639	- 639	0	+ 684	- 684	0
Total change	+ 3,519	+ 1,154	+ 4,673	+ 3,507	+ 949	+ 4,456

Source: Working behind Table 2; and *Homes for the Future*, Table 11

12. That changes in the mix of household types and ages have a larger effect on sector shares in the present report than in *Homes for the Future* is due to the much larger projected increase in lone parent households. Table 2 shows that much higher proportions than of the other three household types are accommodated in the social sector. Nearly 900,000 of the increase in households between 2006 and 2026, almost 20 percent of the total, in the 2008-based household projections are lone-parent households (see Table 2). The corresponding figures in the 2004-based household projections which are the demographic base of *Homes for the Future* are a projected increase of 273,000 lone parent households, 6 percent of the total increase projected for 2006 – 2026.

2. Revised Estimate of Demand and Need for Housing

13. The increase in households in the market and social sectors is the central core of estimates of housing demand and need by the method used. The other components of estimates of the required net increase in the dwelling stock were mentioned above (b, c, and d in paragraph 3). Figures for these are taken without change from *Homes for the Future*, Table 3.

**Table 4. Newly Arising Demand and Need for Housing in England
in 2006 - 2026**

(thousands)

	<u>Market sector</u>	<u>Social sector</u>	<u>Total</u>
Projected net increase in households	3,519	1,154	4,673
Secondary residences	240	0	240
Vacant dwellings	115	20	135
Replacement of social sector re-lets "lost" through earlier Right to Buy sale	- 486	+ 486	0
Total	3,388	1,660	5,048
Annual average	169	83	252
(Homes for the Future annual average)	(169)	(73)	(242)

Source: Table 2 above; and *Homes for the Future*, Table 3

14. The estimates of newly arising demand need for housing in Table 4 are of net additions to the housing stock. This was the counting unit for the housing targets published by the Government in 2007, and was the definition used in *Homes for the Future*. This was of statistical necessity, since in 2006 the Department for Communities and Local Government (DCLG) ceased to publish estimates of the components of change of the dwelling stock – new build, conversion gains, gains from changes of use, and dwellings demolished, and indeed withdrew the previously published estimates for 2001/02 and later. All that was published was a total net increase in the dwelling stock, and numbers of dwellings completed.
15. DCLG has since resumed publishing estimates of the components of change of the dwelling stock, from 2006- 07 onwards. These figures are shown in Table 5, with an average for the four years included.

Table 5. Components of Change of the Housing Stock in England

	<u>2006 – 07</u>	<u>2007 – 08</u>	<u>2008 – 09</u>	<u>2009 – 10</u>	<u>Average</u> (rounded, thousands)
New build completions	193,080	200,300	157,630	124,200	169
Net conversions	7,600	9,020	8,640	6,230	8
Net change of use	20,150	17,640	16,640	13,600	17
Net other gains	460	1,020	270	970	1
Demolitions	22,290	20,500	16,590	16,330	19
Net additional dwellings	198,770	207,370	166,570	128,680	175

Source: Department for Communities and Local Government, Live Table 120

16. The figures in Table 5 suggest that 20,000 a year would be a reasonable assumption for demolitions, with present policies, and 25,000 a year for new supply from sources other than new building. On these very simple assumptions the required net increase of 252,000 a year in the housing stock would imply 272,000 as the gross increase including replacement of dwellings demolished. Of this 247,000 a year would come from building new dwellings, for which sites are required.