Meeting Future Housing Needs: How to measure housing need? Who is meeting housing need?

Michael Jones
Cambridge Centre for Housing and Planning Research
University of Cambridge
fmj22@cam.ac.uk
Estimating housing needs

• Housing needs are the needs of households, not individuals in population
• Therefore, problem is to estimate how many households the population might form
• Population counted at 10 yearly Census, with mid-year estimates in between – births and deaths well recorded, but migration poorly recorded
• Household and population projections are projections forward of past behaviour – they are not forecasts
• But how far are the patterns of the past going to repeat themselves in the future?
Two possible approaches

- Two approaches analysed by Alan Holmans: *Future Need and Demand for Housing in Wales*, Public Policy Institute for Wales, September 2015

- First approach is to project forward based on the household formation rate between 2001 and 2011: this is the method used in *Household Projections for Wales (2011-based)*, Welsh Government, 2014

- Compared to previous projections, this results by 2021 in:
  - a smaller overall number of households, down by 88,000
  - fewer one person households, down by 67,000
  - fewer two adults with no children, down by 43,000
  - fewer lone parents, down by 44,000
  - more three adult households without children, up by 33,000
  - more two adult households with children, up by 35,000
An alternative approach

• Holmans view was that the tendency for household sizes to reduce was longstanding, and that the slowdown during 2001-2011 was not likely to be permanent.
• Slowdown most likely to have been caused by high house prices from 2001 to 2007/08, and by effects of recession from 2008/09 to 2011.
• Holmans assumed that half of the previous long term trend in household formation would not recur, but that the other half would gradually re-establish itself.
• This would result in:
  – 48,000 more households than the WG projection
  – 33,000 more single person households
  – 15,000 more couple households
The two approaches: housing need

<table>
<thead>
<tr>
<th>Two-sector Estimate of Newly Arising Need and Demand for Housing in Wales 2011 - 2031 (000s)</th>
<th>Welsh Government projection</th>
<th>Holmans alternative projection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market</td>
<td>Social</td>
</tr>
<tr>
<td>net increase in households</td>
<td>118</td>
<td>45</td>
</tr>
<tr>
<td>second homes etc.</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>vacant dwellings</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>offset to relets 'lost' by past RTB sales</td>
<td>-25</td>
<td>25</td>
</tr>
<tr>
<td>Total to 2031</td>
<td>104</td>
<td>70</td>
</tr>
<tr>
<td>Annual average</td>
<td>5.2</td>
<td>3.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actual average supply 2000/01 to 2013/14</th>
<th>4</th>
<th>3</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortfall</td>
<td>-1.2</td>
<td>-0.5</td>
<td>-1.7</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Actual average supply 2000/01 to 2013/14</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Shortfall</td>
<td>-3</td>
<td>-7</td>
<td>-5</td>
</tr>
</tbody>
</table>
Market and social housing

• Holmans also distinguished between:
  • ‘market’ housing, bought or rented by households without assistance at market prices
    – Households buying a home at market prices
    – Households renting from private landlords without needing Housing Benefit
  • ‘social’ housing, bought or rented by households with assistance, paying less than the market price:
    – Households renting from social landlords
    – Households renting from private landlords but in receipt of Housing Benefit
    – Households who had purchased under the Right to Buy (or Right to Acquire) at a discounted price
Increasingly, the ‘market’ is ‘assisted’

Housebuilders' reliance on non 'traditional' purchasers: Barratt Homes 2015

- Affordable 18%
- Help to Buy 31%
- Investor 11%
- Part Exchange 8%
- Other private 32%
Changes in tenure 2000/01 to 2013/14

numbers of social and private rented properties

numbers of owner occupiers

- Social rented
- PRS
- OO

New housebuilding: history and prospects?

- Private sector starts
- Social sector starts
Housing stock and tenure: assumptions

- Private sector new housebuilding growing steadily from current 5,300 p.a. to 7,500 by 2030/31
- Housebuilding by social landlords continuing at around 775 p.a.
- Private rented sector continuing to grow at 7,500 p.a (average rate since 2000/01)
- PRS tenants in receipt of Housing Benefit continues to be 45%
- RTB sales cease, but remaining RTB purchasers sell at 2% of RTB stock p.a.
Tenants in receipt of Housing Benefit in social and private rented sectors

- May 2015 SRS
- May 2015 PRS
Tenants in receipt of Housing Benefit: social and private rented sectors by age

PRS 25 to 34

SRS 25 to 34

SRS Under 25

PRS Under 25

Younger single people: similar numbers in both social and private rented sectors
Only over 45 are there more single people in the social sector
Younger single parents: similar numbers in both social and private rented sectors
Only among older age groups are there more single parents in the social sector.
Younger couple parents: similar numbers in both social and private rented sectors
Only among older age groups are there more couple parents in the social sector.
In many areas, private sector rents are competitive with social rents.
Is private renting a threat to social renting?

• Very rapid expansion of private rented sector - doubled in twelve years
• Increase in private renting has more than absorbed equivalent of all new house building – numbers of owner occupiers shrinking
• No reluctance of landlords to let to tenants on Housing Benefit – 45% of all PRS tenants now in receipt of HB
• In younger age groups, as many tenants on HB in PRS as on HB in social sector
Social landlords cannot afford to be complacent about tenant satisfaction:

[Bar charts showing satisfaction with accommodation and landlord repairs and maintenance]