2022 UK HOUSING REVIEW

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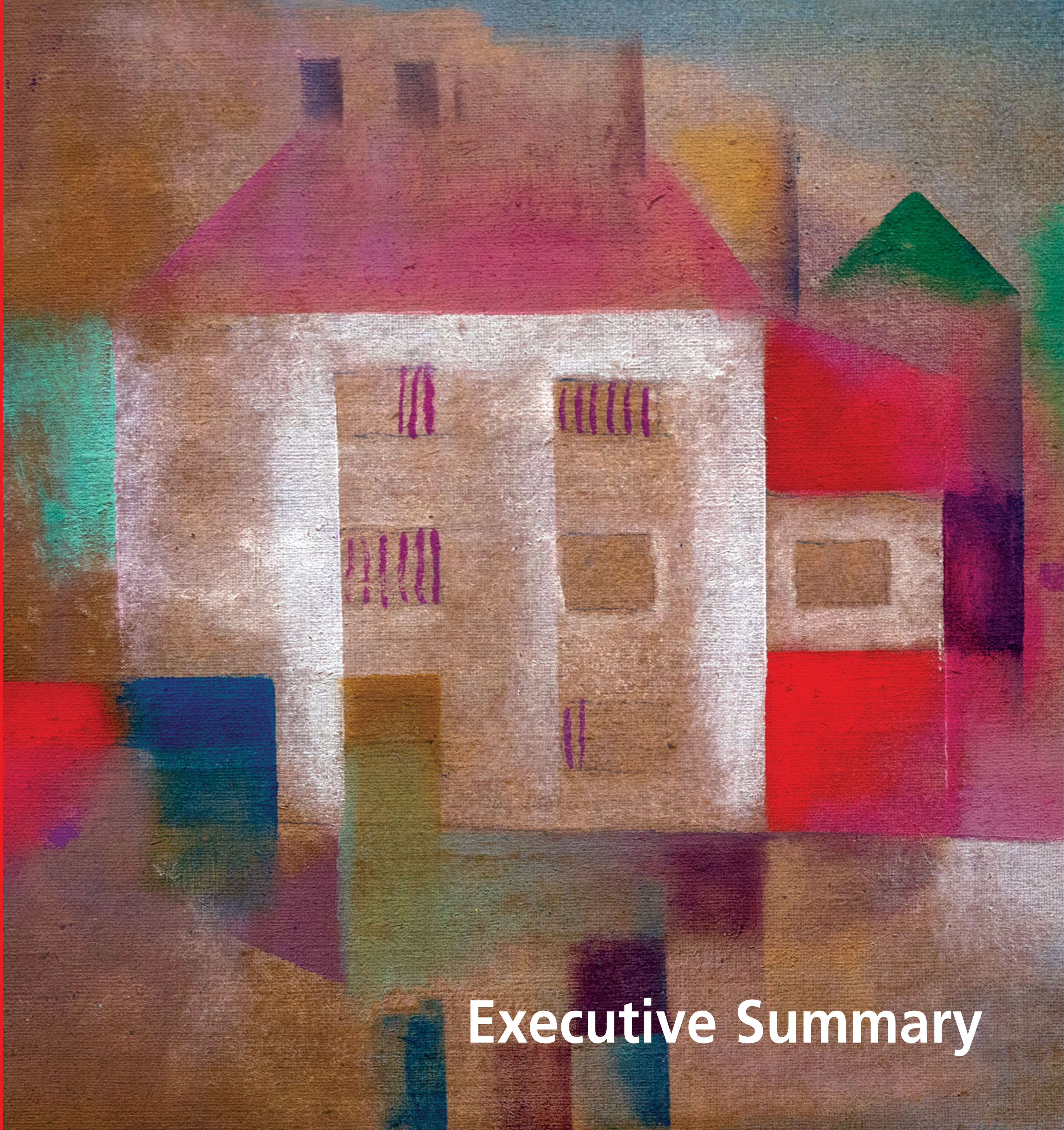

Executive Summary

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This is a summary of the key points from the *UK Housing Review 2022*.

Contemporary Issues Chapters

1. Thirty years of housing policy in the UK: The big picture (*Mark Stephens*)

Housing system change over 30 years is explored through three 'spheres': of housing consumption, housing production (or supply), and exchange (or finance). Some conclusions are that:

- More debate is needed about property prices, inflated by the policies adopted during the pandemic. High house prices and restricted access to finance for first-time buyers remain a huge challenge.
- Spending cuts and tougher sanctions have substantially weakened social security for those of working age, leading to greater poverty. The 'safety-net' of social rented housing has been maintained in Scotland, Wales and Northern Ireland while in England it risks becoming simply an 'ambulance service'.
- Expansion of high-cost private renting and the decline of social renting have contributed to greater numbers that struggle to pay for housing, especially working-age households.
- The shift from bricks-and-mortar to personal subsidies has continued, together with new subsidies for homebuyers, notably Help to Buy (HtB).
- Housing supply fails to keep pace with demand (especially in England); the private sector has not filled the gap caused by lower public sector output.
- The housing market used to spread wealth, but is now a powerful engine for inequality, with many households unable to access homeownership and with higher prices also triggering higher rents.
- The Bank of England's focus derives from its narrow remit on financial stability; thus it fails to address asset-price inflation.
- Housing policy (principally in England) has lacked a strategic view of the role of social rented housing or of the distributive aspects of housing policy. It thus acts against 'levelling up'.
- Devolved administrations have made important differences but are constrained by limited powers and by labour markets and income redistribution shaped at UK level.

2. Developments in the private rented sector (*Tom Simcock*)

Many private renters are still in arrears after the ending of pandemic support. Discretionary payment systems may not adequately deal with the scale of arrears; pre-Covid repossession levels could be reached in 2022.

Some landlords appear reluctant to buy properties and some want to sell them, putting pressure on some local markets and making affordable accommodation scarcer.

Build to rent (BtR) has grown across the UK, but is still a niche market, catering more for younger and middle-income households. More investment in BtR would add competition and choice.

The pandemic has dented short-term rental activity (e.g. Airbnb). Its revival could affect supply of long-term rentals and cause further affordability pressures.

Regulation of the private rented sector (PRS) is in a state of flux across the UK. Efforts to rebalance landlord-tenant relations and improve security should be welcomed, although some details of proposed reforms remain unclear.

3. Affordable housing supply in the UK: the challenges ahead (*Peter Williams and John Perry*)

Affordable housing supply falls very short of requirements in England, although more closely matches needs elsewhere in the UK. Government programmes aim to produce about 78,000 new homes each year in the UK, higher than recent output but similar to that of 2014/15 and only about half what is needed.

Comparing the four nations in their recent delivery of affordable homes per 10,000 population, Northern Ireland does best and England worst.

Competing pressures on investment resources include:
* Responding to concerns about dwelling quality and to reviews of current standards.
* Investing in building safety in response to legislation and public expectations.
* Meeting decarbonisation targets in the existing stock on very tight timescales.
* Adjusting to rising costs of building supplies and labour.
* Responding to pressures on rental income, post-pandemic.

In England, social rented output has fallen to less than 7,000 units annually. Since 2012, social rented stock has fallen by 208,000. Stock let at higher, Affordable Rents (AR) has grown to over 311,000 lettings. Yet AR fails to cater for 'a more diverse section of the population' as originally intended.

HtB has dominated homeownership policy but is now being wound down across GB: some private initiatives will partly replace it. Some 15-30 per cent of first-time buyers (FtBs) would have been unable to become owners without it. But despite HtB, some 2.7 million potential FtBs have failed to buy since 2007, around 200,000 in 2020 alone.

Shared ownership (SO) is accessible to many but has limitations, not least being linked to recent problems with leasehold. First Homes may benefit about 10,000 FtBs in England but could also compete with SO for land and resources.

By 2023, post-HtB, fewer than 20,000 affordable homeownership homes might be delivered each year across GB, down from about 30,000 per annum. Apart from SO and First Homes, it will mainly be private sector initiatives that fill the gaps. SO should be radically reformed to make it more attractive, including the possibility of a revived 'do it yourself' SO model.

Could the public sector shift its help away from FtBs, towards renters? On cost grounds, there is a case for building more social rented homes to save on temporary accommodation costs and on benefits. Considerable expansion would require higher grant rates in England (they have already been increased in Scotland).

In England, developer contributions account for about half of affordable output; it is vital that they are maintained, possibly by making affordable requirements explicit in local plans and planning permissions.

Supplying insufficient homes at affordable prices, especially in England, pushes more people into the insecure and less affordable PRS, prevents some from finding suitable accommodation at all and means that inequality will increase and the government's 'levelling up' agenda will fail.

4. Right to buy: the long view of a key aspect of UK housing policy (*Alan Murie*)

Over 2.8 million homes have been sold via right to buy (RTB) in the UK. The phases of RTB policy have been:
- From 1980, enacting the RTB and later making it more comprehensive and attractive.
- In 1986, raising RTB discounts to boost sales of flats.
- After 1997, a new Labour government and devolved governments start to curb RTB.
- Scotland abolished RTB after July 2016 and Wales in 2018.
- In 2012, RTB was 'reinvigorated' in England with increased discounts and a reduced qualifying period.
- RTB sales in England are now low. Measures to encourage housing association sales have had limited impact.

Potential buyers under RTB face a 'lottery' of different purchase prices and relative costs of mortgage payments and rents. RTB discounts (especially in England) provided a disproportionate benefit to tenants, often far exceeding their cumulative rent payments.

RTB boosted homeownership, but often for households who could have bought on the open market. RTB failed to attract many low-income households: the lowest three income deciles were less likely to be owner-occupiers in 1991 than in

1980. Resold RTB properties extend the choice for households that can already buy. Of two million RTB properties still owner-occupied, at least 50 per cent are probably beyond the reach of low-income owner-occupiers.

Up to 1.1 million RTB properties have become private tenancies, possibly in multiple occupation, with greater insecurity, higher rents and often poorer management and maintenance.

Many new households in small towns or rural areas who cannot afford to buy are unable to access housing locally because of RTB. For households unable to buy, the long-term consequences of RTB have been very serious.

In the 40 years from 1980, capital receipts from RTB across Great Britain exceeded £58 billion. Most were used to repay debt or reverted to the Treasury; few were retained for local reinvestment.

Right to buy has become a strategic failure in England and, unless reconsidered, the policy will continue contributing to social disadvantage and exacerbating inequalities.

Commentary Chapters

1. Economic prospects and public expenditure (*Mark Stephens*)

Reading the UK's economic prospects has seldom been more difficult. The economy is expected to grow strongly in 2022 but to revert to more 'anaemic' growth levels soon thereafter. Employment levels have held up. Interest rates are likely to rise but will have limited impact on household finances because most mortgages have some protection against rate rises.

Public expenditure grew during the pandemic, but fiscal policy is now contested: the chancellor prioritises deficit reduction while pressures for higher spending on services continue. Capital investment in housing has seen modest increases but local government current spending is still running below 2015/16 levels on a per-capita basis. Social security spending will grow despite the removal of the £20 weekly uplift to universal credit.

Rising inflation and how to respond to it is a key economic issue, some regarding it as a 'blip' and others as a longer-term trend that might lead to 'stagflation'. The 'cost of living crisis' is of central importance: tax rises and higher energy prices will squeeze incomes, notwithstanding measures designed to moderate the effects.

2. Dwellings, stock condition and households (*John Perry*)

Population growth has slowed still further although definitive figures await census findings.

International migration has fallen sharply, although reduced migration from the EU has been partly compensated for by increases from elsewhere. Future trends, post-Brexit and post-pandemic, remain uncertain. Increased migration is expected from Hong Kong, but overall the government's 'hostile environment' may have a deterrent effect.

Housing supply fell sharply in 2020/21 across the UK, and in England is now well below the government target of providing 300,000 homes annually by the mid-2020s.

One in five UK homes were built before 1919, presenting a huge challenge in making them healthy, safe and energy-efficient. Governments have set targets for decarbonisation of the housing stock but there is a massive gap between the estimated costs and likely sources of funding.

Recent events have highlighted the problems with leasehold tenure, which is in urgent need of reform: however, a bill to achieve this is not expected quickly. Problems currently focus on building safety and complex efforts to help leaseholders who face high costs for remedial work. 'There is no escaping the fact that leasehold in England and Wales remains a mess.'

3. Private housing (*Peter Williams*)

In 2021 house prices rose across the UK, most strongly in Wales. This price inflation partly reflected the reworking of the housing market during the pandemic. Transactions were 'roller-coastering' – reflecting changes in the tax regime.

Mortgage values reached a record high although still below the 2007 peak in real terms. Mortgage rates fell and numbers of mortgage products exceeded 5,000. Private rents rose quickly in Northern Ireland but the trend was much flatter in England and Wales. The PRS market is very variable, but rents are expected to continue to rise in 2022.

Compared with the peak of the market in 2008, all regions now have more affordable house prices. Most affordable are Wales, West Midlands, North West and North East. London is the least affordable. Mortgage-cost-to-income ratios have generally improved (because of low interest rates).

There were more FtBs in 2021 than in 2020, but this was nonetheless fewer than in 2002.

The geography of demand shifted in the pandemic away from cities and towards larger properties; there is some evidence of a shift back to cities. The PRS continued to contract, albeit showing various contradictory trends, for example that BtR continues to gather momentum. Planned tax changes may adversely affect the PRS.

The government introduced measures to promote self-build. Changes are also expected in the macro-prudential controls on mortgage lending, notably the dropping of the affordability test.

Considerable uncertainty about house prices continues into 2022. Expectations for transactions are also lower. Alongside these factors is the forward trajectory for interest rates and wages – 'a cocktail of factors which may take the market in largely unanticipated directions'.

4. Housing expenditure plans (*John Perry*)

The pandemic disrupted government plans for affordable housing investment and made the task of reporting on them more complicated as older programmes merged with new. Affordable housing investment has been delayed, with varying impacts across the UK.

England remains out of step with the rest of the UK in affordable housing investment:

- In Northern Ireland all of the support for housing is directed at affordable housing.
- In Wales and Scotland 89 per cent of support for housing is directed at affordable supply.
- In England, the balance of support is still firmly in favour of the private market (56 per cent) compared with affordable housing (44 per cent).

In England, the updated target for the Shared Ownership and Affordable Homes Programme (SOAHP) 2016-21 was to deliver 250,000 completed homes. By December 2021, 235,466 homes had committed funding but an extension to the programme means the target might still be met. Homes England (HE) is close to delivering its share but the GLA must deliver a big increase in starts in the coming 18 months to do the same. Average funding per home under HE strategic partnerships is £45,113, while for the rest of the HE programme it is £22,367.

The new Affordable Homes Programme 2021-26 was originally worth £11.5 billion in new funding from April 2021, with a smaller share for the GLA (£4 billion) than under the SOAHP, while HE receives £7.39 billion. DLUHC reports increased funding with £10.28 billion allocated up to 2024/25 and a further £2.74 billion thereafter.

The programme's new target is to achieve 180,000 starts by 2026. HE aims to deliver up to 130,000 homes by March 2026: half for rent and half for low-cost homeownership. Average grant is about £64,000 per unit. Grant for social rent will be limited to high pressure areas, disadvantaging northern regions, despite a ministerial promise to deliver 'roughly 32,000 social rent homes outside of London'.

In London, the new allocation will fund 35,000 starts, much lower than previous levels. So far £3.46 billion has been committed to deliver 29,456 homes, more than 40 per cent by councils and more than half for social rent.

Scotland's previous Affordable Housing Supply Programme (AHSP) fell short of its March 2021 target by about 8,700 homes, due to the pandemic, with achievement of its 50,000 target delayed into 2021/22. The new AHSP aims to provide 110,000 homes in the next decade: the budget has been increased and grant levels raised, but there are concerns that other investment pressures such as decarbonisation will mean that funds are insufficient to meet this 'formidable target'.

Wales has a new five-year Programme for Government with a target to build 20,000 'new low carbon social homes for rent'. The previous 20,000 target was exceeded, with the total reaching 23,061 units. However, this included 8,875 purchases under Help to Buy; new social rented homes totalled just over 11,000.

Targets under Northern Ireland's Social Housing Development Programme are based on starts, currently aimed at 1,900 annually. Delivery in 2019/20 was hit by the pandemic and as a result starts fell to just 761. In 2020/21 output recovered and there were 2,403 starts, the highest since 2010/11. Over the three years to 2020/21 starts averaged 1,650, somewhat below target.

Despite a late allocation to the Northern Ireland Housing Executive's 2021/22 capital budget, it has a serious ongoing shortfall in stock investment, and rents have again been frozen from April 2022.

5. Homelessness (*Lynne McMordie*)

Pandemic-related responses across the UK had four positive impacts:

- Significant Covid-19 infection control and avoidance of premature deaths.
- Unprecedented reductions in the number of people sleeping rough.
- Greatly reduced use of dormitory-style night shelter accommodation.
- Improved joint working between agencies.

However, there are limitations:

- Issues about the quality of emergency accommodation and support.
- Highly varied responses to helping those with no recourse to public funds.
- Difficulties in accessing move-on accommodation.

In 2020/21, homelessness acceptances declined across the UK (except in Wales). England and Wales also saw sharp falls in households owed a prevention duty. England and Scotland saw significant falls in family homelessness. Loss of tenancy as a reason for homelessness fell during the pandemic, but there were increases in homelessness caused by exclusions by family/friends.

Demand for temporary accommodation increased across the UK, with shortages leading to increased use of bed & breakfast hotels.

Core homelessness (a measure of all those sleeping rough, sofa surfing, and staying in inappropriate or insecure accommodation) fell slightly because of measures taken during the pandemic, but is predicted to rise again in England and, in 2024, to be one-third higher than in 2019.

6. Help with housing costs (*Janice Blenkinsopp and Sam Lister*)

Numbers claiming universal credit (UC) peaked at over five million in the pandemic and have only fallen slightly since, staying at almost double pre-pandemic levels.

Very limited use is now made of DWP support for mortgage interest, since it became a loan scheme, and most mortgage payers relied on payment deferrals and lender forbearance during the pandemic.

The ending of the temporary £20 uplift in UC means that one million working households will be worse off even with government mitigation measures, while 2.6 million out-of-work claimants will feel the cut's full effect.

The re-freezing of LHA rates after they were lifted during the pandemic risks increased poverty for 4.2 million low-income private renters. While discretionary funds are available, they look to be insufficient to prevent growing arrears and evictions.

At its peak in the pandemic, 194,000 households were affected by the benefit cap; numbers have fallen since then, in part because of the ending of the

£20 uplift in UC. The majority of those affected by the cap are in London and the South East; single parents with children form 63 per cent of all households capped.

Rising energy costs will particularly hit those living in poverty who also live in energy-inefficient housing. Just 2.2 million social renters are in those circumstances, but 6.8 million people live in poverty in inefficient private homes, mainly owner-occupiers, vulnerable to inflated energy prices.

Social sector rent rises, especially in England and Wales, will mean more UC claimants are affected by the benefit cap. Over 250,000 social renters in Great Britain are affected by the 'bedroom tax' because they are judged to have too many rooms: rises in their rents will have to be paid for from their basic UC unless they get discretionary help. While they mitigate the effects of cuts, discretionary housing payments undermine a key objective of UC to simplify the social security system.

Widespread calls for more targeted assistance to be provided to those most affected by rising living costs have so far been ignored.

The ***UK Housing Review*** has provided a key resource for busy managers and policymakers across both public and private housing sectors for 30 years. This 2022 edition brings together the most important and up-to-date housing statistics available for the UK, Wales, Scotland and Northern Ireland, including English regional data. International tables compare the UK with selected countries in the EU and elsewhere.

The *Review* features over 200 charts and tables including data about:

- *Homelessness and lettings*
- *Housing stock and conditions*
- *Housing characteristics and incomes*
- *House prices and market trends*
- *Rents and revenue spending*
- *Housing investment by councils, housing associations and private investors*
- *Subsidies, tax relief and benefits*
- *Public expenditure plans*
- *UK and international economic trends*

Commentary chapters in this year's *Review* include analysis of trends in UK housing markets and in meeting housing needs, housing provision and public expenditure on housing, the government's current investment plans, homelessness and social security benefits.

Contemporary Issues covered this year include an overview of 30 years of UK housing policy, a review of developments in the private rented sector, assessment of issues determining the supply of affordable housing, and a retrospective analysis of the right to buy.

The ***UK Housing Review*** continues to be the prime source for all concerned with housing policy and finance.

> *'Huge congratulations to the CIH on 30 years of the ever-fresh UK Housing Review. From its origins with Steve Wilcox in charge, it has been both the essential encyclopaedia of housing data and the stimulus for informed discussion on the key housing issues. Here's to the next 30 years!'*
> Lord Richard Best

> *'UKHR is the essential roadmap that enables us all to navigate the intricacies of the housing world.'*
> Lindsay Judge, Research Director, Resolution Foundation

> *'It's the sector Bible.'* Steve Moseley, Group Director, Governance, Strategy and Communications, L&Q

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