

WHAT CAUSED THE HOUSING CRISIS IN ENGLAND?

Summary

- Despite denials, there is a strong case for the contention that there is a UK Housing crisis, albeit a more accurate claim would be that there is a series of housing crises.
- These crises are reflected in homeownership decline, mounting homelessness, rising overcrowding and excessive housing costs, especially in the private landlord sector that is rapidly moving up the age-scale,
- Housing supply has not kept pace with demand and need due to restricted land supply, the dominance of the volume builders, government reliance on household formation as a demand/need indicator and the inability of housing associations to make up the deficit produced by the purging of local government from large-scale housing supply. New social housing lettings declined from 334,000 in 2001/2 to 174,000 in 2017/8.
- London is the epicentre of the housing crisis, the outcome of the failure to match housing supply to the population increase arising from economic growth.
- Unmet housing need, reflected in social class, disability, gender and ethnicity, has been neglected in estimating housing requirements.
- Although the decline in homeownership appears to have stopped, it is necessary to make-up the large backlog to constrain housing wealth inequality, protect tenants from high private landlord rents and restrict the mounting benefit costs to state.

Main Text

In 1979, when Jim Callaghan returned from a summit meeting in sunny Guadeloupe to a United Kingdom enduring freezing temperatures and strikes, he was accused of presiding over 'mounting chaos'. Responding, he said 'I don't think other people in the world would share the view that there is mounting chaos.' The *Sun* turned this into the headline 'Crisis? What Crisis?' It stuck.

We need to try to distinguish between reality and reality representations and there are those who reject the 'housing crisis' allegation. This rejection takes three forms.

The first denial is based on examining the relationship between household formation and additional housing units. It asserts that, in recent years, the number of new housing units has kept pace with household formation thus there is not a housing supply problem. For example, the Bow Group of Conservatives MPs claimed: 'Building more houses, despite being the solution most widely touted, is not the answer to the UK housing crisis ... building more houses will not have a downward effect on prices' ([Valentine, 2015](#)). A similar position is taken by [Spiers](#), (2018), former Chief Executive of the Campaign to Protect Rural England.

The second crisis rejection is linked to the first but attributes house price hikes to 'rising earnings and falling interest rates, rather than insufficient supply' ([Oxford Economics](#), 2016) or to the financial institutions' infatuation with property as an investment vehicle ([Ryan-Collins](#), 2018). This argument has some merit in explaining house price inflation but, in the 1930s, credit expansion produced far more houses not a house price rise because supply responded to demand.

The third rebuttal asserts that there is nothing special about the current housing situation; there has 'always a crisis for the oppressed' ([Madden and Marcuse](#), 2016). Quite right. There have always been housing crisis allegations. Even after years of sustained house-building, Berry's 1974 book declared *Housing: the Great British Failure*, and, in 1981, Peter Malpass' edited volume carried the title *The Housing Crisis*. None the less, there is a strong case for the contention that there is a UK Housing crisis, albeit a more accurate claim would be that there is a series of housing crises. The current situation is different in that, after long-term expansion, the 'property owning democracy' has been in decline and housing commodification is now so entrenched that those trapped in high-cost insecure and poor quality rented accommodation have lost hope of improvement.

Homeownership decline

In 2002/3, 71% of English households were homeowners. By 2017/18 the figure was 64% Homeowner decline has been matched by an increase in private renting — up from 11% in 2002/3 to 19% in 2017/8. The escalation in private renting has been most striking amongst households with children. Private renting amongst households with dependent children increased from 8% to 26% between 2003 and 2017, up from 489,000 to 1,724,000 ([English Housing Survey 2017/18: Section 1, household tables](#)).

The trends in owner-occupation and private renting rise are age related (see Tables 1 and 2).

Table 1: owner-occupation by age

	25-34	35-44	45-54	55-64	65+
2002/3	56.6	74.3	80.6	81.5	71
2017/8	37.6	56.5	66.5	73.2	78.6

Table 2: private renting by age

	25-34	35-44	45-54	55-64	65+
2002/3	21.4	5.4	5.4	4.1	4.4
2017/8	43.7	27.6	15.8	9.3	5.6

Source: [English Housing Survey 2017/18: Section 1, household tables](#)

Some commentators have dismissed the owner-occupation fall, arguing that homeownership is an unrealistic desire ([Guardian](#), 2016) with [Julia Rampen](#) (2016), writing in the *New Statesman*, saying ‘the property-owning democracy is dead, so build one for renters instead’. However, the homeowner demise has major implications. It has been class based and has influenced wealth distribution. Moreover, ensnared in the ‘rent trap’ — high rents make it difficult to save for a deposit — private renting is moving up the age-scale (see Table 2) and it is possible to predict soaring state expenditure on Housing Benefit/Universal Credit if the trend continues.

Homelessness

Homelessness is a key housing stress indicator but the statistics are difficult to interpret because they are influenced by legislative changes, government guidance and how local authorities implement legislation and guidance.

Homelessness acceptances and households in temporary accommodation increased rapidly in the early 2000s and New Labour introduced a prevention strategy involving ‘housing options’ interviews prior to the formal homeless acceptance process. The result was a rapid decline in homelessness acceptances in England from 141,000 in 2003 to 49,290 in 2010 and a fall in the number of households living in temporary accommodation from 94620 to 48010 ([Stephens et al.](#) 2019). The coalition government intensified this ‘prevention’ strategy — to some preventing mounting homelessness figures rather than homelessness — but, in 2018, 83,310 households containing 123,630 children were

living in temporary accommodation ([MHCLG, 2019](#)). According to the official count — almost certainly a significant undercount — in 2018 there were 4677 rough sleepers on a given night — more than double the 2010 figure ([MHCLG, 2019](#)).

Overcrowding

The English Housing Survey uses the bedroom standard to assess overcrowding. The survey has a target response rate of 60% and when this rate is not met remedial action is taken. The sample is too small to produce reliable annual figures on overcrowding so a three year moving average is used. Measuring overcrowding is difficult and the households not responding in the English Housing Survey may be more prone to overcrowding. Illegal migrants are more likely to live in overcrowded dwellings and, because statutory overcrowding might lead to eviction, many people living in overcrowded conditions will not want to draw attention to their circumstances. The 2011 census, albeit with a small difference in the overcrowding definition, recorded 870,540 households as overcrowded in England compared to the 643,000 registered by the English Housing Survey in 2011 ([DCLG, 2012](#)).

In 2003, 510,000 (2.4% of households) were overcrowded ([Shelter, 2004](#)). By 2017-18, the figure was 746,000 (3.0%). The number and proportion of overcrowded households in the owner-occupied sector has remained relatively stable since 2003, in 2017/8, 180,000 households. However, the number and proportion of overcrowded households in the social rented sector has increased reaching with 8% of social renters (305,000) in 2017/8. Overcrowding in the private rented sector has also accelerated hitting 261,000 (6%) in 2017/8.

Decent homes

There is better news on decent homes. The decent homes standard was last set in 2006. To be decent, a home must meet the following criteria:

- all the current statutory minimum standards for housing;
- it is in a reasonable state of repair;
- it has reasonably modern facilities and services; and
- it provides a reasonable degree of thermal comfort.

In 2017, 19% or 4.5 million homes failed to meet the Decent Homes Standard, down from 35% (7.7 million homes) in 2007. The private rented sector has the highest proportion of non-decent homes (25%) while the social rented sector has the lowest (13%). Nonetheless, as Grenfell Tower disaster exposed, the Decent Homes Standard has limitations, especially in relationship to fire safety.

Energy Efficiency

There has also been progress in energy efficiency. In 2003 the average EPC rating was 46.7 (owner occupation), 44.6 (private renting) and 53.7 (social renting). In 2017/8 average EPC rating was 60.9 (owner occupation), 60.8 (private renting) and 67.7 (social renting) [[MHCLG, 2019](#)]. However, the rate of progress has slowed down since 2014 and many privately rented homes have very low EPCs. Fuel poverty in England is measured using the Low Income High Costs indicator, which considers a household as fuel poor if:

- they have required fuel costs that are above average (the national median level);
- were they to spend that amount, they would be left with a residual income below the official poverty line.

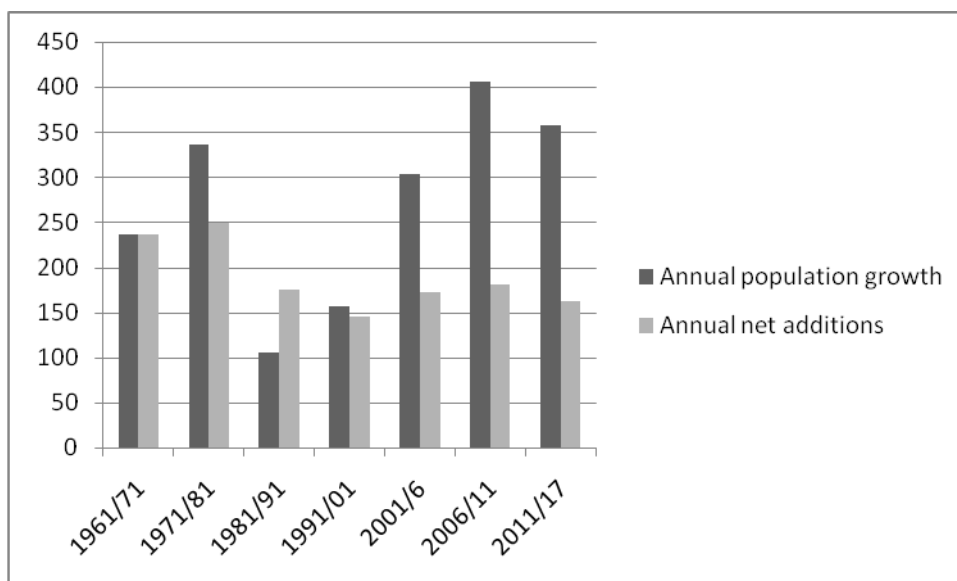
Fuel poverty is caused by a combination of a home's energy efficiency; energy costs and household income. It is increasing in England and reached 11.1% (about 2.55 million households) in 2016 ([Department for Business, Energy and Industrial Strategy, 2018](#)), up from 2.35 million households in 2013.

There are several causes of the housing crisis but they can be summarised under three headings: supply relative to demand, cost and unmet need.

Supply relative to demand and need

As explained above, the number of households is a poor guide to housing need and demand. Figure 1 sets out population growth per annum and the annual increase in additional dwellings for England from 1961 to 2017.

Figure 1: Population growth per annum and annual increase in additional dwellings: England 1961 to 2017 (selected time intervals)



Sources: [MHCLG](#), (2019): [MHCLG](#), (2019).

Notes:

There is a dearth of good statistics on annual net additions to the housing stock until 2001 so extra new housing is used until this date. In the 1960s and 1970s slum clearance reduced the dwelling stock, but, although some of the demolished dwellings might have been capable of improvement, most were grossly unfit for human habitation and should not be counted as stock. New dwelling supply was supplemented by conversions.

In recent years, developers, under 'permitted development' regulations, developers have been allowed to convert office and industrial premises into residential use without going through the normal planning procedures. This has produced many small dwellings that fall far short of national space standards, applied in the usual planning system which say the minimum floor area for a new one-bedroom one-person home (including conversions) is 37 sq metres, and for a one-bed two-person home is 50 sq metres. Some are under 14ft by 14ft for residents' entire living, washing and eating space ([Business Telegraph](#), 2019).

Table 3 sets out the percentage contribution of local authorities and housing associations to net additions to the housing stock

Table 3: Percentage contribution of local authorities and housing associations to net housing stock additions, 1961 to 2018.

	Local authorities	Housing associations
1961/71	40	1.5
1971/81	38	6
1981/91	12	7
1991/2001	1	16
2001/11	0.5	14
2011/18	1.2	16

Source: [MHCLG](#), (2019)

Volume Builders

It is clear that private enterprise and housing association have failed to make-up the housing supply deficit left by the purging local government, many having Direct Labour Organisations, from building homes.

It would be unfair to attribute housing stock shortage only to private enterprise builder and housing association malfunction. The failure to match house production to rising demand and need has also been related to the low level of land release by local planning authorities and housing associations have been constrained by central government grants levels.

None the less, volume builders must share blame. Over time small-scale builders have gone out of business and the 'volume builders' dominate the market. They have acquired land banks, with and without planning permission and have been accused of releasing these land banks at a rate calculated to maintain prices. They have failed to train apprentices for the industry with the Construction Leadership Council diagnosed a real ticking 'time bomb' in 'the industry's workforce size and demographic' that, 'based purely on existing workforce age and current levels of new entrant attraction, we could see a 20-25% decline in the available labour force within a decade' ([Farmer](#), 2016). The Construction Leadership Council also identified a failure to develop new building techniques such as pre-manufactured housing.

Mortgage and Rent Costs

The situation for homeowners and potential homeowners was changed by the 'credit crunch' and its repercussions.

The house price hikes of the 2000s plus interest rate increases restricted access to homeownership and imposed extra costs on existing mortgage holders. Existing home owners saw their cost to income ratio rise from 15.9 in 2001 to 21.2 in 2007. However government reaction to the credit crunch and subsequent recession reduced interest rates and, by 2017, the ratio was 15.9 (UK). [[Stephens, Perry, Williams and Young](#), 2019].

UK first-time buyers paid an average 17% deposit on purchase price before the 'credit crunch' but restrictions on mortgage availability post 2008 pushed this to 27% in 2010 ([ONS](#), 2017). At 200,000, the first-time buyer number was half the 2007 number. Government schemes such as Help to Buy helped to push deposits as a per cent of purchase price down to 21% in 2014 and 15% in 2018 ([Lloyds Banking Group](#), 2019, [ONS](#), 2017).

Despite the recent increase in first-time buyers, the new homeowners have stretched their resources. Almost half had a mortgage of 30 years or more; 50% had a 20-29 year mortgage. ([MHCLG](#), 2019). This has limited their ability to acquire more space when children are born that has pushed more households with children into the private rented sector.

Rents

Private rents soared in the 2000s from 19.6% of average earnings in 2001 to 26.6% in 2011 and reached 28.5% in 2017. Local authority rents remained stable in the 2000s at around 10.8% of average earnings but reached 13.9% in 2015 as the coalition government hiked social rents. Since 2015 local authority rents declined to 12.9% following a change in policy on social rents. HA assured rents were 12.5% of average earnings in the 2000 and 14.3% in 2015 before declining to 13.2% in 2017. 'Affordable' rents, unknown until 2010, were 18% of average earnings in 2011, 20.2% in 2015 and 18.9% in 2017 [[Stephens, Perry, Williams and Young](#), 2019].

Rents as a per cent of average earnings tell only part of the story. Rent increases have been accompanied by reductions in Housing Benefit for lower-income households and more precarious and often lower incomes. [Cribb et al](#), 2018) comment:

Between 2002–03 and 2016–17, real mean housing costs among households with children in the bottom 20% of the AHC income distribution rose by 47% ..., compared with an increase of 11% among children in the middle income quintile. Changes in housing costs not covered by housing benefit have also been much higher for low-income children than for middle-income children.

London

Housing markets in England are diverse and, although there have been several housing hotspots in England, London stands out. Until recently economic growth in London has been faster than the rest of England and this growth has attracted migrants who have contributed to economic expansion. In 2001, London's population was 7.2 million, in 2011 8.2 million and, in 2016, it reached 8.8 million ([Trust for London](#), 2018). In 1993 the average house price gap between London and the East Midlands was £21,627, by 2017 the gap was £260,000 ([Nationwide](#), 2019). Although house prices declined in London after the credit crunch, they soon recovered. A BBC News investigation found that in 99% of London wards prices had increased in real terms since 2007 compared to seven regions were, in the majority of wards, prices had declined with 95% of wards in the North East experiencing a price decline ([BBC News](#), 2017).

Between 2000 and 2014 the homeowner proportion in London fell from 58.7% to 48% with the private renter percentage increasing from 15.2% to 28% ([Mayor of London](#), 2017). In 2016/7 the mean London rental price was £1748 per month, more than double the English mean rent ([National Housing Federation](#) [NHF], 2018). The impact of high London housing costs is demonstrated by the before and after housing costs child poverty statistics with the London 20% gap in child poverty before and after housing costs far exceeding the next highest, 12% in the South East and the UK 10% average ([McGuinness](#), 2018). Moreover, the London before/after child poverty gap has been accelerating; in 2003 it was 13% ([Cribb et al](#), 2018).

Overcrowding and homelessness statistics also reflect London's housing problem. London has the highest overcrowding rate in England with 7.5%, of all households lacking one or more bedrooms on the bedroom standard compared to 2% in the rest of England ([Wilson and Barton](#), 2018). Statutory homelessness acceptances in London increased by 33% between 2008/9 and 2016/7 with eviction from private landlord accommodation as the immediate cause of homelessness accelerating to 36% of all recorded reasons. 75% of all households living in temporary accommodation provided under the 1996 Housing Act are in Greater London and the number of households living in such accommodation increased from 39030 in 2010 to 56560 in 2018 ([MHCLG](#), 2018).

Although space standards in the owner-occupied sector have increased in London — from 34.3 m² per person in 1996 to 37.3 m² per person in 2013, space per person has declined in the private rented sector from 31 m² to 23.1 m² and in the ‘social’ housing sector from 26.4 m² to 25.2 m² over the same time span ([Belfield et al](#) 2015). The extreme social housing scarcity in London relative to need has added to the crisis. Social lettings to new tenants in London declined from 33,900 in 2000/01 to 17,417 in 2016/7, ([Stephens et al](#) 2018) meaning an average waiting list stay of over 10 years.

Unmet Need

‘Unmet need’ covers a range of circumstances. Homelessness (see above) is important.

‘Concealed’ households or ‘multi-family’ households are people living in an existing household who are likely to want to live independently. [Gleeson](#) (2017) has estimated that the number of ‘concealed’ household increased by about 50%, from 1.65 million in 1996 to 2.45 million in 2016. Such ‘concealed’ households do not include couples who would like to separate if accommodation was available, ‘Multi-family’ households overlap with overcrowding that is strongly influenced by social class and ethnicity. 1% of White British from the higher managerial, administrative and professional classes were overcrowded (6% of ‘other than White British’), and 3% of White British routine and manual workers (12% of ‘other than White British’) [[MHCLG, 2019](#)].

Disabled people have considerable unmet housing needs. In 2016 the Equality and Human Rights Commission (EHRC) launched a formal inquiry into the housing position of disabled people in Britain. It found:

- In England, only seven percent of homes offer even minimal accessibility features;
- In England, around 365,000 disabled people have unmet housing needs .

([Equality and Human Rights Commission](#) , 2018)

This unmet need is augmented by tenants wanting to move out of the expensive, insecure and often poor quality private rented sector.

In the past the social sector (especially local authority housing) has provided a disproportionate share of accommodation for people struggling to access mainstream market housing. It still does. Among social renters, 41% were in work, with 27% in full-time work and 14% in part-time work. 28% of social renters were retired and 25% were ‘economically inactive’, a category including those who have a long-term illness or disability and carers. Social renters were clustered in the lower income quintiles (46% were in the lowest income quintile; 26% in the second lowest). To some this is the *raison d’être* of social housing’ and many with this view would like to see social housing becoming more residual, akin to ‘welfare’ housing in the USA. Indeed, this perspective on social housing has been an important dimension in the reduction of social housing supply.

The long-term supply decline has produced limited access. Waiting lists are poor measures of housing need because they are constantly changing according to government pronouncements on their compilation. New lets are a better supply measure. Table 4 sets out new social housing lettings from 1980/1 to 2017/8

Table 4 : New social housing lettings from 1980/1 to 2017/8 (England, 1000s)

	1980/1	1990/1	2000/1	2011/12	2017/8
Local authorities	275	240	222	96	68
Housing associations	42	62	112	121	106
Total	317	302	334	217	174

Source: ([Stephens, Perry, Williams and Young](#), 2019)

Conclusion

Despite the gainsayers, there is a housing crisis in England, a crisis that has had the strongest impact on low-income households. Housing supply has not met need or demand due to local government restrictions on land supply, volume builder dominance in the residential construction industry and the exclusion of local government from new home supply. The transfer of the existing housing stock from local government and owner-occupation to private landlords has raised rents. Powerful interests — landowners, existing homeowners, private landlords and developers — have combined to perpetuate housing scarcity.

Although the decline in homeownership appears to have stopped, it is necessary to make-up the large need and demand backlog to constrain housing wealth inequality, protect tenants from high private landlord rents and restrict the mounting benefit costs to state. New house construction requires boosting to 300,000 plus per year and should be directed to low-income households in the form of houses let at 'social' rents and low-cost homeownership.