IMPLICATIONS OF BREXIT FOR THE HOUSING MARKET

SUMMARY POINTS

• Net international migration has been repeatedly under-estimated by national projections

• Furthermore, the latest national projections assume significant decreases in net international migration and therefore already include an allowance for the effects of Brexit

• This means that the number of homes being planned for should not be reduced as a result of Brexit

• The projections assume that net migration from the EU will decline by 72% and there will be no uplift to migration from elsewhere to address the resultant labour shortage

• This would have significant adverse implications on the economy of the UK as there would not be a sufficient workforce to provide for economic growth

• It would also compromise the ability for certain services, particularly healthcare services, to meet the needs of population as this sector has a large migrant workforce

• The projections also assume that household sizes will not be affected by a reduction in migration, despite the fact that migrant households are much larger

• This means that the household sizes which are being assumed are not reflective of a post-Brexit Britain (assuming migration rates are reduced) and that household sizes will actually be much smaller, requiring a much greater number of homes to provide for the same population

POPULATION GROWTH

Whilst the details of the Brexit deal have yet to be formulated, it is useful to consider the potential implications of any such deal on the demand for housing within the UK.

The National Population Projections [UK Statistics Authority], which inform the Household Projections (produced by the DCLG in England) are used as the basis for identifying and planning future housing provision.

Over the period 2014-16, the Long Term International Migration estimates (ONS, CSO, NISRA) and the International Passenger Survey (ONS) identify that there were 717,000 net international migrants (1,289,000 in-migrants and 572,000 out-migrants) compared to the 585,000 projected in the 2014 based National Population Projections. This indicates that the National Population Projections under-estimate the level of net international migration and as a result sufficient housing will not be being planned for prior to Brexit.

The latest National Population Projections were produced prior to the Brexit referendum. These projected that net international migration to the UK would decline from 329,000 in 2014/15 to 185,000 per annum from 2020/21 as presented in Figure 1. It would therefore appear that they already assumed a significant reduction in migration (as a result of Brexit) even in advance of the referendum result. On this basis, the potential implications of Brexit on migration are already implicit within the planned housing growth, and there is unlikely to be a need for an additional adjustment.
Brexit will undoubtedly affect net international migration to some extent as potential restrictions on EU migration may reduce the flows from the continent; but this may be compensated for to some extent by increased flows from elsewhere to fill the jobs which would otherwise have been filled by EU migrants. It is however likely that EU migration will still take place owing to the UK’s reliance on EU workers, particularly in sectors such as healthcare, and agriculture. There is a significant amount of uncertainty, but it is useful to consider the potential implications.

From 2013-16 (the period over which comparable information is available), the Long Term International Migration estimates and the International Passenger Survey suggest that the net international migration was comprised of a net annual loss of 42,000 British People, a net annual gain of 159,250 people from the EU and a net annual gain of 182,000 people from elsewhere. Based on these figures, the following theoretical examples provide some gauge as to the potential effects of Brexit:

1. If it is assumed that the net flows of British citizens remain unaffected; that EU migration is reduced to 25% of current flows; and that migration flows from elsewhere remain constant, then 179,800 net international migration flows to the UK would be expected which is 97% of that assumed by the National Population Projections.

2. If it is assumed that the net flows of British citizens remain unaffected; that EU migration is reduced to 50% of current flows; and that migration flows from elsewhere remain constant, then 219,600 net international migration flows to the UK would be expected which is 19% greater than that assumed by the National Population Projections.

3. If it is assumed that the net flows of British citizens remain unaffected; that EU migration is reduced to 75% of current flows; and that migration flows from elsewhere remain constant, then 259,400 net international migration flows to the UK would be expected which is 40% greater than that assumed by the National Population Projections.

Indeed, if EU migration remains in excess of 28% of that currently experienced and there is no increase in net migration from elsewhere, then the National Population Projections would reflect the likely population growth. However, if EU migration is greater than this and/or migration from elsewhere increases as a result of the labour shortage in the UK, then the National Population Projections would underestimate the future population growth.
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DWELLING GROWTH

The dwelling stock across England is not occupied at all times. A number of properties are used seasonally (such as holiday homes) or periodically (such as those which accommodate weekly commuters); a number are vacant over short periods including whilst they are being sold; and a number are subject to long term vacancies. These are and will continue to be a factor of the UK housing market.

In 2011, the Census identified that some 4% of the dwellings across England are not occupied permanently. This means that in order to reflect choice and allow for churn, the projected 217,000 households would require 226,000 dwellings per annum. This is at the bottom end of the spectrum identified by the Housing White Paper.

Once realistic assumptions are applied to the projections which inform these figures in regards to the likely implications of Brexit, it is likely that the number of dwellings required will be significantly greater. Brexit should not therefore be used as a reason to plan for a reduced number of dwellings as this will simply compound the national housing crisis which has arisen as a result of the housing shortfall which has accrued over previous decades.

ECONOMIC GROWTH

The National Population Projections identify that over the 20 year period 2014 to 2034 the number of people aged 16-64 will increase by circa 1.5M. However, the Workforce Jobs dataset identifies that over the 20 year period 1996 to 2016 the number of jobs increased by 6.2M. It is therefore clear that the projected population growth (including the reduction of EU migration by 72%) will constrain job growth from that which has been achieved in the recent past. Depending on productivity improvements it is likely that this will place a significant constraint on economic growth. Any constraint on economic growth (or job growth) will also further compromise the ability of households to access the housing market.

For more information, please contact:

Sarah Hamilton-Foy
Regional Director
01285 888089 / 07500 085381
sarah.hamilton-foyn@pegasuspg.co.uk

Neil Tiley
Associate Planner
01285 702251 / 07747 455360
neil.tiley@pegasuspg.co.uk