



HOUSE OF LORDS

Library Note

Impact of the Shortage of Housing on Young People

On 3 November 2016, the House of Lords will debate the impact of the shortage of housing, particularly on young people, in their desire to live in the communities where they were born, raised and educated.

A number of commentators have argued that Britain is facing a housing crisis with a lack of new homes being built and homeownership falling to its lowest level in 30 years. In 2015, UK housebuilders completed 170,670 permanent dwellings, of all tenure types, according to the Department for Communities and Local Government (DCLG), compared to 144,980 in 2014. DCLG projections suggest that the number of households in England is projected to increase from 22.7 million in 2014 to 28.0 million in 2039.

Commentators, and the findings of recent reports, have drawn attention to the impact of the housing shortage on young people. As a consequence of a number of factors, including rising house prices, young people have reportedly found it increasingly difficult to get on the housing ladder. The Office for National Statistics has noted that there has been a reduction in the number of 25 to 34 year olds owning homes in England. In 1991, 67 percent of this age group owned homes, but this had fallen to 36 percent by the year ending 2014. A recent report from PricewaterhouseCoopers noted that the so-called 'generation rent', those aged 20 to 39, would have to save for 19 years to buy their own home. Studies suggest the housing shortage has had a number of other effects on young people, including rising rents, impact on family life, issues associated with intergenerational fairness, and a risk of homelessness.

In July 2016, the Prime Minister, Theresa May, observed that "if you're young, you'll find it harder than ever before to own your own home" and pledged to make "Britain a country that works for everyone". The previous Coalition Government and the current Conservative Government have introduced a number of measures to encourage homeownership, such as the starter homes scheme and the help to buy equity loan. The Communities Secretary Sajid Javid has recently called for a million new homes by 2020. However, a House of Lords Economic Affairs Committee report published in July 2016 recommended that England should be building at least 300,000 homes each year to meet demand. Housebuilding peaked in 2006–07 when 219,000 homes were built.

This House of Lords Library briefing presents an overview of housing in the UK, including statistics on housing supply and demand. The briefing then considers some of the causes of the housing shortage and explores recent reports that have sought to identify the impact of the housing market on young people. It concludes with a brief summary of government policy in this area.

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I. Housing in the UK: Overview

A number of commentators have argued that the UK is in the midst of a major housing crisis. For example, the chief economics commentator at the *Financial Times*, Martin Wolf, suggested that “tackling England’s housing crisis is among the foremost challenges facing policymakers”.¹ Kate Palmer, business reporter at the *Telegraph*, argued that “a cocktail of disastrous housing policies, lack of investment in house-building and a mortgage market shattered by the financial crisis have combined to leave ordinary earners unable to buy”.² Meanwhile, the editor of the *Guardian*’s money section, Hilary Osborne, observed that “home ownership in England has fallen to its lowest level in 30 years” and “the growing gap between earnings and property prices has created a housing crisis that extends beyond London to cities including Manchester”.³ In addition, a recent report from the housing and homelessness charity, Shelter, stated that “it is hard to over-state the scale of Britain’s current housing problem, which serves few well”.⁴

I.1 Housing Supply and Demand

In 2003, the then Labour Government commissioned Dame Kate Barker to conduct a review of housing supply in the UK. The final report of the Barker Review proposed that in order to reduce rising houses prices and improve affordability in the housing market, around 250,000 new homes a year were needed. The report recommended that:

Taking as the baseline the level of private sector build in 2002–03, 140,000 gross starts and 125,000 gross completions, it is estimated that:

- reducing the trend in real house prices to 1.8 percent, would require an additional 70,000 private sector homes per annum; and
- more ambitiously, to reduce the trend in real house prices to 1.1 percent, an additional 120,000 private sector homes per annum would be required.⁵

The Barker Review argued that 17,000 additional social homes were needed annually to meet demand.⁶ In 2007, the Labour Government set a target to build 240,000 homes annually by 2016. However, the BBC observed that this target had been “consistently missed” and noted that:

The closest the UK got was in 2006–07 when 219,000 homes were built. In 2012–13, the UK hit a post-war low of 135,500 homes, much of which was due to the financial crisis. Last year the figure recovered slightly to 141,000 homes. Labour’s 2007 target [was] dropped by the coalition.⁷

The Office for National Statistics (ONS) has projected that the UK population will increase over the next 25 years from an estimated 64.6 million in mid-2014 to 74.3 million in mid-2039.

¹ Martin Wolf, ‘A Radical Solution for England’s Housing Crisis’, *Financial Times*, 10 December 2015.

² Kate Palmer, ‘[Housing Crisis? Five Charts Every First-Time Buyer Should See](#)’, *Telegraph*, 31 May 2016.

³ Hilary Osborne, ‘[Home Ownership in England at Lowest Level in 30 Years as Housing Crisis Grows](#)’, *Guardian*, 2 August 2016.

⁴ Shelter, *The Future of Housing and Home Scenarios for 2030*, April 2016, p 7.

⁵ HM Treasury, *Review of Housing Supply: Final Report*, March 2004, p 5.

⁶ *ibid*, p 5.

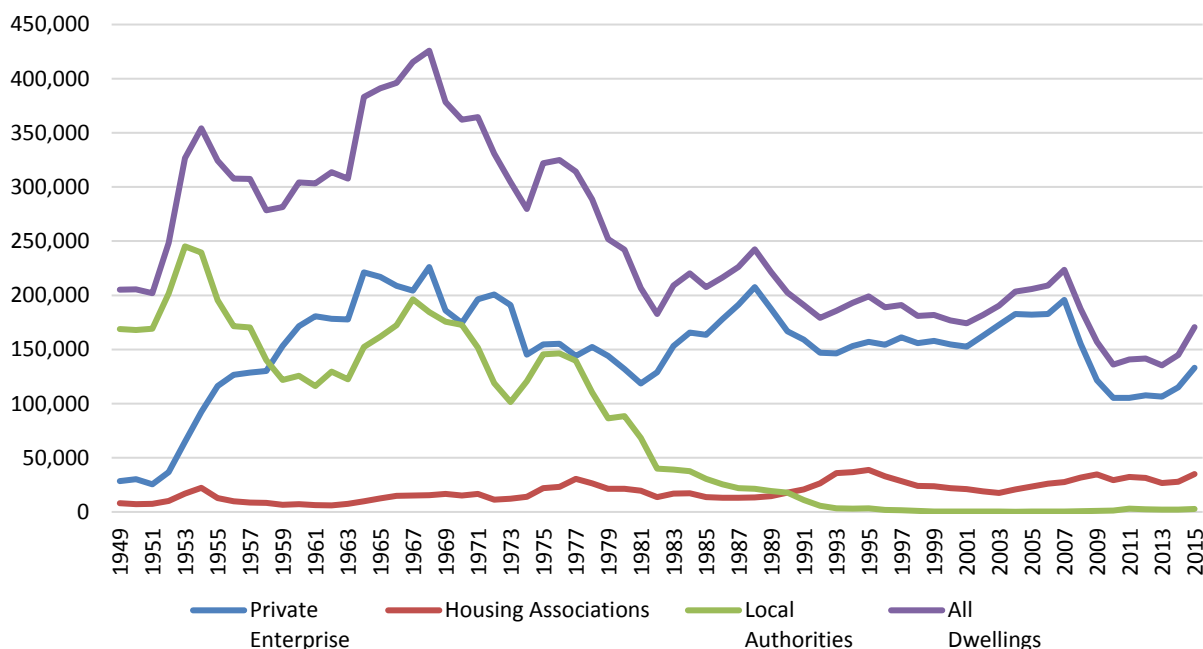
⁷ BBC News, ‘[Why Can’t the UK Build 240,000 Houses a Year?](#)’, 13 January 2015.

Over this same period, the population of England is projected to increase from 54.3 million to 63.3 million.⁸

In July 2016, the Department for Communities and Local Government (DCLG) published its latest household projections for England. These estimated that the “number of households in England is projected to increase from 22.7 million in 2014 to 28.0 million in 2039” and that “annual average household growth is projected to be 210,000 per year between 2014 and 2039”.⁹ The DCLG also projected that between 2014 and 2039, the number of one person households would increase by 68,000 per year and account for 33 percent of the total household growth during this period. In addition, net migration was projected to account for 37 percent of the projected household growth.¹⁰

In 2015, the UK completed 170,670 permanent dwellings, of all tenure types, according to the DCLG’s historical calendar year series.¹¹ In 2014, 144,980 dwellings were completed. The DCLG’s historical calendar year series has data back to 1949, as shown in Figure 1 below.

Figure 1: Permanent Dwellings Completed, by Tenure, 1949–2015



The DCLG estimated that 36,400 dwellings were started and that 34,920 were completed in the quarter up to June 2016 in England. Between June 2015 and June 2016, there were 144,280 housing starts and 139,030 completions. Annual housing starts were up 2 percent while housing completions had increased 6 percent compared with June 2015.¹² In addition, the DCLG found that:

All starts are now 112 percent above the trough in the March quarter 2009 but 26 percent below the March quarter 2007 peak. All completions are 39 percent above

⁸ Office for National Statistics, ‘[National Population Projections: 2014-Based Statistical Bulletin](#)’, 29 October 2015.

⁹ Department for Communities and Local Government, ‘[2014-Based Household Projections: England, 2014–2039](#)’, 12 July 2016, p 1.

¹⁰ *ibid*, p 1.

¹¹ Department for Communities and Local Government, ‘[Table 241: Permanent Dwellings Completed, by Tenure, United Kingdom, Historical Calendar Year Series](#)’, 25 August 2016.

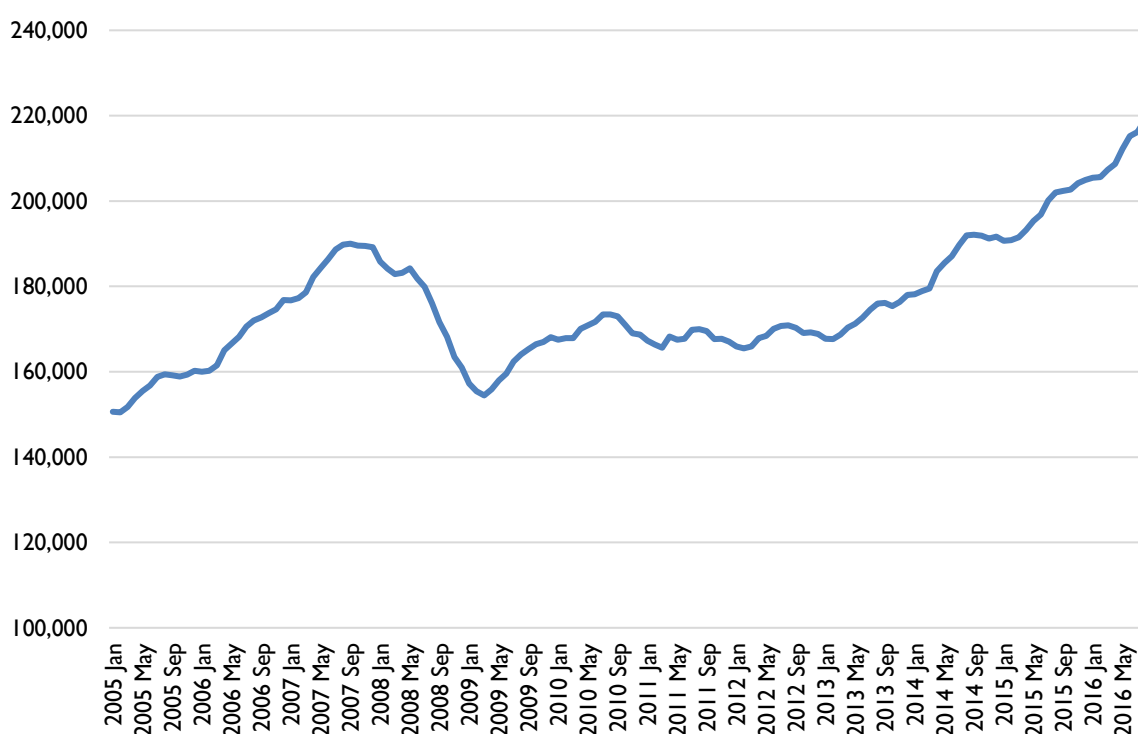
¹² Department for Communities and Local Government, ‘[House Building: June Quarter 2016: England](#)’, 25 August 2016, p 1.

the trough in the March quarter 2013 and 28 percent below their March quarter 2007 peak.¹³

1.2 House Prices

In August 2016, the average UK house price was £219,000, £17,000 higher than the average in August 2015. This represented an 8.4 percent increase on the previous year.¹⁴ The ONS has noted that deposits, as a percentage of purchase price, had increased for first time buyers. In 1996, first time buyers spent 10 percent of the purchase price of a home on a deposit, in 2009, this peaked at 23 percent. However, the ONS observed that in recent years the proportion still remained above 20 percent of the purchase price on average.¹⁵

Figure 2: Average UK House Price, January 2005 to August 2016¹⁶



The *Financial Times* reported that house prices in London “are now so high that it has become difficult for many well-paid people to own their home” and noted that the average house price in the capital was £530,000.¹⁷ With the median inner London salary at £35,000 a year, the paper suggested that those who do manage to buy a house in London are “highly paid, receive substantial help from their families or both”. According to a survey by Halifax, the building society, in July 2016, the average deposit in London was £96,000 compared with a national average of £34,000 in 2016.¹⁸ In 2015, 6,759 ‘affordable’ homes were built in London, which the *Financial Times* noted was the “lowest figure for at least eight years”.¹⁹ In September 2016, the

¹³ Department for Communities and Local Government, [House Building: June Quarter 2016: England](#), 25 August 2016, p 1.

¹⁴ Office for National Statistics, [‘House Price Index: August 2016’](#), 15 November 2016.

¹⁵ Office for National Statistics, [‘Why Are More Young People Living With Their Parents?’](#), 22 February 2016.

¹⁶ Office for National Statistics, [‘House Price Index: August 2016’](#), 15 November 2016.

¹⁷ *Financial Times*, ‘Housing Shortage Puts Squeeze on London Workers’, 7 September 2016.

¹⁸ *ibid.*

¹⁹ *ibid.*

Mayor of London, Sadiq Khan, announced a London Living Rent scheme. Under this scheme, certain private renters would be able to rent new affordable properties at below market rates.²⁰

1.3 Trends in Housing Tenure

Home Ownership

Using data provided by the Council of Mortgage Lenders on the number of mortgage loans for first time buyers in the UK between 1980 and 2015, the ONS observed that:

From the 1980s until the early 2000s there were typically between 400,000 and 600,000 loans to first time buyers each year. However, in 2003 there was a 31 percent decline and then in 2008 there was a further 47 percent decrease—the largest in the series—as the economic downturn affected the housing market.

In recent years the number of first time buyers has been recovering, although numbers fell in 2015 and the levels remain below those seen before 2003.²¹

As a consequence of these developments, the ONS noted that there had been a reduction in the number of 25- to 34-year olds owning homes in England. In 1991, 67 percent of this age group owned homes, but this had fallen to 36 percent by the year ending 2014.²² Over the same period, home ownership among 16- to 24-year olds fell from 36 percent in 1991 to 9 percent in 2014.²³ The DCLG's latest *English Housing Survey* found that the average age of first time buyers had increased from 30 to 33 over the past 20 years and that the proportion of first-time buyers aged 35 to 44 had increased from 11 percent in 1994–95 to 20 percent in 2014–15.²⁴

The Institute for Fiscal Studies (IFS) had also observed a decline in home ownership among young people. Its *Housing: Trends in Prices, Costs and Tenure* paper found that:

Increases in house prices relative to incomes have probably been at least partly responsible for a significant decline in homeownership (and a rise in private renting) since the early 2000s, reversing the trend seen over the late 20th century. This largely reflects differences between generations: the age 25 homeownership rate fell from 45 percent for the mid-1960s birth cohort to 20 percent for the mid-1980s cohort. By age 35, the homeownership rate of those born in the mid-1970s remained 10 percentage points lower than for those born in the mid-1960s at the same age.²⁵

The Resolution Foundation, who describe themselves as a non-partisan think tank that investigates living standards in the UK, also acknowledged that the historic trend of home ownership had reversed in recent decades. So-called 'Generation X' (those born between 1966 and 1980) and 'millennials' (those born between 1981 and 2000) were now "less likely than

²⁰ BBC News, '[Mayor Sadiq Khan Announces London Living Rent Scheme](#)', 19 September 2016.

²¹ Office for National Statistics, '[UK Perspectives 2016: Housing and Home Ownership in the UK](#)', 25 May 2016.

²² *ibid.*

²³ *ibid.*

²⁴ Department for Communities and Local Government, [English Housing Survey: First Time Buyers and Potential Home Owners Report, 2014–15](#), p. 1.

²⁵ Institute for Fiscal Studies, [Housing: Trends in Prices, Costs and Tenure](#), February 2015.

previous generations to own their own homes”.²⁶ The *Stagnation Generation* report suggested that:

This pattern has of course been driven to a large degree by rapid increases in house prices, with the ratio of average house prices to annual earnings rising from 6.4 in 2002 to 11 in 2016. Changing credit conditions have also played a role, with the typical deposit put down by first time buyers rising from 5 percent in the 1990s to 10 percent in 2007. Following the tightening of lending criteria post-financial crisis, the typical deposit now stands at 17 percent.²⁷

However, while a number of commentators had attributed high house prices to the difficulties young people faced getting on the housing market, writing in the *Telegraph*, Teresa Hunter, argued that so-called ‘millennials’ have “never had it so good”.²⁸ She contended that it was “cheaper to buy a home today than it was during the Eighties and Nineties, because high prices have been more than offset by tumbling borrowing costs”.²⁹

Private Rented Sector

The *English Housing Survey* noted that 19 percent (4.3 million) of all households were private renters in 2014–15.³⁰ The survey also noted that the size of the private rented sector had increased in recent years:

The sector increased from 11 percent to 18 percent between 2004–05 and 2012–13 and then to 19 percent in 2014–15. Between 1994–95 and 2004–05 the sector saw a much smaller increase, from 10 percent to 11 percent.³¹

The survey stated that the private rented sector had “undergone rapid growth in the last ten years, and overtook the social rented sector as the second largest sector in 2012–13”.³² In addition, the survey noted that the “private rented sector has a higher proportion of younger people than other tenure types” with 70 percent of private renters aged under 45. The following table from the *English Housing Survey: Private Rented Sector Report* breaks down the numbers and proportion of households by age and tenure.

²⁶ Resolution Foundation, [Stagnation Generation: The Case for Renewing the Intergenerational Contract](#), 18 July 2016, p 34.

²⁷ *ibid.*

²⁸ Teresa Hunter, [‘Stop Whingeing. Millennials. and Look at the Facts: You’ve Never Had it So Good’](#), *Telegraph*, 23 October 2016.

²⁹ *ibid.*

³⁰ Department for Communities and Local Government, [English Housing Survey: Private Rented Sector Report, 2014–15](#), 21 July 2016, p 1.

³¹ *ibid.*

³² *ibid.*

Table 1: Age of Household Reference Person (HRP) by Tenure, 2014–15³³

all households	Owner Occupiers	Social Renters	Private Renters	Total
				percentages
16 to 24	0.5	4.2	13.0	3.5
25 to 34	8.3	14.8	34.6	14.5
35 to 44	16.3	17.3	22.4	17.7
45 to 54	21.8	20.3	14.5	20.1
55 to 64	18.8	14.7	6.9	15.8
65 to 74	17.5	13.1	4.8	14.3
75 or older	16.7	15.7	3.7	14.1
total	100.0	100.0	100.0	100.0
				thousands of households
16 to 24	67	164	556	786
25 to 34	1,195	578	1,481	3,253
35 to 44	2,341	677	960	3,978
45 to 54	3,117	794	622	4,533
55 to 64	2,693	575	295	3,564
65 to 74	2,512	511	207	3,230
75 or older	2,398	613	157	3,168
total	14,324	3,912	4,278	22,514
sample size	7,817	3,270	2,087	13,174

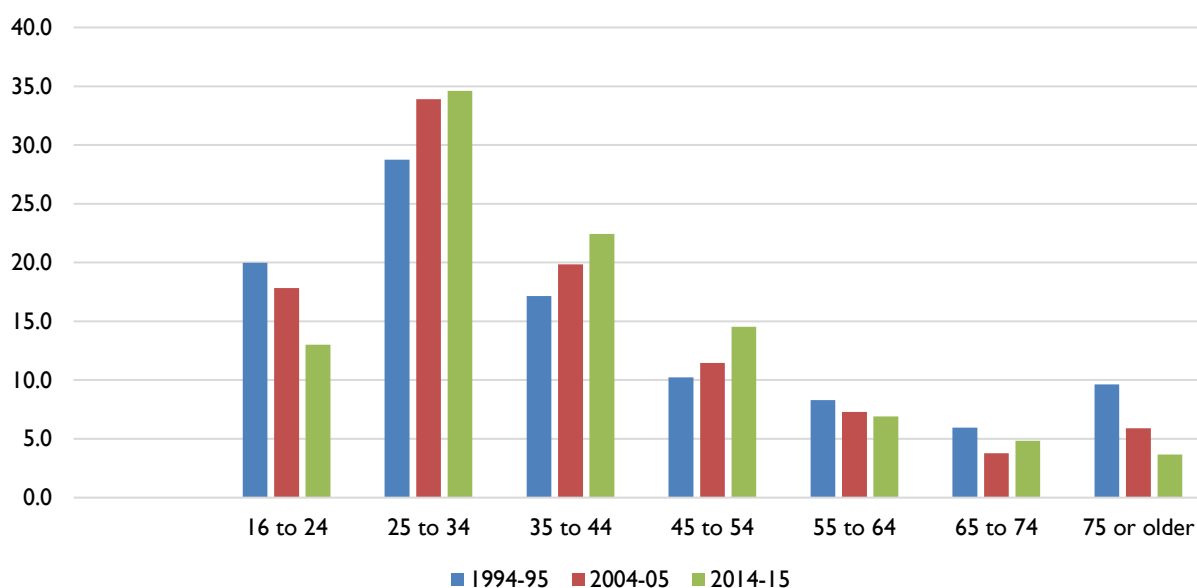
Source: *English Housing Survey, full household sample*

The number of younger households in the private rented sector had also increased over the last decade. Since 1994–95, the proportion of 25- to 34-year olds in the sector has increased from 29 to 35 percent.³⁴ However, the proportion of 16- to 24-year olds in the private rented sector fell from 20 percent in 1994–95 to 13 percent in 2014–15.³⁵ The following chart is based on the demographic characteristics of private renters found in the *English Housing Survey: Private Sector Report 2014–15*.

³³ Department for Communities and Local Government, *English Housing Survey: Private Rented Sector Report, 2014–15, 'Chapter 1: Figures and Annex Tables'*, 21 July 2016.

³⁴ Department for Communities and Local Government, *English Housing Survey: Private Rented Sector Report, 2014–15*, 21 July 2016, p 6.

³⁵ Department for Communities and Local Government, *English Housing Survey: Private Rented Sector Report, 2014–15, 'Chapter 1: Figures and Annex Tables'*, 21 July 2016.

Figure 3: Private Renters by Age in England, 1994–95, 2004–05 and 2014–15³⁶

1.4 Homelessness

The latest statistics on statutory homelessness published by the DCLG found that 15,170 households were accepted as being statutorily homeless by local authorities between 1 April and 30 June 2016.³⁷ According to the DCLG, in 2015 there were an estimated 3,569 people sleeping rough, a 30 percent increase from the 2014 total of 2,744.³⁸

The *Homelessness Monitor 2016*, published by the homelessness charity Crisis, is a longitudinal study of homelessness in England. Crisis estimated that:

Including informal ‘homelessness prevention’ and ‘homelessness relief’ activity, as well as statutory homelessness acceptances, there were some 275,000 ‘local authority homelessness case actions’ in 2014/15, a rise of 34 percent since 2009/10.³⁹

The *Homeless Monitor* also made estimates on the number of households containing concealed single persons:

There were 2.35 million households containing concealed single persons in England in early 2015, in addition to 267,000 concealed couples and lone parents. The number of adults in these concealed household units is estimated at 3.52 million. These numbers represent a rise of 40 percent since 2008.⁴⁰

In 2015, the Cambridge Centre for Housing Planning Research published research on the number of young people, aged 16 to 24, experiencing homeless. The study found that during 2013–14 83,000 homeless young people had been accommodated by local authorities or

³⁶ Department for Communities and Local Government, *English Housing Survey: Private Rented Sector Report, 2014–15*, ‘Chapter 1: Figures and Annex Tables’, 21 July 2016.

³⁷ Department for Communities and Local Government, *Statutory Homelessness and Prevention and Relief, April to June 2016: England*, p. 1

³⁸ Department for Communities and Local Government, *Rough Sleeping Statistics Autumn 2015, England*, p. 1.

³⁹ Crisis, *The Homelessness Monitor England 2016*, January 2016, p. vii.

⁴⁰ *ibid*, p. viii.

homelessness services.⁴¹ It also estimated that there were “around 35,000 young people in homeless accommodation at any one time across the UK.”⁴²

The study carried out a UK-wide survey of young people to assess levels of hidden homelessness. It estimated that 1.3 million young people had slept rough or in an unsafe place. The study observed that:

- Overall, 26 percent of young people said they had ever slept rough or in unsafe such as cars, nightbusses or on the streets because they had nowhere else to go.
- 17 percent had slept rough (including unsafe places such as in cars) during the last year, with 10 percent having done so for more for than one night.
- 20 percent had sofa surfed during the last year, with 16 percent having done so for more than a week, and 4 percent for over three months.⁴³

2. Causes of the Housing Shortage

Earlier this year, the House of Lords Economic Affairs Committee published a report, *Building More Homes*. The report, which focused on England (housing policy is a devolved matter), argued that a “growing population, rising immigration and rising incomes have increased demand for housing in England in recent decades”.⁴⁴ It observed that too few homes had been built during this time; house prices had risen significantly in some areas of England; rates of homeownership had declined; and noted that the “decline in the number of homes available in the social sector, means that an increasing proportion of people are now housed by private landlords”.⁴⁵ Although the Government aimed to build a million homes by 2020, the Committee said that “it has been ten years since 200,000 homes (the implied annual rate from the Government’s target) were added to the housing stock in a single year”.⁴⁶ Based on the evidence the Committee received during its inquiry, the report recommended that to “meet demand and have a moderating effect on house prices, at least 300,000 homes a year need to be built for the foreseeable future”.⁴⁷

The Committee identified a number of issues with housing policy over recent decades. The report summarised these below:

- demand, fuelled by demographic change, immigration, rising incomes and greater availability of mortgages, has been rising;
- the planning system, in restricting the supply of land, contributes to higher prices;
- private builders have not built enough homes to meet requirements for a number of years and there is little incentive for private builders to increase their output significantly;

⁴¹ Cambridge Centre for Housing and Planning Research, [Estimating the Scale of Youth Homelessness in the UK](#), p 3.

⁴² *ibid.*

⁴³ *ibid.*

⁴⁴ House of Lords Economic Affairs Committee, [Building More Homes](#), 15 July 2016, HL Paper 20 of session 2016–17, pp 3 and 14.

⁴⁵ *ibid.*, p 3.

⁴⁶ *ibid.*

⁴⁷ *ibid.*, pp 4–5.

- local authority building has effectively stopped for the last 30 years and has not been fully replaced by housing associations, building on the scale required has only been achieved previously when the public sector has contributed;
- changes in public policy have increased volatility in the market; the existing housing stock is not being used as efficiently as it could be.⁴⁸

A BBC News article suggested that there were a number of factors inhibiting house building in the UK. It observed that the downturn in the housing market caused by the 2007–08 financial crisis caused around 250,000 people to leave the construction industry which had caused a skills shortage.⁴⁹ It also reported that a number of concerns had been raised regarding the time it takes to receive permission from planning authorities before construction can start and that some housing associations had argued that measures announced in the 2015 Budget to reduce rents for tenancies would stop future developments.⁵⁰

3. Impact of Housing Market on Young People

3.1 Young People's Wages

According to the ONS, in recent years, home ownership has become increasingly “less affordable” due to the gap between earnings and house prices. The ONS observed that:

[T]he median price paid for a residential property in England and Wales has increased more than the median annual salary since 2002. This was mainly caused by the increases in house prices between 2002 and 2007 (59 percent increase) and between 2011 and 2015 (29 percent increase). In 2015, the median price paid had increased by nearly 90 percent since 2002. During this period, median annual salary has increased by just over 30 percent, showing that buying a house has become less affordable.⁵¹

In addition, a number of commentators have observed that young people's earnings has fallen over a number of years. The ONS noted that in 2013 “the real earnings (adjusted for inflation) of people in their 20s were 12 percent lower on average than those in their 20s in 2009”.⁵² Similarly, since the recession, the IFS calculated that:

Despite something of a recovery in the last two years, median income for 22- to 30-year olds is still 7 percent below its 2007–08 level, driven by much weaker labour market outcomes for younger people since the recession.⁵³

The Resolution Foundation's *Stagnation Generation* report, published as part of the launch of its Intergenerational Commission, found that so-called millennials (the generation born between 1981 and 2000) are at “risk of becoming the first ever generation to record lower lifetime earnings than their predecessors”.⁵⁴

⁴⁸ House of Lords Economic Affairs Committee, [Building More Homes](#), 15 July 2016, HL Paper 20 of session 2016–17, p 15.

⁴⁹ BBC News, [‘Why Can't Britain Build Enough Homes to Meet Demand’](#), 11 August 2015.

⁵⁰ *ibid.*

⁵¹ Office for National Statistics, [‘Housing Summary Measures Analysis: 2015’](#), 7 October 2016.

⁵² Office for National Statistics, [‘Why are More Young People Living with their Parents?’](#), 22 February 2016.

⁵³ Institute for Fiscal Studies, [Living Standards, Poverty and Inequality in the UK: 2016](#), July 2016, p 12.

⁵⁴ Resolution Foundation, [Stagnation Generation: The Case for Renewing the Intergenerational Contract](#), 18 July 2016, p 5.

The report estimated that:

In contrast to the taken-for-granted promise that each generation will do better than the last, today's 27-year olds (born in 1988) are earning the same amount that 27-year olds did a quarter of a century ago. Indeed, a typical millennial has actually earned £8,000 less during their twenties than those in the preceding generation—generation X.⁵⁵

The report argued that while the financial crisis was largely responsible, “with more than a 10 percent gap still existing between young people’s earnings today compared to their peak in 2009, there are signs that problems preceded the recent crisis”.⁵⁶

However, writing in the *Telegraph*, Teresa Hunter argued that while wage growth for young workers had been slow since the financial crisis, “they are still better off than their parents”.⁵⁷ She contended that young people in their 20s had a median income of £25,378 and £28,316 at 30. This, when uprated to today’s prices, compared with around £17,029 in 1986 for those aged 30.⁵⁸

3.2 Income Spent on Rent

As set out in the *English Housing Survey*, an increasing proportion of young people are renting privately. A number of commentators have described this as the rise of so-called ‘generation-rent’.⁵⁹ For example, a PricewaterhouseCoopers (PwC) report suggested that so-called ‘generation rent’ comprising people aged 20 to 39, faced continued housing affordability problems. PwC argued that:

Our new research into housing affordability for generation rent shows that buyers may now have to save for 19 years in order to buy their first home (assuming the deposit has to be raised entirely from their own savings without family assistance). In 2000, the same group would have been able to buy after saving for just 6 years; and in 1990 it took only around 2 years.⁶⁰

The Valuation Office Agency estimated that the median rent in England between 1 April 2015 and 31 March 2016 was £650 per month. In London, the median rent was £1,452 per month.⁶¹

According to an ONS experimental index of private housing rental prices in Great Britain:

Private rental prices paid by tenants in Great Britain rose by 2.3 percent in the twelve months to August 2016, down 0.1 percentage point compared with the year to July 2016.

⁵⁵ Resolution Foundation, [Stagnation Generation: The Case for Renewing the Intergenerational Contract](#), 18 July 2016, p 5.

⁵⁶ *ibid.*

⁵⁷ Teresa Hunter, [‘Stop Whingeing, Millennials, and Look at the Facts: You’ve Never Had it So Good’](#), *Telegraph*, 26 October 2016.

⁵⁸ *ibid.*

⁵⁹ *Guardian*, [‘Generation Rent: The Housing Ladder Starts to Collapse for the Under-40s’](#), 22 July 2015.

⁶⁰ PricewaterhouseCoopers, [UK Economic Outlook](#), July 2016, p 17.

⁶¹ Valuation Office Agency, [Private Rental Market Statistics, England, 2015–16](#), 19 May 2016, p 1.

Private rental prices grew by 2.4 percent in England, 0.1 percent in Wales and were unchanged in Scotland (0.0 percent) in the twelve months to August 2016.⁶²

The IFS has estimated that the average housing costs paid by renters had been “roughly flat” but in recent years had risen slightly in real terms between 2007–08 and 2012–13.⁶³ During this period, the proportion of income spent on rent had risen from 24.6 to 27.3 percent.⁶⁴

The Resolution Foundation report, *The Housing Headwind*, suggested that “younger age groups consistently spend a higher proportion of their income on housing costs over time”.⁶⁵ In addition, in its *Stagnation Generation* report, it argued that:

[T]he rising cost of renting creates a potential vicious circle for those struggling to access home ownership. That is, with more of their income being diverted towards rents, younger generations can find themselves less able to save for a deposit.

Rental costs rose substantially from around 1980 due to growth in the private rented sector and the weakening of regulation. Combining the two (related) trends of lower home ownership and higher rents, we estimate that the average millennial spent £25,000 more in real terms on rent in their 20s than the previous generation, and £44,000 more than the average baby boomer did. While it’s wrong to view rent as ‘wasted’ money, it’s easy to understand why millennials aspiring to ownership would be frustrated by this situation. Indeed £44,000 is comfortably more than the average first time buyer deposit in today’s market.⁶⁶

A number of commentators have highlighted the increasing proportion of young people’s income being spent on rent. The *Telegraph’s* business reporter, Szu Ping Chang wrote that “across the UK, rents grew at an average annual rate of 2 percent over the period, compared with earnings growth of 1.4 percent” and that in London “rents have risen by around 3.3 percent per year over the past four years, while earnings have climbed by just 0.4 percent” between 2012 and 2015.⁶⁷

3.3 Young People Living with Parents

The ONS found that “young adults (aged 20 to 34) in the UK are more likely to be sharing a home with their parents than any time since 1996”.⁶⁸ In 2015, there were 3.3 million 20 to 34 year olds living with their parents, compared with 2.7 million in 1996. Similarly, in October 2015, the building society Nationwide published the results of a poll of 2,000 people which suggested that 20 percent of adults were “waiting until they are at least 26-years old before leaving the family home”.⁶⁹ The ONS explained that lone parents who chose to live with their parents form so-called ‘concealed families’ and that these young adults were not included in the

⁶² Office for National Statistics, ‘[Index of Private Housing Rental Prices \(IPHRP\) in Great Britain, Results: Aug 2016](#)’, 26 September 2016.

⁶³ Institute for Fiscal Studies, [Housing: Trends in Prices, Costs and Tenure](#), February 2015, p 13.

⁶⁴ *ibid.*

⁶⁵ Resolution Foundation, [The Housing Headwind: The Impact of Rising Housing Costs on UK Living Standards](#), June 2016.

⁶⁶ *ibid.*, p 34.

⁶⁷ Szu Ping Chang, ‘[Under 40? Five Charts That Show Why You’re a Victim of the Housing Crisis](#)’, *Telegraph*, 7 April 2016.

⁶⁸ Office for National Statistics, ‘[Why Are More Young People Living With Their Parents?](#)’, 22 February 2016.

⁶⁹ Nationwide, ‘[Hotel of Mum and Dad Stays Open for Longer](#)’, 12 October 2015.

data for the numbers of people living with their parents, lowering the total number.⁷⁰ It suggested that one possible cause was that the “formalisation of relationships (getting married, forming a civil partnership or cohabiting with a partner) is occurring at older ages”.⁷¹ In England and Wales the average age at first marriage was 32 for men and 30 for women, while in 1996, this was 29 for men and 27 for women.⁷²

3.4 Young Families

A number of commentators have observed that the housing problems faced by young people has had an impact on those raising families. For example, the Resolution Foundation found that “1.6 million households with children now live in private rented accommodation, compared to 690,000 a decade ago”.⁷³ It argued that these “families have different housing needs in terms of standards and security, and the private rented sector looks poorly placed to meet them”.⁷⁴

Similarly, a Shelter and YouGov study of 3,700 private renting parents found that 27 percent of renting families in England had moved “three or more times in the last five years alone” and that 46 percent of renting parents were “forced to borrow money or had fallen behind on other payments, as a result of costs associated with their last move”.⁷⁵ The survey also noted that the proportion of first time buyers that were couple households increased from 63 percent in 1994–95 to 80 percent in 2014–15.⁷⁶

A 2012 report from the Institute for Public Policy Research (IPPR) considered the potential social impacts of housing undersupply on young people. It found that the “undersupply of housing also affects decisions on family planning”.⁷⁷ The report argued that:

The unaffordability of housing can quickly lead to families living in difficult conditions, raising the potential of developmental challenges for children. The link between poor housing, poor health and poor educational achievement in children is well documented.⁷⁸

In addition, the IPPR report found evidence that suggested housing problems had an impact on relationships:

Our polling showed that 32 percent of young people who are not married or cohabiting say that their current housing situation negatively affects their relationship with a partner or their ability to form such a relationship. This was particularly true for young people living at home: 42 percent of those living with their parents said that their ability to develop and maintain a partner relationship was negatively impacted by their housing situation. Living with parents meant that it was harder to spend time with new people,

⁷⁰ Office for National Statistics, [‘Why Are More Young People Living With Their Parents?’](#), 22 February 2016.

⁷¹ *ibid.*

⁷² Office for National Statistics, [‘Why Are More Young People Living With Their Parents?’](#), 22 February 2016.

⁷³ Resolution Foundation, [‘The Housing Headwind: The Impact of Rising Housing Costs on UK Living Standards’](#), June 2016, p 32.

⁷⁴ *ibid.*

⁷⁵ Shelter, [‘Unstable Renting Sees Quarter of Families Move Three Times in Five Years’](#), 17 February 2016.

⁷⁶ Department for Communities and Local Government, [‘English Housing Survey: First Time Buyers and Potential Home Owners Report, 2014–15’](#), p. 1.

⁷⁷ Institute for Public Policy Research, [‘No Place to Call Home’](#), December 2012, p 18.

⁷⁸ *ibid.*, p 19.

affected the way they felt about themselves, and impacted on their ability to feel confident in a relationship.⁷⁹

A Shelter and YouGov survey of 6,254 adults aged under 45 found that 59 percent of 18- to 44-year olds in Britain “say they will be forced to put their lives on hold because of housing problems”. Shelter suggested that the survey revealed how the “housing shortage is reshaping how millions of people live their lives and creating entirely new timeframes for when they hit traditional life milestones”.⁸⁰ The survey found that 19 percent of people had “experienced or expected a delay in finding job opportunities” as a result of housing problems and that 16 percent of people had postponed marriage.⁸¹ In addition, 22 percent of people in relationships had delayed having children because of housing problems.

The IPPR suggested that young people’s housing situation negatively affected their ability to reach meaningful life goals.⁸² It stated that “time and time again, young people reflected on how their housing situation contributed to stifling their potential, particularly around life ambitions and career aspirations”.⁸³

3.5 Communities

The IPPR’s research suggested that the lack of housing affordability has an impact on young people’s sense of community belonging. The *No Place to Call Home* report found that:

Our analysis of survey data illustrates a chasm between owners and renters and their respective sense of belonging to the community where they live. Owning a home has a statistically significant impact on people’s sense of belonging within a community, relative to renting.

New IPPR analysis finds that owning a home increases a person’s sense of belonging to a neighbourhood as much as simply living there without owning for 14 years. For example, when controlling for all other variables, an individual who has lived in the same home for 20 years without owning it is likely to feel the same sense of neighbourhood belonging as someone who owns their home but has lived in it for just six years.⁸⁴

3.6 Internal Migration

According to an analysis by the campaign group Generation Rent, 65,890 people in their 30s from London moved to another part of the UK in 2014–15 while 35,480 people moved to the city.⁸⁵ The group suggested that it is concerning that emigration from London was accelerating:

It means that more people are deciding London is not a long term option. It is no coincidence that this great escape has occurred during a period when house prices in London rose by 37 percent, compared to 16 percent in the UK as a whole, and rents rose by 10 percent, compared to 4 percent outside London. It is getting harder to enjoy

⁷⁹ Institute for Public Policy Research, [No Place to Call Home](#), December 2012, p 19.

⁸⁰ Shelter, [‘Generation Pause: 60 Percent of Under 45s Left Behind by Housing Crisis’](#), 6 June 2016.

⁸¹ *ibid.*

⁸² Institute for Public Policy Research, [No Place to Call Home](#), December 2012, p 2.

⁸³ *ibid.*, p 3.

⁸⁴ *ibid.*, p 21.

⁸⁵ Generation Rent, [‘London’s Housing Costs are Driving Families Away’](#), 26 September 2016.

a decent standard of living in London, or save for a better one, when your landlord is taking more of your money.⁸⁶

The ONS observed that “of the English regions, London had the highest rate of internal migration net outflow (9.1 per 1,000 residents as at mid-2014)”.⁸⁷ However, in the year ending June 2015, 67,600 people aged 20 to 24 moved to London while 39,640 people left resulting in a net inflow of 27,960 people. In the same period, 45,410 25- to 29-year olds moved to London, while 35,420 left.⁸⁸

3.7 Intergenerational Fairness

Debates over housing and young people have often been framed in terms of intergenerational fairness. For example, in its report into so-called ‘Generation Y’, the *Guardian* wrote that:

A combination of debt, joblessness, globalisation, demographics and rising house prices is depressing the incomes and prospects of millions of young people across the developed world, resulting in unprecedented inequality between generations.⁸⁹

On 13 January 2016, the House of Commons Work and Pensions Committee launched an inquiry on “intergenerational fairness”. According to the Committee:

The inquiry aims to answer the question of whether the current generation of people in or approaching retirement will over the course of their lifetimes have enjoyed and accumulated much more housing and financial wealth, public service usage, and welfare and pension entitlements than more recent generations can hope to receive.⁹⁰

Laura Gardiner, in the Resolution Foundation’s *Stagnation Generation* report, wrote that “just like families, states and societies are underpinned by a social contract between the generations [...]”.⁹¹ She suggested that this contract was at risk of “fraying” and that concerns over intergenerational fairness had been rising up the agenda. Ms Gardiner argued that:

These concerns have been driven by some visible problems. Young people have experienced the biggest pay squeeze in the aftermath of the financial crisis, seen their dreams of home ownership drift out of sight and witnessed a welfare state in retreat. No doubt some of these strains on the intergenerational contract are short-term in their nature and will unwind naturally over time, but there is a sense that many of them run deeper.⁹²

She argued that the inability of millennials to get on the housing market meant that “assets are becoming increasingly concentrated in the hands of older generations”.⁹³ For example, the

⁸⁶ Generation Rend, [‘London’s Housing Costs are Driving Families Away’](#), 26 September 2016.

⁸⁷ Office for National Statistics, [‘Internal Migration, England and Wales: Year Ending June 2015’](#), 23 June 2016.

⁸⁸ Office for National Statistics, [‘Internal migration - Moves by Local Authorities and Regions in England and Wales by 5 year Age Group and Sex’](#), 23 June 2016.

⁸⁹ *Guardian*, [‘Revealed: The 30-Year Economic Betrayal Dragging Down Generation Y’s Income’](#), 7 March 2016.

⁹⁰ House of Commons Work and Pensions Committee, [‘Intergenerational Fairness Inquiry’](#), 13 January 2016.

⁹¹ Resolution Foundation, [‘Stagnation Generation: The Case for Renewing the Intergenerational Contract’](#), 18 July 2016, p 5.

⁹² *ibid.*

⁹³ *ibid.*, p 35.

Stagnation Generation report calculated that so-called baby boomers (those born between 1946 and 1965) received half of all the rent that goes to private landlords.⁹⁴

The Head of Health and Welfare at the Institute for Economic Affairs (IEA), Dr Kristian Niemietz, has also observed that housing shortage concentrated assets among the older generation. He wrote that:

One of the effects of this politically-induced housing shortage is a massive transfer of income and wealth from the younger generation to the “Baby Boomers”. But it is not a zero-sum transfer: there is a net social cost, and it is gigantic. The housing shortage depresses living standards, especially among the least well-off.⁹⁵

Over the past five years the Intergenerational Foundation has published its ‘Intergenerational Index’, which measured the “position of young adults in the UK in relation to a range of important socio-economic areas which help to determine their chances in life”.⁹⁶ These indicators included unemployment, housing, pensions, government debt, democratic participation, health, incomes, environment and education. The *2016 Intergenerational Index* report found that “the position of young people has worsened significantly since the Index’s starting point in the year 2000”.⁹⁷ The report suggested that “housing is one of the content areas where the picture for young people has worsened the most during the period covered by the index”, with housing affordability for young people falling since 2000.⁹⁸

However, in response to debates about intergenerational fairness, the political commentator at the *Financial Times*, Janan Ganesh, argued that:

Generational injustice is simultaneously borne out by data and untrue to anyone who lives in the actual world. Economists can trace the decline in real wages over time, the forbidding ratio of earnings to property prices for young workers, the relative prosperity of pensioners and twentysomethings.

They cannot account for the dazzling consumer gains that come with technology and competition multiplied by the passage of time.⁹⁹

Mr Ganesh also suggested that:

It is a weirdly modern notion that each generation should be happier and better off than the last. The universe does not owe us a teleology of linear progress. But since 1945, and in much of the world, we have had more or less that.¹⁰⁰

4. Government Policy

In July 2016, the Prime Minister, Theresa May, observed that young people faced difficulties getting on the housing ladder. She stated that “if you’re young, you’ll find it harder than ever

⁹⁴ Resolution Foundation, [Stagnation Generation: The Case for Renewing the Intergenerational Contract](#), 18 July 2016, p 35.

⁹⁵ Institute of Economic Affairs, [Unaffordable Housing: Causes, Consequences and Solutions](#), 12 March 2015.

⁹⁶ Intergenerational Foundation, [Intergenerational Fairness Index 2016](#), 14 August 2016.

⁹⁷ *ibid*, p 5.

⁹⁸ *ibid*, p 14.

⁹⁹ Janan Ganesh, [The Millennials Do Not Know How Lucky They Are](#), *Financial Times*, 18 March 2016.

¹⁰⁰ *ibid*.

before to own your own home” and pledged to make “Britain a country that works for everyone”.¹⁰¹

At the Conservative Party conference in October 2016, the Communities Secretary, Sajid Javid, called for a million new homes by 2020. He pledged that the Government would borrow £2 billion to fund the ‘Accelerated Construction’ scheme to facilitate building on publicly owned brownfield sites.¹⁰² In addition, Mr Javid announced a £3 billion Home Building Fund which would provide government funding to build homes for sale or rent and infrastructure finance.¹⁰³ The Coalition Government and the current Conservative Government introduced a number of policies aimed to encourage home ownership in the UK. For example, in December 2014, the then Prime Minister, David Cameron, announced the introduction of the Starter Home Initiative.¹⁰⁴ This offered 100,000 (later increased to 200,000) first time buyers aged under 40 a 20 percent discount on the market rate.¹⁰⁵ New homes were built specifically for the scheme and the prices were capped at £250,000 or £450,000 in London.¹⁰⁶

In addition, the Coalition Government introduced a number of affordable home ownership schemes. During the March 2013 Budget, the then Chancellor of the Exchequer, George Osborne, announced the help to buy equity loan.¹⁰⁷ Under this scheme, the Government would lend up to 20 percent of the value of a new build home for a first time buyer with a deposit of at least 5 percent.¹⁰⁸ A help to buy ISA was introduced by Mr Osborne in the March 2015 Budget. This scheme allowed people to save £200 a month towards purchasing a new home. The Government would then boost the savings by 25 percent.¹⁰⁹

In the November 2015 Autumn Statement, Mr Osborne introduced the help to buy shared ownership scheme, which allowed those with a household income of less than £80,000 outside London, and £90,000 inside London, to buy a home through shared ownership. The Chancellor announced the introduction of the London help to buy, where the Government would lend 40 percent of the price of a new build home in London.¹¹⁰ A help to buy mortgage guarantee scheme was also introduced in October 2013 which saw the Government guarantee a mortgage provider.¹¹¹ However, the current Chancellor, Philip Hammond, has announced that this scheme will be closed at the end of the year.¹¹²

¹⁰¹ Prime Minister’s Office, ‘[Statement from the New Prime Minister Theresa May](#)’, 13 July 2016.

¹⁰² BBC News, ‘[Sajid Javid Attacks ‘Nimbyism’ As He Calls For 1m New Homes](#)’, 3 October 2016.

¹⁰³ Department for Communities and Local Government and Homes and Communities Agency, ‘[An Introduction to the Home Building Fund](#)’, 4 October 2016.

¹⁰⁴ Prime Minister’s Office, ‘[20 Percent Discount on Your First Home Announces PM](#)’, 15 December 2014.

¹⁰⁵ HM Treasury, ‘[Help to Buy: New Announcements Explained](#)’, 25 November 2016.

¹⁰⁶ House of Commons Library, ‘[Stimulating Housing Supply—Government Initiatives \(England\)](#)’, 15 June 2016.

¹⁰⁷ HM Treasury, ‘[Budget 2013: An Overview](#)’, 20 March 2013.

¹⁰⁸ HM Government, ‘[Help to Buy Equity Loan: How Does It Work](#)’, accessed 25 October 2016.

¹⁰⁹ HM Treasury, ‘[Budget 2015: Some of the things we’ve Announced](#)’, 18 March 2015.

¹¹⁰ HM Treasury, ‘[Help to Buy: New Announcements Explained](#)’, 25 November 2015.

¹¹¹ HM Treasury, ‘[Help to Buy: Mortgage Guarantee Launches Today](#)’, 8 October 2013.

¹¹² *Guardian*, ‘[Philip Hammond Ditches Osborne’s Help-to-Buy Homes Schemes](#)’, 29 September 2016.

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