

HOUSING EMERGENCY

THE NEW LOST GENERATION



As part of the LPDF series on the Housing Emergency, this briefing paper focusses on those at the start of their journey to becoming a homeowner. We are in a time where all records are being broken, and house prices are seeing all-time highs. **In the past three months alone house prices have, on average, jumped £19k in value¹ - the highest since records have begun.**

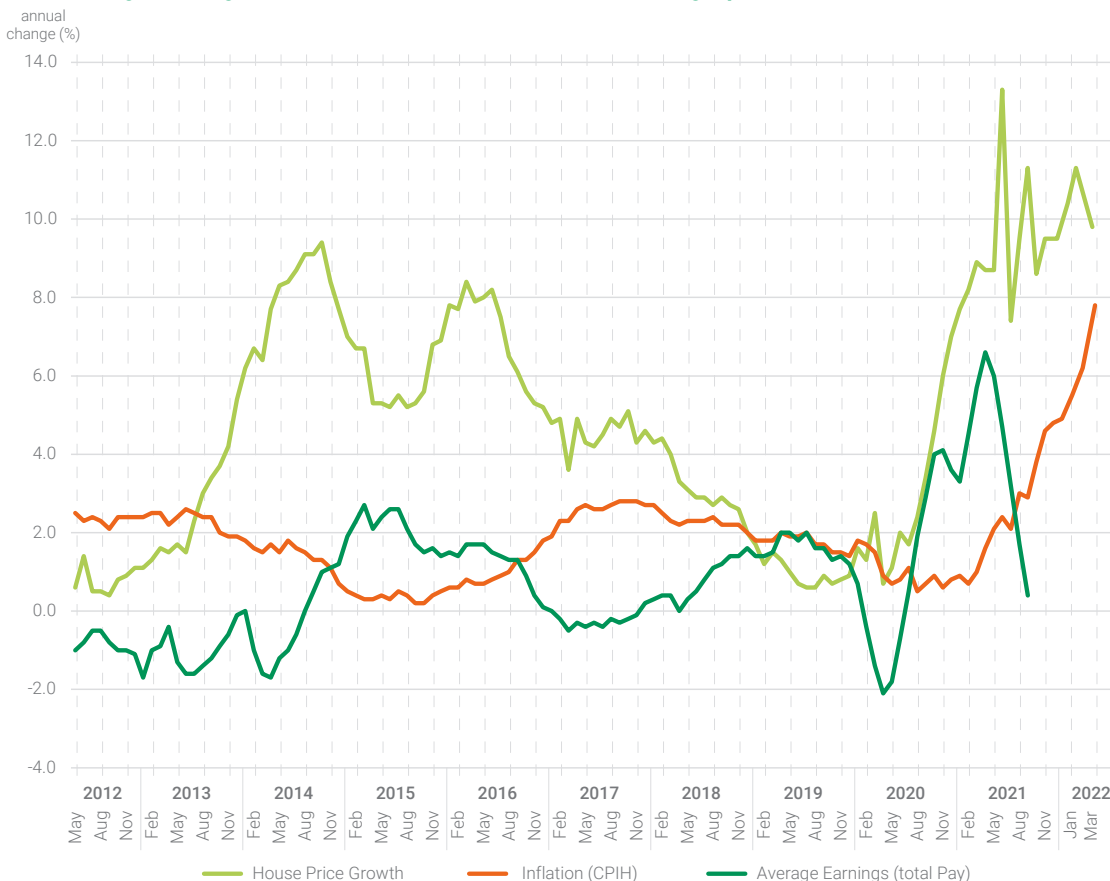
Here, the LPDF take a look at problems in the market and discuss what solutions might be available now or in the future that might help to address the issue.

As the country moves into a period of healing following the 2020 pandemic, early positivity in the market has seen house prices swell rising steadily since May 2020. Hidden within the optimism of the housing market are messages of concern for the younger generation. Concerns that whilst the housing market is buoyant, securing that first home remains out of reach for many. It is perhaps unsurprising that whilst nine in ten young adults still aspire to home ownership, only 30% believe that home ownership is achievable³.

When the average house price in the UK shoots up to **£283,000** in May 2022 (**up 11.9% on 2021**)⁵, it is understandable why the dream of home ownership for the young feels like it is slipping away. Strong growth in house prices has not been mirrored in growth in earnings over the past ten years (presently annual rates of 0.8% earnings against 4.7% house prices). When coupled with rising inflation, it is perhaps easy to see why it would be difficult for the younger generation to look to this average figure, particularly at a time when house prices are 9.7 times the average earnings⁶ and to think it's achievable. To some, simply ensuring a suitable deposit can be raised is a significant challenge. At a time when rents have risen by 20% in the last 7 years⁷, research from the Joseph Rowntree Foundation⁸ has observed a growth of in-work poverty, which is felt severely by four in five households in private rented accommodation. If the position was not bad enough already for the younger generations, the 2020 pandemic has only served to widen the gulf, as this cohort has less resilience to income shocks.

70%
of would-be first-time buyers believe the dream of homeownership is already over for many young people².

Change in Wages/House Prices/Inflation – combined graph⁹



Houses
9.7
times average earnings in 2021, up from 7.9 in 2020.⁴

Nearly 1 million low-income renters struggling with rents in 2021, with more than half on 'unaffordable' rent.¹⁵

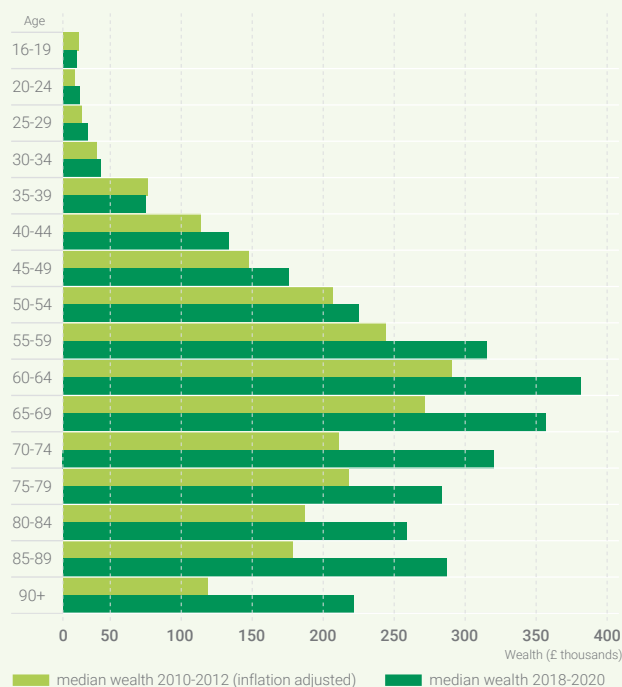
Whilst an issue of some complexity, what is clear is that shortfalls in housing delivery have led to an imbalance in the supply and demand of housing. This has been observed not just in the stock of private housing, but in affordable housing too. Not only is it estimated that only 35% of the total affordable housing needed is being delivered¹⁰, but supply lost is not being replaced. Recent data from ONS suggests that over the past 10 years there have been around 107,000 homes sold under the Government's right to buy scheme, replaced with around 42,000 homes.¹¹

The lack of suitable housing has been compounded by other factors, including the significant increase in second homes, up 50% between 2010 and 2020. The consequence of this is that we see that 1 in 6 born between 1946 and 1964 owning extra property¹² whilst the younger generation struggle to envisage owning any property in their lifetime. This has been a contributing factor in the stagnation of wealth for those under 40 for the past 8 years, who have seen growth of only 9%, compared to the 65+ group, who have experienced a 32% increase over the same period.¹³ These factors are contributing to a shortage of housing for young professionals and families to move into, however the housing stock is also squeezed from the other end. As some older generations struggle to find the right accommodation to downsize into due to lack of new senior living accommodation, we see the marked under-occupation of the housing stock¹⁴, yet another factor suppressing the availability of family housing.

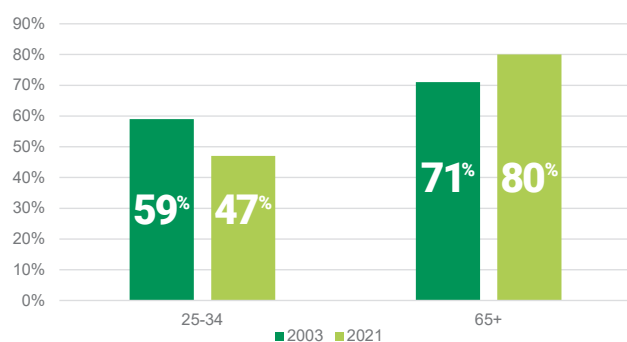
The implications of this social change are already being felt. As observed through trends in population growth, the impact of unsustainable hikes in house prices has had a negative impact on fertility rates. The rise in the renting generation or those younger persons still living at home has left the generation without the stability needed to start families. And this factor has in part led to a reduction in fertility rates¹⁸, a trend that is expected to worsen in the future as the factors that have caused them, continue to endure. The recently published 2021 Census tells us that housing growth in the last 10 years has been lower than those forecasts currently used to determine local housing need¹⁹, pointing to a measure of further suppressed household formation. This has been observed in data collected through the English Housing Survey²⁰ where the effect has been more pronounced in the private and social rental sector.

As we move into a period of hopeful emergence from Covid restrictions, the crisis deepens once again, as rising inflation adds further pressure to already struggling households. There is a clear imperative for the country to build more homes which will assist in easing housing affordability, but to assist those younger generations, there needs to be a renewed focus on the delivery of all housing in particular affordable housing products, which needs to be delivered on a vast and ambitious scale.

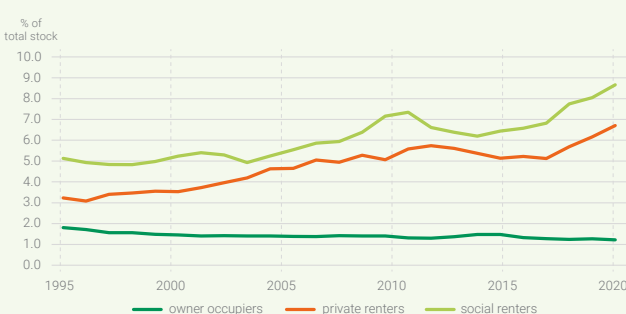
Change in Wealth by age cohort over last 10 years¹⁶



Change in home ownership¹⁷



Proportion of households that are overcrowded (three-year average)²¹



Solutions

- Boost supply across a range of sites, in the right locations, to allow choice and enable growth, in particular in SME housebuilders.
- National targets for senior living products, to increase this supply of housing, and greater movement in the property ladder.
- Boost substantially the level of affordable housing of all types and tenures delivered, without the need for public subsidy.
- A commitment to replace affordable housing lost through Right to Buy on a like for like basis.
- Further support for first time buyers to address financial barriers but also including amending the First Homes Initiative to enable greater delivery of this 'affordable' product.

LPDF
Creating
Places,
Delivering
Homes

Source: ¹ Rightmove, House Price Index April 2022. ² Santander, First Time Buyer Study, July 2019. ³ Santander, First Time Buyer Study, July 2019. ⁴ ONS 2022 – workplace earnings. ⁵ ONS, UK House Price Index: May 2022 (July 2022). ⁶ ONS 2022 – workplace earnings. ⁷ ONS 2021- Percentage of total monthly household income spent on private rent, Family Resource Survey. ⁸ Joseph Rowntree Foundation (2021), Renters on low incomes face a policy black hole: homes for social rent are the answer. ⁹ ONS. ¹⁰ Using a 10 year average from Table 1000 of DLUHC data, against annual recommended target of 145,000 homes in Bramley, G (2019). Housing supply requirements across Great Britain for low-income households and homeless people: Research for Crisis and the National Housing Federation; Main Technical Report. ¹¹ ONS (2022) Right to Buy Sales & Replacements 2021-22. Figures 2 and 7. ¹² Intergenerational Foundation (2021). Stockpiling Space - How the pandemic has increased housing inequalities between older and younger generations. ¹³ ONS. ¹⁴ HoL Built Environment Committee (2022) Meeting Housing Demand. 1st Report of Session 2021–22. ¹⁵ Joseph Rowntree Foundation (2021), Ibid. ¹⁶ ONS 2022 -Distribution of individual total wealth by characteristic in Great Britain, Wealth & Assets Survey. ¹⁷ English Housing Survey 2022. ¹⁸ ONS National population projections, fertility assumptions: 2020-based interim. ¹⁹ Census indicates growth of 6.2%, lower than 10.5% forecast in 2014-based National Household Projections. ²⁰ English Housing Survey: Headline Report 2019-20. ²¹ English Housing Survey: Headline Report 2019-20. Annex Table 1.24: Overcrowding, by tenure, 1995-96 to 2019-20.

This leaflet has been prepared jointly by RPS and the Land Promoters & Developers Federation (LPDF).



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