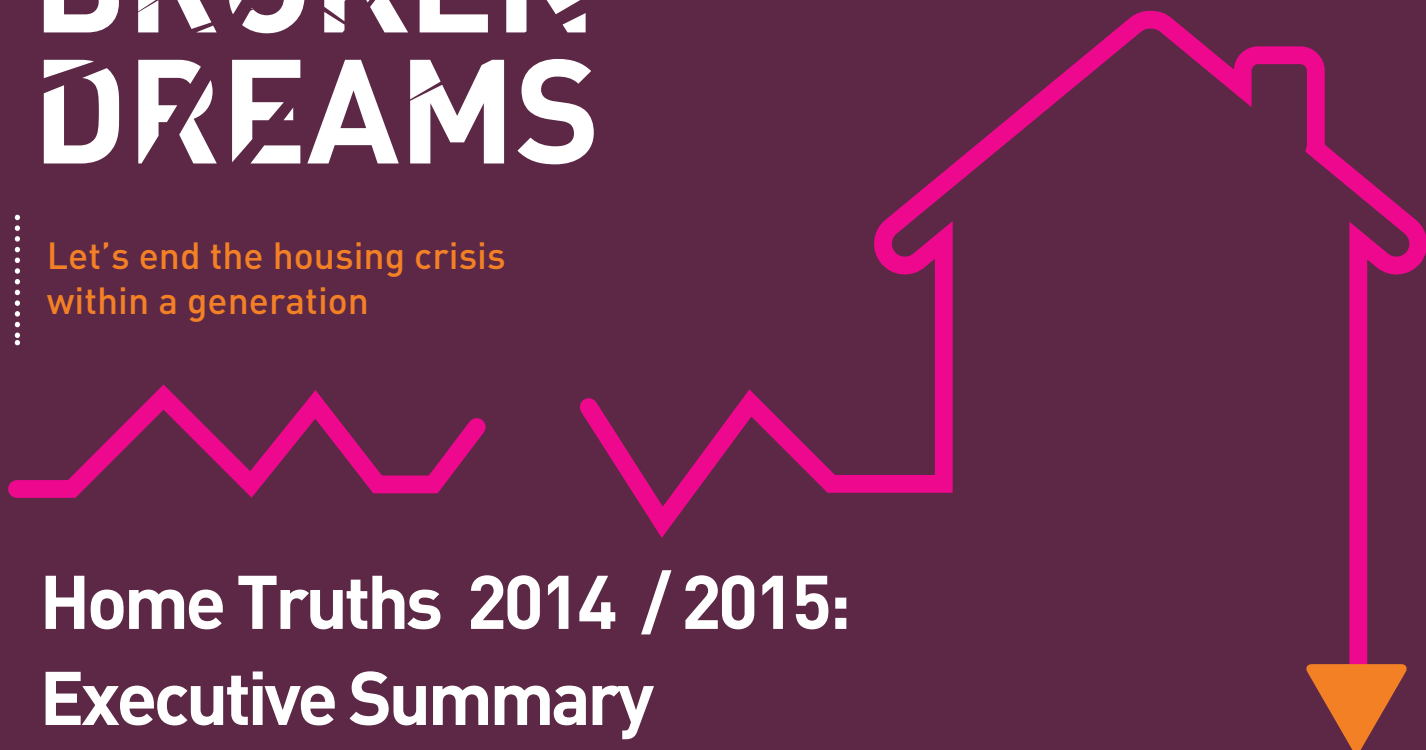


# BROKEN MARKET BROKEN DREAMS

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Let's end the housing crisis  
within a generation

Home Truths 2014 / 2015:  
Executive Summary



## Introduction

England is suffering a catastrophic housing crisis that has been more than a generation in the making. The number of new homes built each year is not nearly enough – to keep pace with demand we need around 245,000 homes per year<sup>1</sup> in England but manage to build only around half of this. House prices are rising ever higher meaning more people are locked out of home ownership. And rising house prices and rents are spiralling out of control as demand outstrips supply decade after decade.

**“England is suffering a catastrophic housing crisis that has been more than a generation in the making.”**

So if this is the ‘norm’ for housing and many people have benefitted from rising house prices, then why is it now catastrophic? Well, the knock-on effects of our housing crisis for the next generation are profound. First-time buyers are struggling to buy their first home unless they can get significant help from family members. This doesn’t just make home ownership harder for young people, for most it puts it forever out of reach.

A rising number of people are now private renters and face high costs. As well as impacting on day-to-day living, high housing costs also increase the benefit bill. The number of people who claim housing benefit but are also in employment has doubled over the last six years. Increasingly, people’s earnings do not cover all living costs and so they need assistance from the Government and the taxpayer. Not because they aren’t working hard, but because our housing market has been allowed to go unchecked for too long.

Crucially, there is large variation across the country and no such thing as one single English

housing market. This is one reason why we have given the London market its own section in this year’s report and will soon be releasing a local series of reports. In order to better represent the challenges of different local markets, this year’s report uses the 39 Local Enterprise Partnership (LEP) areas, rather than local authority boundaries, which provide a clearer picture of the geographies in which people both live and work.

And while different places will need to focus on different challenges, what unifies each area is a need to act now to fix our broken housing markets, locally and nationally. The warning signs are clear; in the stories we hear of people struggling with rent, needing housing benefit to keep a roof over their heads, being unable to be near their family, unable to buy their own home or downsize to suitable, more affordable homes. This would be mitigated if we built more homes of all types for people at different price points in the market.

**“Eight out of ten people polled don’t believe any of the mainstream political parties will effectively deal with the issue of housing.”**

To include the perspectives of those most affected we asked YouGov to poll the public<sup>2</sup>. The results are as unsurprising as they are depressing in capturing the public’s opinion of how the successive failure of governments continues to affect them. Only one in four people think their housing situation will improve in the next ten years, and three quarters (77%) believe it is harder to own a home today compared to their parents’ generation. They are right. But most damningly of all, eight out of ten people polled don’t believe any of the mainstream political parties will effectively deal with the issue of housing. If ever our politicians needed to sit up and listen to the public, and to take control of England’s housing markets, it is now.

It is clear that stopgaps and short-term policies aren't going to house the next generation. This is why we are calling on all political parties to commit to end the housing crisis within a generation. We want the next government to publish a long-term plan within a year of taking office that sets out how they will achieve this. In this report the National Housing Federation will begin to describe the bold actions Whitehall and Westminster must take to tackle the enduring challenges that continue to dominate housing in England.

David Orr  
Chief Executive  
National Housing Federation

## Executive summary

**Today, the UK faces a profound housing crisis which has been more than a generation in the making**

- Demand for housing – through increasing population, decreasing household size and increasing credit availability, to name a few factors – is outstripping housing supply.
- This is because we have a chronic undersupply of housing. Estimates show that we need around 245,000 homes each year to keep up with growing demand. We would need even more to clear the backlog of pent-up demand.
- As a result, house prices have more than doubled (after accounting for inflation) in 40 years.

### **Housing unaffordability is high**

- As house prices have risen, wages have not been able to keep up.
- Across the whole of the UK today, the average home now costs seven times the average salary. In the 1960s, a home was 4.5 times the average salary.

### **First-time buyers are hit extremely hard**

- First-time buyers now need to be richer and have larger deposits.
- The income of an average first-time buyer today (£36,500) is nearly double that of an average first-time buyer in the early 1980s (£20,000) after accounting for inflation.
- And the deposit required today (£30,000) is almost ten times the deposit required in the early 1980s (£2,000-3,000), after accounting for inflation.

### **There is a growing disparity between the 'haves' and the 'have nots'**

- As house prices are rising, people between the ages of 24 and 44 are increasingly renting.
- There has been a decrease of more than ten percentage points in the proportion of 25-34 year olds buying a property over the last five years.
- There has been an increase of almost 15 percentage points in private renting amongst the same age group over the same period.
- This also impacts on the day-to-day cost of living. On average, home owners with a mortgage spend 20% of their income on paying that mortgage. However, private renters spend 40% of their income on rent. As younger people are significantly more likely to be affected by this imbalance this makes saving for a deposit harder.
- It is increasingly the case that in order to get on the housing ladder, first-time buyers need financial assistance from their family. In 2005, roughly a third of first-time buyers received assistance – this grew to almost two-thirds in 2011.
- There is also an important issue regarding property wealth accumulation. A large amount

of that wealth is owned by the older age groups particularly in the South East, South West and London (accounting for 35% of total property wealth in England).

- It isn't just that a large proportion of wealth is located in the South of England – the average value of wealth is larger too. Average property wealth in London (£239,000) is twice as much as the average property wealth in the North of England (between £108,000 and £120,000).
- Furthermore, after the largest economic crash the country has experienced for over a century, property wealth value has appeared to concentrate even further in London. Between 2006 and 2012, average property wealth increased by £19,000 in London while in the North East it fell by £12,000.

### **These housing pressures have wider implications for the Government**

- The impact of undersupply and high prices, stagnating salaries, decreasing affordability and more people privately renting is increasing the housing benefit bill. Indeed, the total housing benefit bill in England – accounting for inflation – has risen by almost 150% from £8.7bn to £21.5bn in 21 years.
- This isn't just an unemployment problem. Not only has unemployment been falling recently, the proportion of those claiming housing benefit who are in employment has doubled from 11% in November 2008 to 22.5% in February 2014.
- Middle-income households are increasingly struggling with housing costs. The percentage of claimants between November 2008 and May 2014 has increased most in those households with gross incomes of around £20,000 to £30,000 – around 350,000 households (or two-thirds of all new claims made within this period).

### **Different places are affected in different ways**

- There isn't just one housing market in England – the country consists of many housing markets with large variation.
- Generally, areas in the south of the country face acute housing pressures and have seen prices and unaffordability rise. House prices in London were close to £500,000 in 2013, almost doubling in a decade. Other places with high prices include the Local Enterprise Partnership areas of Enterprise M3, Hertfordshire and Oxfordshire which all showed average house prices of more than £320,000 in 2013.
- In the North, house prices aren't as high, but unaffordability can still be a problem. Some places still see house prices at around seven times that of the average salary.

### **London is a different world**

- The average house in London has increased by £41,000 annually – a figure which is £8,000 more than the average pre-tax London salary.
- However, there are profound differences across the 33 boroughs of London, demonstrating that we need to understand local variation.
- The average London house costs around £500,000 but there are 22 (out of 33) boroughs with a lower average house price.
- At current house building rates London will face a shortfall of over 700,000 homes by 2031. Crucially, there is also a need for homes in the right places, at prices that people can afford.

### **This crisis has historical roots and requires bold interventions to solve it**

- Growing demand pressures and various government interventions over the past 40 years have compounded the issue.
- This is why we need bold solutions to solve the problem.

- We want the next government to publish a long-term plan within a year of taking office that will show how they will end the housing crisis within a generation (the next 25 years).
- We have had enough short-term housing initiatives, now we need a long-term plan that tackles the underlying causes of the housing crisis – not just tinkering around the edges.

## Public opinion

A YouGov poll<sup>3</sup> commissioned by the National Housing Federation to listen to the views of the public found that:

- Almost eight out of ten (77%) people believe that none of the mainstream political parties will effectively deal with the issue of housing.
- Only one in four people think their housing situation will generally improve in the next ten years.
- Over three quarters of people (77%) think it is harder to own a home today than it was for their parents' generation.
- Seven out of ten people (73%) think the Government should play a role in improving accessibility to housing.

## The role of housing associations

Housing associations will be central to efforts to end the housing crisis. As well as continuing to provide homes for those in the greatest housing need, collectively housing associations will extend their reach and offer to provide homes for all parts of the market, for people of all backgrounds, incomes and need.

**“Housing associations will be central to efforts to end the housing crisis.”**

Many housing associations are already providing homes for market rent or sale which the market requires. They do this to meet a genuine housing need, but also in some markets this will generate proceeds that can be used to subsidise affordable housing so that housing costs don't run away from those on the lowest incomes. This role for housing associations will continue to grow as housing needs continue to change. As well as providing great places to live, housing associations also invest in communities and neighbourhoods for the long term by driving skills, education and healthcare projects to name just a few.

The economic impact of housing associations is large too. For every one pound invested in affordable housing, a further £1.42 is generated in the UK economy through indirect and induced multiplier impacts. This represents one of the highest multiplier effects in the UK economy, being greater than that associated with offshore wind investment, financial services and health services. This translates into 47,000 full time jobs supported directly or indirectly by investment in affordable homes. Furthermore, housing associations, through their day-to-day activities, contributed a total of £6.5 billion to UK Gross Value Added (GVA) in 2013, which equates to 0.5% of UK GDP. In doing so, housing associations directly support 146,000 full time jobs in total<sup>4</sup>.

And into the future the sector has a thirst to achieve so much more. In *An Ambition to Deliver*, the Federation describes a vision of 2033 where housing associations house one in five people across all tenures. That means the sector building 120,000 of the 250,000 homes this country needs on top of expanding much further the projects and services they deliver for their tenants and wider communities.

## Conclusion

*Home Truths: Broken Market, Broken Dreams* offers a snapshot of England's housing crisis which has been generations in the making. Along with demographic changes, population growth and austerity, this emergency is the result of successive governments failing to tackle the country's major housing challenges.

The crisis looks different from one town to the next and local decision makers will play a vital role in driving change. However, with less than a year to go before the General Election it is important politicians from all sides are reminded that leadership, drive and, most importantly, bold ideas from Whitehall and Westminster are an essential antidote to the short-termism that has gone before and to ending the crisis.

That is why the National Housing Federation, as part of the Homes for Britain coalition, is calling for the political parties to look beyond the lifetime of the next Parliament to end the housing crisis once and for all.

We want all political parties to commit to end the housing crisis within a generation. We want the next government to publish a long-term plan within a year of taking office that sets out how they will achieve this.

The Federation believes this plan must describe how the Government will ensure each part of the housing market will work together to deliver: a long-term sustainable supply of new homes; many more of the right homes in the right places with access to employment and social opportunities; homes, both new and existing, that are sustainable and of high quality; and an attractive alternative offer to home ownership that ensures people who rent have a high quality home with security that meets their needs.

**“We want all political parties to commit to end the housing crisis within a generation. We want the next government to publish a long-term plan within a year of taking office that sets out how they will achieve this.”**

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<sup>1</sup> Holmans, A. – New estimates of housing need and demand in England 2011-2031 TCPA (London)

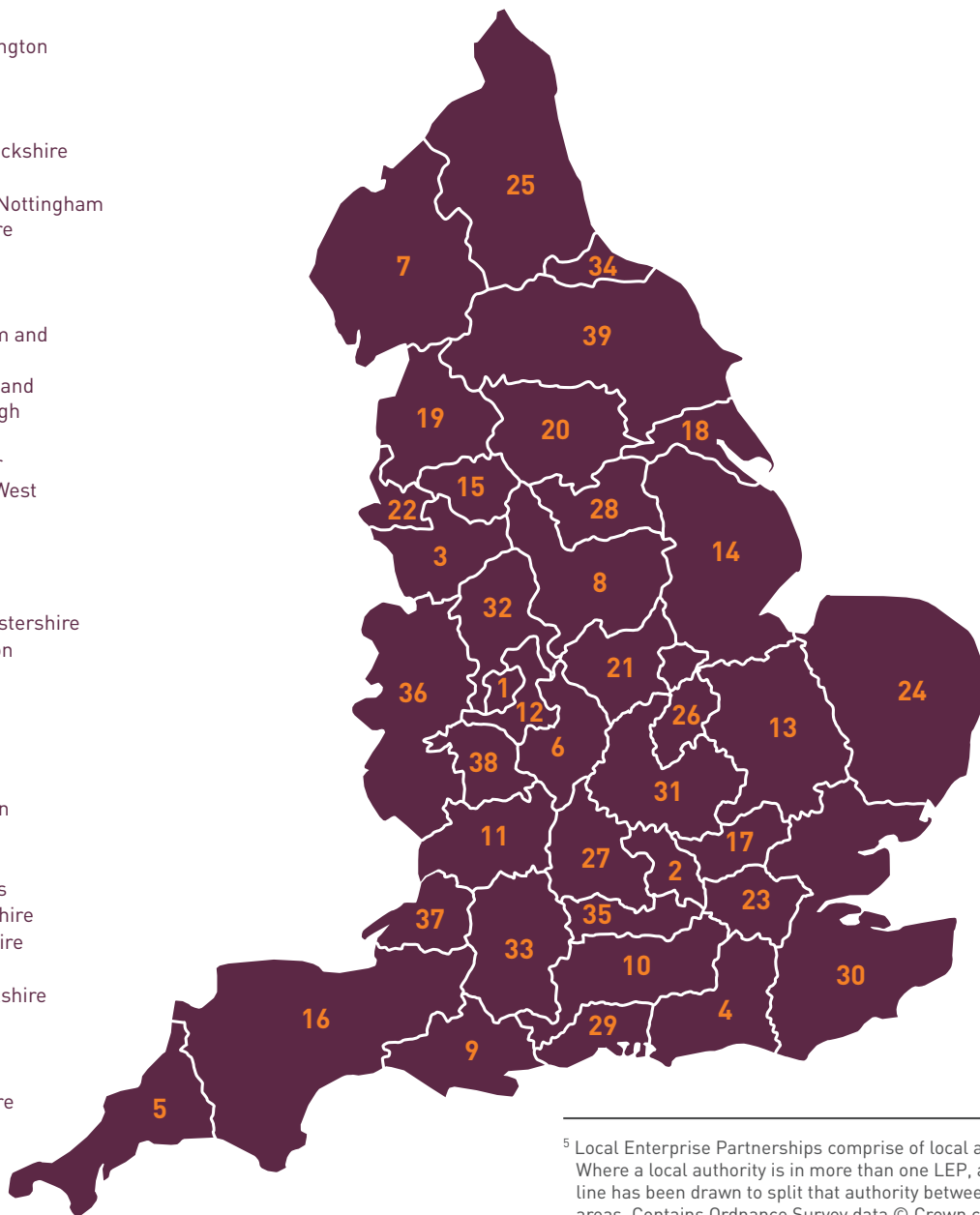
<sup>2</sup> YouGov poll of 1651 adults between 18 and 19 August 2014 on behalf of National Housing Federation. The figures have been weighted and are representative of all GB adults (18+)

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<sup>4</sup> Centre for Economic and Business Research analysis for National Housing Federation (2014)

## Map of Local Enterprise Partnerships across England<sup>5</sup>

- 1 Black Country
- 2 Buckinghamshire  
Thames Valley
- 3 Cheshire and Warrington
- 4 Coast to Capital
- 5 Cornwall and the  
Isles of Scilly
- 6 Coventry and Warwickshire
- 7 Cumbria
- 8 Derby, Derbyshire, Nottingham  
and Nottinghamshire
- 9 Dorset
- 10 Enterprise M3
- 11 Gloucestershire
- 12 Greater Birmingham and  
Solihull
- 13 Greater Cambridge and  
Greater Peterborough
- 14 Lincolnshire
- 15 Greater Manchester
- 16 Heart of the South West
- 17 Hertfordshire
- 18 Humber
- 18 Lancashire
- 20 Leeds City Region
- 21 Leicester and Leicestershire
- 22 Liverpool City Region
- 23 London
- 24 New Anglia
- 25 North Eastern
- 26 Northamptonshire
- 27 Oxfordshire
- 28 Sheffield City Region
- 29 Solent
- 30 South East
- 31 South East Midlands
- 32 Stoke and Staffordshire
- 33 Swindon and Wiltshire
- 34 Tees Valley
- 35 Thames Valley Berkshire
- 36 The Marches
- 37 West of England
- 38 Worcestershire
- 39 York, North Yorkshire  
and East Riding



<sup>5</sup> Local Enterprise Partnerships comprise of local authorities. Where a local authority is in more than one LEP, a jagged line has been drawn to split that authority between the LEP areas. Contains Ordnance Survey data © Crown copyright and database right 2013, Licence No. 100031183

**The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That's why we represent the work of housing associations and campaign for better housing.**

**Our members provide two and a half million homes for more than five million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.**

**National Housing Federation  
Lion Court  
25 Procter Street  
London WC1V 6NY  
Tel: 020 7067 1010  
Email: [info@housing.org.uk](mailto:info@housing.org.uk)  
Website: [www.housing.org.uk](http://www.housing.org.uk)**

**#housingcrisis**