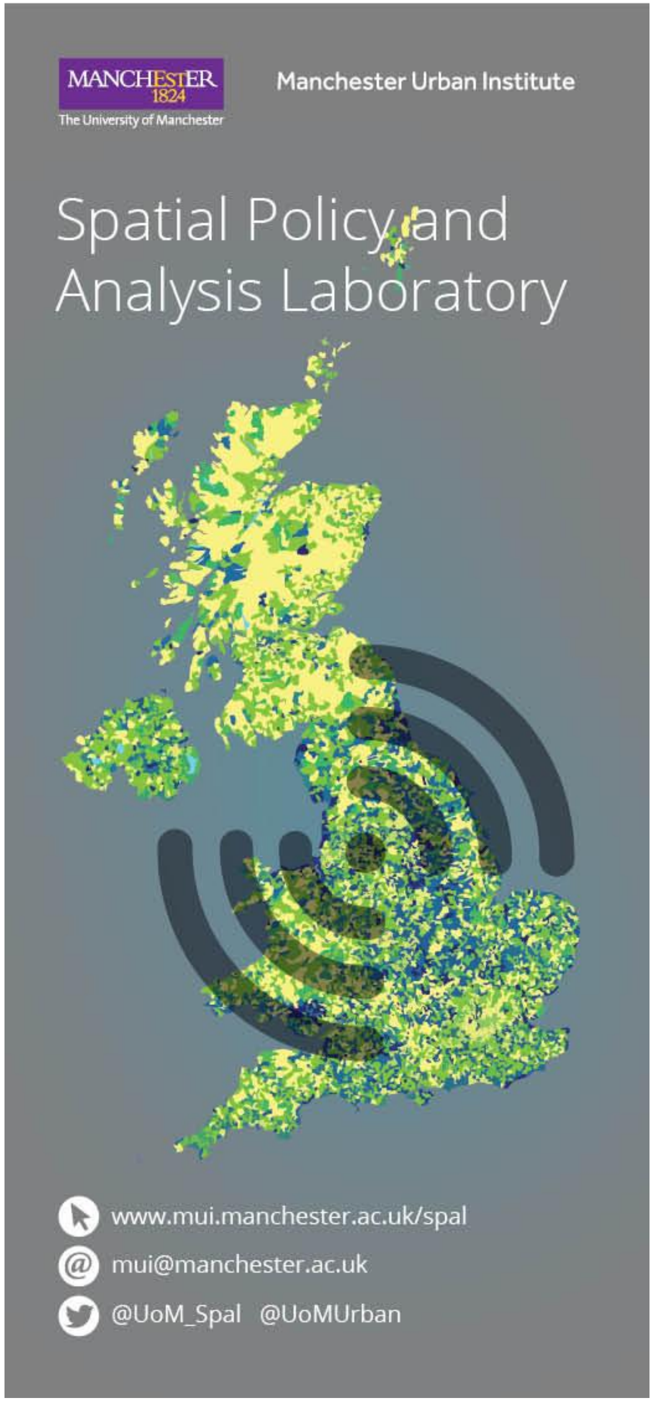


# Rethinking the Housing Crisis: the challenges and opportunities in England's combined authority areas

**Leonard Gibbs, Wei Zheng and Cecilia Wong**

Spatial Policy & Analysis Lab, Manchester Urban Institute,
University of Manchester

September 2023

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**University of Manchester**

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# Introduction

In 2017, the then Prime Minister, Teresa May, signalled her government's determination to address England's key housing issues through the publication of the White Paper, *Fixing England's Broken Housing Market*[1]. In the foreword, she referred to the increasing unaffordability of housing for rent and purchase and signalled a determination to build more homes, an action intended to slow the rise in housing costs. The ambitions set out in the White Paper were developed further in the 2019 Conservative Manifesto[2] which set a target of building 300,000 homes per year by 2025. However, since 2017, issues around affordability at a national level have worsened: in 2017 the median house price to income ratio was 7.91, by 2021 it had reached 9.05. Similarly, median house prices have continued to rise above inflation: in 2017, the median house price in England was £230,000, by 2021 it had risen to £285,000 (a 23.9% increase over the period). Median rental costs echoed the pattern with house prices: in March 2017 the median rent for a one bedroomed property in England was £600 per month,[3] by March 2021 the figure had increased to £700 per month (a 16.7% increase over the period). Over the same period, the rate of inflation (as measured by CPI) was 6.7%.[4]

Similarly, the target of 300,000 new homes per year had not been reached by 2021, with annual completions creeping up from 147,505 in 2016/17 to 154,631 by 2020/21[5] (a small increase of 4.83%). The situation with affordability and new supply had led many commentators to caricature the situation as one of permanent crisis, with Sky news recently reporting that the failure to build enough homes was, "forcing people into house shares and limiting migration to major cities"[6]. The FT also published a series of reports about housing issues, commenting that, "The housing crisis sits at the centre of Britain's ills"[7]. Most recently, the Daily Express's property reporter concluded that, "the property market in the UK is well and truly broken"[8].

Whilst such reportage is useful in raising the political profile of housing affordability, the simplification of the "crisis" as a national phenomenon which can be tackled by simply increasing supply obscures the different features of rising house prices/rents. It also downplays the different facets and natures of housing affordability issues which occur at regional and local levels.

This report aims to bridge the information gaps, by focusing on affordability issues in England and considering some of the key factors which influence housing costs. It reveals a set of nuances and contradictions which have not been sufficiently recognised or addressed by existing policy interventions and are also insufficiently researched.

## Levelling up and housing problems

The report engages with the UK2070 Commission's *Make No Little Plans* (2020) which invites the policy community to positively envisage what we want the UK to look like in 2070 and identifies the potential consequences of current trends, including the future affordability of housing given current rates of house price and rental inflation. The report aims to provide some of the key evidence needed to rethink the housing crisis and identifies some of the key features of the housing crisis relating to affordability. In policy terms, the UK2070 Commission recommends that the Government fundamentally reviews housing policies to integrate housing as part of infrastructure policies and that housing policies are integrated into local governance arrangements for a more strategic but devolved approach of planning for housing.

It is important to note that the Whitehall has yet to publish a comprehensive policy document which encapsulates the aims and objectives of its housing policies. Although there are frequent references to the nature of problems such as undersupply, affordability, rising costs of owning and renting housing, lack of regulation, poor energy efficiency, falling owner-occupation and homelessness, there is not a comprehensive policy response to these issues.

[1] https://www.gov.uk/government/publications/fixing-our-broken-housing-market
[2] https://www.conservatives.com/our-plan/conservative-party-manifesto-2019
[3] Source VOA, these statistics were then transferred to the ONS in 2019
[4] https://www.rateinflation.com/consumer-price-index/uk-historical-cpi/
[5] Source: DLUHC data
[6] https://news.sky.com/story/which-areas-in-england-are-worst-affected-by-the-housing-crisis-and-whats-pushing-up-prices-12651224
[7] https://www.ft.com/content/8b044c57-dbf1-4d17-a3a7-8da89f3d0243
[8] https://www.express.co.uk/life-style/property/1763866/property-market-housing-exclusive

The *Levelling Up White Paper*[9] acknowledges the severity and deleterious impacts of housing problems and its description of their problems and consequences provides an important backdrop to this report:

> *Housing has a critical role in delivering the outcomes that levelling up aims to achieve across the UK. Housing is a necessity to support economic growth. Without enough housing, productivity growth will be constrained as the engine of the economy – labour mobility – is slowed and the benefits realised from the location of people, business and finance in the same area is undermined.*
>
> *Beyond productivity, housing is key to restoring a sense of community, local pride and belonging. Home ownership provides people with a tangible stake in society, a place to forge community bonds and a stable place to raise a family. The importance of housing goes beyond its availability. Having a decent home is fundamental to our well-being and housing quality must be addressed in order to create thriving neighbourhoods and communities. It is unacceptable that there are people living in homes that do not pass basic standards of decency and which hold back the flourishing of the children and families living in them.*
>
> *Levelling Up White Paper (2022, p.221)*

The key national housing policy priorities are summarised in the *Levelling Up White Paper* with three identified priorities: making homeownership a reality; improving housing quality; and reforming the planning system. Of the 12 Levelling Up missions, the housing related mission aims to ensure that by 2030 renters will have a secure path to ownership with the number of first-time buyers increasing in all areas. The government's ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvement in the lowest performing areas.

The drivers of increasing housing costs are the subject of contention and competing explanatory frameworks. The overall housing market is extremely complex, and housing is as much an investment good as it is a consumptive product. Demand for housing can be created or depressed by policies, preferences and incomes as witnessed from recent events: large increases in student numbers have created demand in university cities[10]; the recent experience with refugees from Ukraine demonstrated levels of under-occupancy with many better-off people able to host additional people within their homes[11]; the benefit system can enable people to pay rents which would otherwise be unaffordable; and over many years there has been a tendency to smaller households with very high levels of underoccupancy. The treatment of housing for tax purposes also makes it an attractive investment, as any increases in the value of a primary home are completely untaxed.

## Focus of the report

This study uses data at local authority district (LAD) level, where planning for housing decisions take place, to compare and contrast the housing situations of England's ten combined authority (CA) areas and their constituent local authorities (a total of 53). The analysis charts the dynamic relationships between median earnings and median house prices and rents, highlighting important changes in tenure, especially the growth of outright ownership. The report also explores the relationship between factors that are widely believed to influence housing costs, including demographic changes, local economic performance and the growth of rental investment.

The phrase, "all politics is local", widely attributed to Tip O'Neill[12] is just as appropriate to the analysis of the functions and dysfunctions associated with housing markets. As noted earlier, generalisations about England's housing market are not helpful in developing policy responses and the data foundations underpinning national approaches are shallow and lack a well-developed learning loop. Local housing markets shift endlessly, respond differently to similar stimuli, and reflect the beliefs and actions of a wide range of actors and networks. Policies and signals are interpreted in different

[9] DLUHC (2022) Levelling Up the United Kingdom White Paper, Department for the Levelling Up, Housing and Communities, 2 February, HM Government.
[10] https://www.hepi.ac.uk/2023/04/24/the-uk-student-housing-shortage-a-push-to-partner/
https://www.hepi.ac.uk/2023/03/28/developments-in-student-accommodation-march-2023/
https://www.universityworldnews.com/post.php?story=20230412134312693
https://studentnews.manchester.ac.uk/2023/03/16/house-hunting-in-manchester/
[11] https://hansard.parliament.uk/commons/2023-03-14/debates/3ED49363-939A-4FE4-9540-62CFBE0840E2/UkrainianRefugeesHomelessness notes that 161,000 have arrived in the UK.
[12] O'Neill, T. and Hymel, G., 1994. All politics is local. *London: Crown*.

ways and housing is an investment nested within a wide and complex range of financial instruments.

This report consists of four key sections. It starts by describing the current situation and focusing upon issues around tenure, house prices, rental costs and affordability, with 2021 as the baseline. The second part describes the changes which have occurred between the 2011 and 2021 censuses, in terms of the housing stock, tenure, costs of purchasing and renting housing and demographic changes (including population, households and inward migration). The third and fourth sections develop a framework of analysis, based on the work of Galster and Lee (2021)[13], to explore the relationship between these different factors that shape the housing market. The final sections of the report draw together the key findings and set out the key policy implications arising from the research.

[13] Galster, G. and Lee, K.O., 2021. Housing affordability: A framing, synthesis of research and policy, and future directions. *International Journal of Urban Sciences*, *25*(sup1), pp.7-58.

[14] https://www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above

[15] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1149925/Social_Housing_Lettings_in_England__Tenancies__2021-22_-_Summary_tables.ods

# England's housing situation in 2021

The Covid-19 pandemic which broke out in early 2020 has had profound effects on the UK, which are likely to reverberate over many years. The government in England followed a similar trajectory to governments throughout the world in attempting to contain the pandemic through a series of lockdowns, social distancing and restrictions on movement. The market in housing was one of the few areas of activity which continued throughout the pandemic, with 1,014,070 homes sold in England in 2020/21 (a small increase on the previous year) and 1,166,510 sold in 2021/22[14], representing an annual increase of 15%. Letting activity continued in the social sector, with 236,706 social housing relets in 2020/21 and 266,775 in 2021/22[15] which was an increase of 12.7%. Although there is no reliable national data on private sector lettings, an average turnover rate would imply around 450,000 lettings in each of the years around the pandemic.

This report has chosen 2021 as the base year for comparative analysis in view of the wealth of data arising from the 2021 Census, which enables more comprehensive analysis of the housing situation. Trends around rising housing costs continued throughout the pandemic, with fears of collapsing house prices proving unfounded. The rapid embrace of home working has been followed by a considerable retrenchment with many commentators revising their forecasts around races for space and the attractiveness of homes in the country[16]. Similarly, the measures taken to support the housing market during the pandemic[17] have been widely cited as contributory factors to subsequent housing cost inflation[18].

[16] https://www.theguardian.com/business/2023/jan/21/upsize-downsize-why-the-covid-property-race-for-space-went-sour-for-homebuyers and https://www.savills.co.uk/blog/article/324858/residential-property/the-pandemic-race-for-space-sends-value-of-uk-housing-soaring.aspx

[17] The measures included a stamp duty holiday on houses above £500,000, the extension of the Help To Buy and the suspension of evictions.

[18] Gallent, N.and Madeddu, M., 2021. Covid-19 and London's Decentralising Housing Market – What are the Planning Implications?, Planning Practice & Research, 36:5, 567-577, DOI: 10.1080/02697459.2021.1964782 and Thomas, R., 2021. Impact of Covid on UK housing and mortgage market - One year on. IMLA.

## Tenure change between the 2011 and 2021 censuses

There are different data sources on tenure and stock, with considerable discrepancies between them. The Department for Levelling Up, Housing and Communities (DLUHC) publishes data tables on stock and tenure, but these do not differentiate between owned with a mortgage and owned outright. Although the 2011 and 2021 censuses record tenure with a breakdown between owned outright, owned with a mortgage, shared ownership, privately rented and social renting, the data only applies to information volunteered by census respondents. This means that the census data will not capture data on empty homes and may have mistaken understandings around the status of rental landlords.

Reconciling the overall stock figures recorded by DLUHC and the censuses has proved to be difficult. DLUHC recorded that there were 24,873,000 dwellings in England in 2021, an increase of 1.897 million (8.3%) since 2011[19]. However, the 2021 census records 23,436,000 households, an increase of 1.373 million households (6.2%). This would imply that around 1.437 million dwellings that are either empty, being used as holiday accommodation or second homes. The DLUHC data on vacant dwellings indicates that in 2021 there were 237,000 empty dwellings (table LT615). As a preliminary observation, these statistical differences need to be given proper consideration.

The detailed tenure breakdown data from 2011 and 2021 censuses shows that largest tenure changes in England were the growth in private renting, the increase in outright ownership and the decline in owned with a mortgage. Table 1 shows that the private rented sector has grown by 29%, adding 1.1 million homes to its number. Despite the growth in total housing stock of 1.37 million, the stock of mortgaged homes decreased by 6.7%, almost half a million fewer homes were mortgaged[20]. It is notable that shared ownership has increased by 35.8%, though it only constituted a small proportion of the overall tenure profile.

[19] Figures taken from Live Table 104, DLUHC.

**Table 1 Tenure profile of England, 2011 and 2021 Censuses**

| Tenure | 2011 | 2021 | Numerical increase | Percentage change |
|---|---|---|---|---|
| Outright ownership | 6,745,584 | 7,624,693 | 879,109 | 13.00% |
| Mortgaged | 7,229,440 | 6,744,372 | -485,068 | -6.70% |
| Shared ownership | 173,760 | 235,951 | 62,191 | 35.80% |
| Social rented | 3,903,550 | 4,005,663 | 102,113 | 2.60% |
| Private rented | 3,715,924 | 4,794,889 | 1,078,965 | 29.00% |
| Rent free | 295,110 | 30,517 | -264,593 | -89.70% |
| Total | 22,063,368 | 23,436,085 | 1,372,717 | 6.20% |

Table 2 shows the stock change by tenure between the two census dates. In percentage terms, outright ownership was the most common tenure as nearly a third of the stock in 2021 was owned outright; which was closely followed by owned with a mortgage (28.8%). Private rented tenure accounted for just over a fifth of all stock in 2021. Although the absolute number of social rented homes increased slightly between the two censuses, its proportion fell from 17.7% to 17.1%.

**Table 2 England's housing stock by tenure, 2011 and 2021 Censuses**

| Tenure | 2011 | 2021 | Change |
|---|---|---|---|
| Outright ownership | 30.6% | 32.5% | 6.2% |
| Mortgaged | 32.8% | 28.8% | -12.2% |
| Shared ownership | 0.8% | 1.0% | 25.0% |
| Social rented | 17.7% | 17.1% | -3.4% |
| Private rented | 16.8% | 20.5% | 22.0% |
| Rent free | 1.3% | 0.1% | -92.3% |
| All tenure | 100% | 100% | |

[20] The ONS produce several different counts of stock numbers and there are significant variations between them.

## Tenure composition in the combined authority areas

A snapshot of tenure patterns in the combined authority (CA) areas, based on ONS tenure estimates for 2021, is provided in Figure 1. It shows that outright ownership was the dominant form of tenure, with most CAs' levels closed to the England average of 32.5%. Those with particularly lower level of less than 30% included West Yorkshire (29.1%) and Greater Manchester (29.2%).

About 28.8% of housing stock in England were owned with a mortgage. The levels varied among the CAs, with highest levels found in West of England (31.9%) and Cambridgeshire & Peterborough (31%) and the lowest being found in West Midlands (27.6%) and North of Tyne (27.6%)

The levels of social rented housing in the CA areas varied widely from the England average of 17.1%. The highest levels were found in the North East (23.7%), West Midlands (22%), North of Tyne (21.7%), West Yorkshire (20.8%) and Liverpool City Region (20.8%). On the other hand, the lowest levels were found in West of England (15.4%) and Cambridgeshire & Peterborough (16%).

In 2021 the England average for renting privately was 21%, and this level was only exceeded in the West of England CA area (21.8%). Private renting levels were found particularly low across the CA areas in northeast England, including the North East (16%), North of Tyne (18.4%) and Tees Valley (18.4%) CA areas.

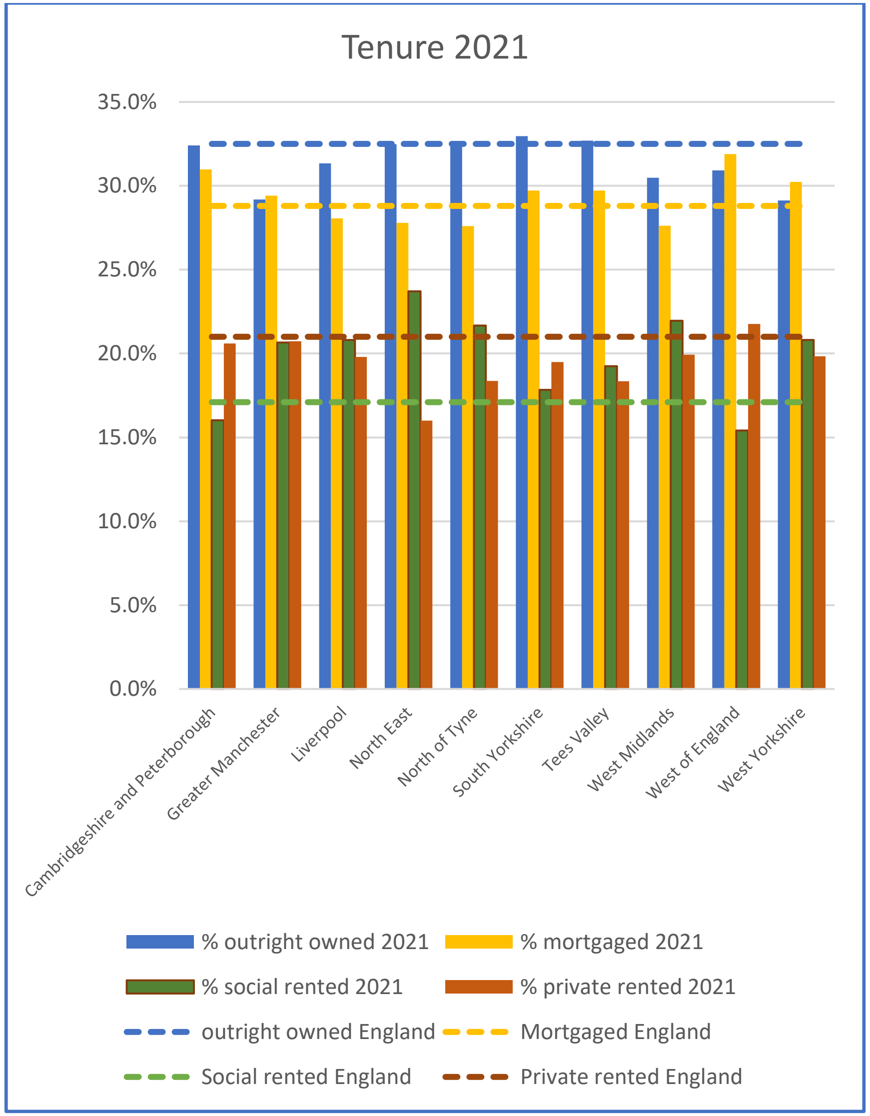


Figure 1 Tenure of the ten combined authorities, 2021 Census

## Patterns of tenure at local authority district level

### *Outright ownership*

The composition of tenure differs significantly in each local authority district (LAD). In 2021, the census recorded that the average level of outright ownership in England was 32.5%. As shown in Figure 2, LADs with the highest levels of outright ownership were all in shire areas, with North Norfolk recorded the highest level (48.6%). The large majority of LADs with high level of outright ownership was found located outside CA areas and major cities.

A total of 49 LADs in England had levels of outright ownership below 26.53%, with most of these being within or adjacent to large cities. Of the LADs in the ten CA areas, the lowest levels of outright ownership were found in Manchester, Salford, Liverpool, Cambridge, and Newcastle upon Tyne LADs - as all had levels below 26.53%.

The lowest levels of outright ownership were found in Greater London boroughs, alongside Manchester (16.5%) and Salford (22%) in northern England. Levels of outright ownership were also notably lower in LADs with main universities including Manchester, Liverpool, Newcastle upon Tyne, Salford, Bristol and Cambridge, with the exception of Bath and North East Somerset.

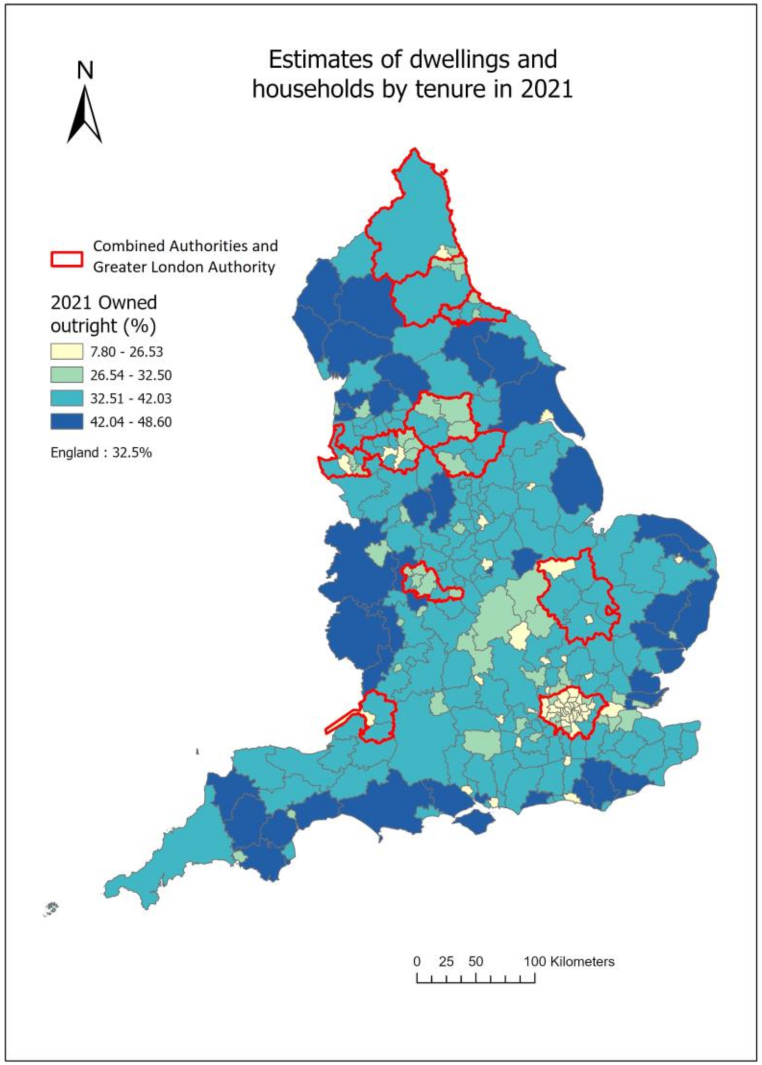




**Figure 2 Outright ownership level, 2021 Census**

## *Owned with a mortgage*

The average England level of owned with a mortgage in 2021 was 29.8%, though the level varied widely across different LADs, ranging from 11.9% to 42%. High levels of owned with a mortgage (over 35.33%) were recorded in 45 LADs, with the highest found in Wokingham (42%), Dartford (41%) and Hart (40%). There were 41 LADs recording low levels of owned with a mortgage of below 25.28%, with the lowest levels found in the Isles of Scilly (11.9%) and nine London boroughs recording levels at 20% or below.

LADs in CA areas recording high levels of owned with a mortgage included South Gloucestershire (36.8%) and Stockport (35.5%). Of the 53 LADs within CAs, 28 had levels below the England average, with the lower levels being recorded in Cambridge (21.2%), Manchester (21.5%), Liverpool (23.1%) and Newcastle (24.7%). It is also notable that higher levels of homes owned with a mortgage are found in CA areas without a university, with the exception of Bradford. There is a strong correlation between the presence of a major university and lower levels of mortgaged ownership, with Manchester and Cambridge having particularly low levels of owned with a mortgage.

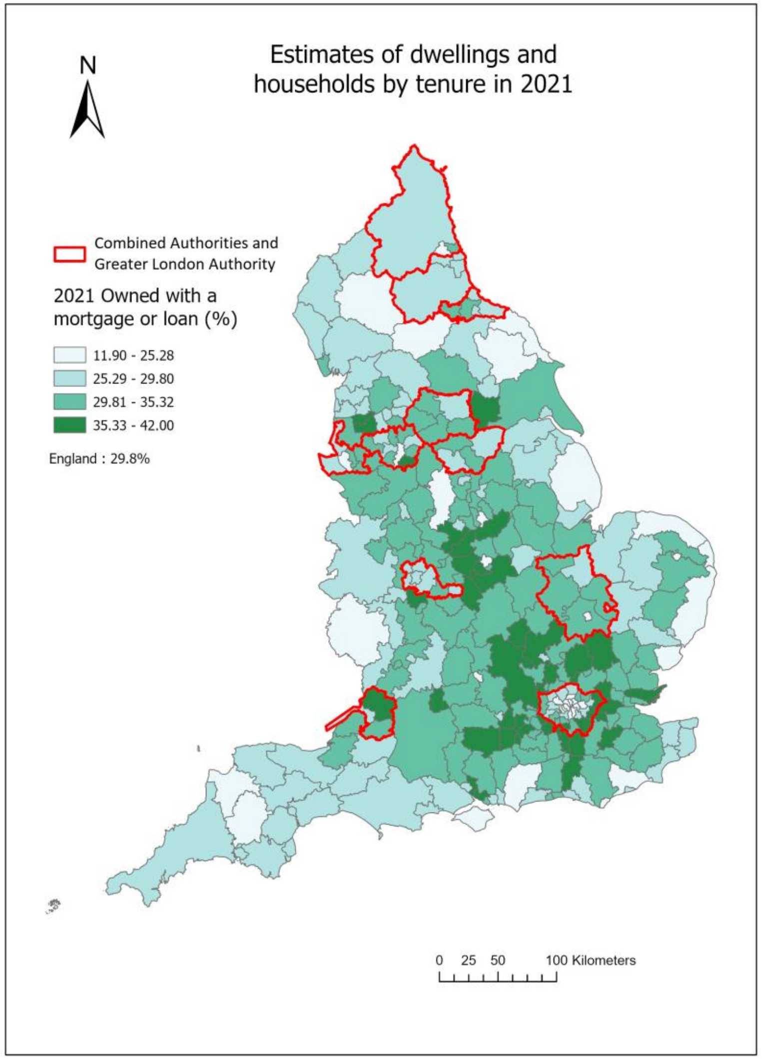




**Figure 3 Owned with a mortgage level, 2021 Census**

## *Privately rented*

According to the 2021 Census, 20.6% of homes in England was privately rented. There were major variations in the level across different LADs, ranging from 10.2% to 48.4%, with the lowest levels found in shire areas. High levels of private renting (over 32.09%) were found in 13 out of the 18 LADs in Greater London area. Other areas with high levels of privately rented were the Isles of Scilly (36.7%), Brighton and Hove (33%), Manchester (32.5%), Oxford (32.3%) and Reading (32.1%).

Within the CAs, private rental levels of 12 LADs exceeded the England average: Manchester (32.5%), Cambridge (31.6%), Salford (27.1%), Bristol (26.4% and Liverpool (26.2%). However, the low levels of private rental were notable in Solihull (13%) and South Tyneside (13.3%). In total, 40 out of the 53 LADs in CA areas had levels of private renting lower than the England average.

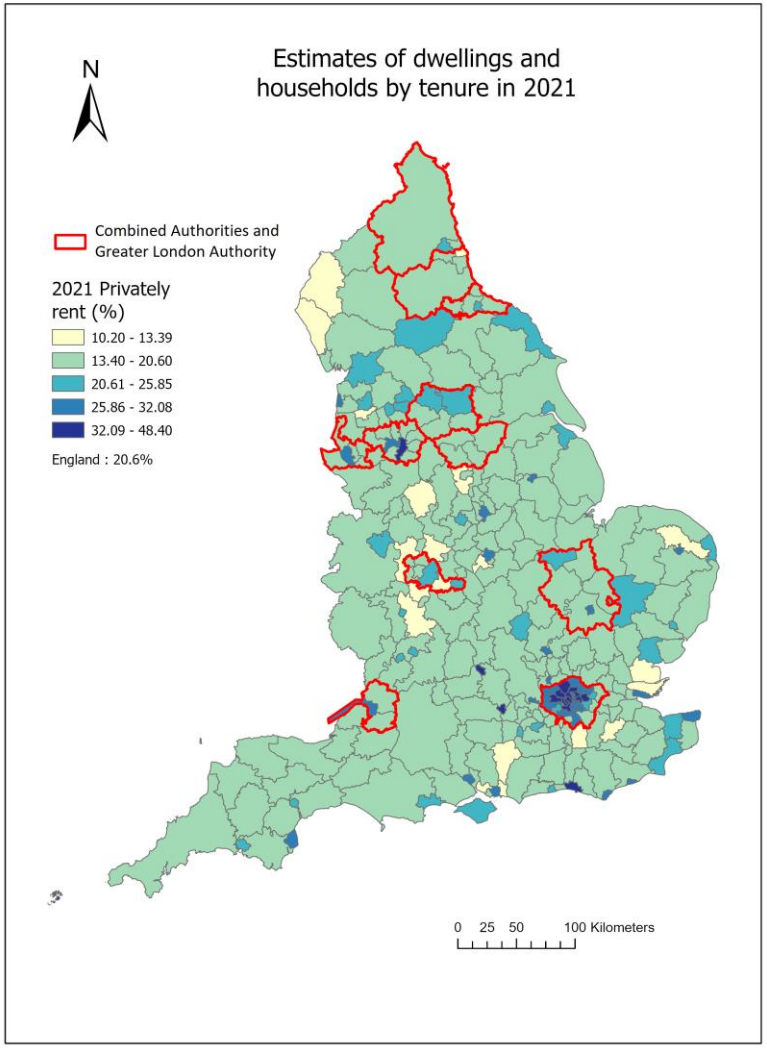




**Figure 4 Privately rented housing, 2021 Census**

## *Social housing*

The 2021 Census data showed that 17.1% of England's housing stock was socially rented and the level varied from 5.5% to 40.5% across its LADs. In total, 29 LADs had less than 10% social rented homes, with the lowest levels found in coastal and shire areas including Castle Point (5.5%), Wyre (7.6%) and Wokingham (7.7%). The highest levels of social renting tended to be found in London boroughs. Elsewhere, LADs with the highest levels included Norwich (30.2%), South Tyneside (29.6%), Manchester (29.3%) and Harlow (29.3%).

All LADs in the CA areas had at least 10% of socially rented homes, but 20 LADs had a lower level than the England average and with the lowest levels found in South Gloucestershire (10.8%) and Fenland (12.7%). However, South Tyneside had the largest proportion of social rented housing (29.6%), followed by Manchester (29.5%), Newcastle upon Tyne (27.3%) and with Sunderland, Sandwell and Liverpool (each with slightly above 26%). The only LADs in southern CAs to have higher than average levels of social housing provision were Cambridge (22.7%), Peterborough (18.6%) and Bristol (18.7%).

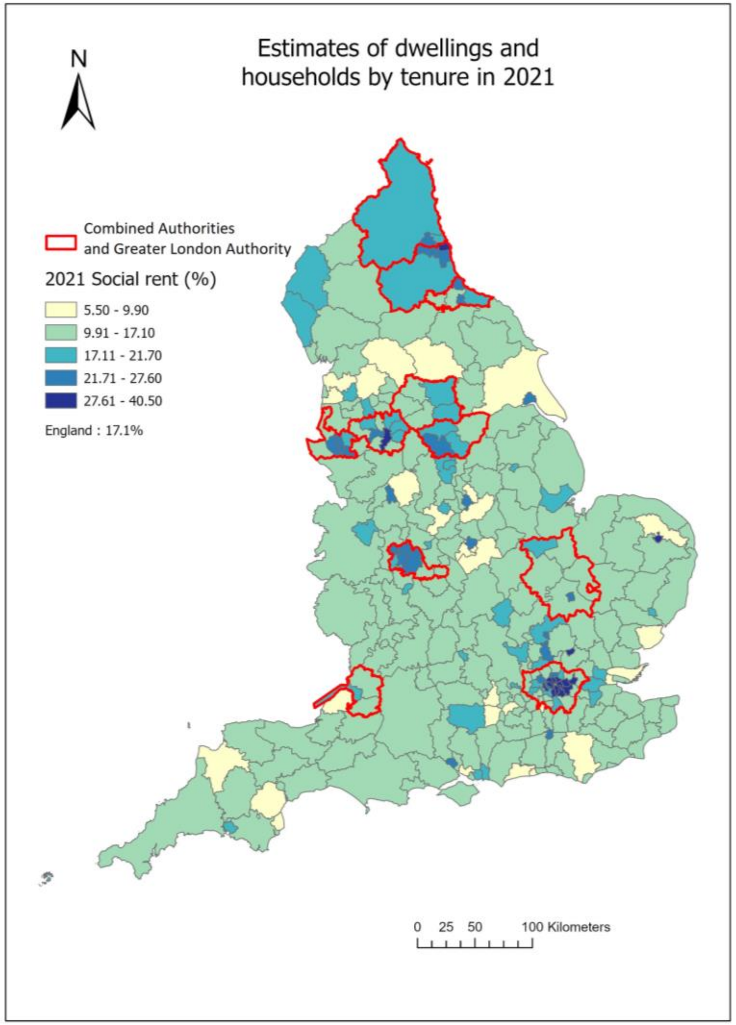




**Figure 5 Social housing, 2021 Census**

## House prices 2021

### *Median house prices*

England's median house price was £209,500 in 2021, however, Figure 6 shows major variations across the LADs ranging from £115,000 to £1.25 million. All 16 LADs with median house prices below £150,000 were in the North of England, with Hyndburn recording the lowest median house prices (£115,000), closely followed by Burnley (£117,500) and Blackpool (£125,000). The 25 LADs recording median house prices higher than £515,000 were all in the South of England, with the London borough of Kensington and Chelsea having the most expensive housing cost (£1,25 million).

Within the CA areas, all LADs had price levels below the national median and areas with the lowest median house prices were either in the North East or Yorkshire regions. Median house prices in LAD of County Durham, Hartlepool, Sunderland, Middlesborough and Redcar & Cleveland were all below £150,000. LADs in the CA areas with the highest median house prices were mainly found in the West of England and Cambridgeshire & Peterborough: Cambridge (£450,000), South Cambridgeshire (£390,000), Bath & North East Somerset (£368,000) and East Cambridgeshire (£320,000). Elsewhere, the high price LADs included Solihull (£325,000), Trafford (£325,000).

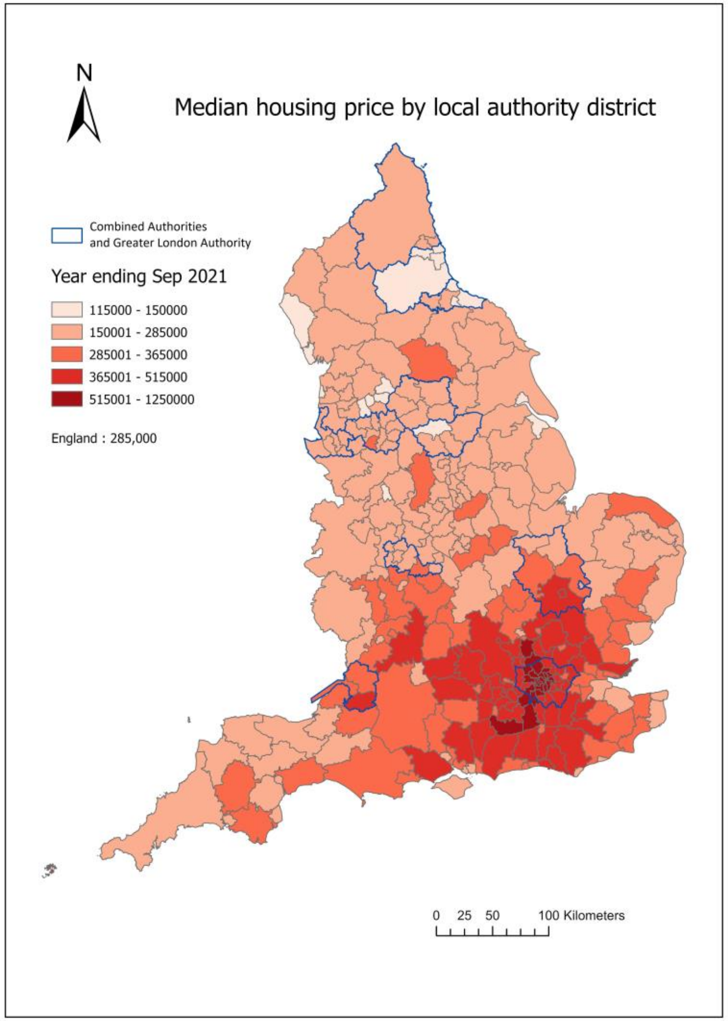




**Figure 6 Median house prices, September 2021**

## Rental costs

To provide consistent comparisons, ONS data on rentals for one-bedroomed properties was selected as a proxy measure for the entry level for private rental housing. In April 2021 the ONS recorded that the median rent for a one-bedroomed property in England was £675 per month, with Figure 7 showing a lowest range of less than £500 per month and the highest range of over £1201 per month. Figure 7 shows a very clear pattern of the highest rents within London and then spreading outwards from the capital, with the lowest rents in North and mostly coastal areas.

The LADs with the lowest range of median monthly rents for one-bedroomed properties from £370 to £500 were mainly found in the North of England, with the lowest monthly rents in Burnley (£370), County Durham (£375) and Kingston upon Hull (£385). The only southern LADs with median rents below £500 per month were: East Suffolk, Fenland, Folkestone and Hythe, North Devon and Torridge.  All of the 18 LADs with rents over £1,200 per month were London boroughs.

Within the CA areas, all 23 LADs with low levels of median rents were in the North of England. LADs with monthly rents below £400 included County Durham, Northumberland, South Tyneside, Wigan and Darlington. Rent levels higher than the England median were found in five LADs: Cambridge (£1,000), Bristol (£900), Bath & North East Somerset (£850), South Cambridgeshire (£825), and Manchester (£750).

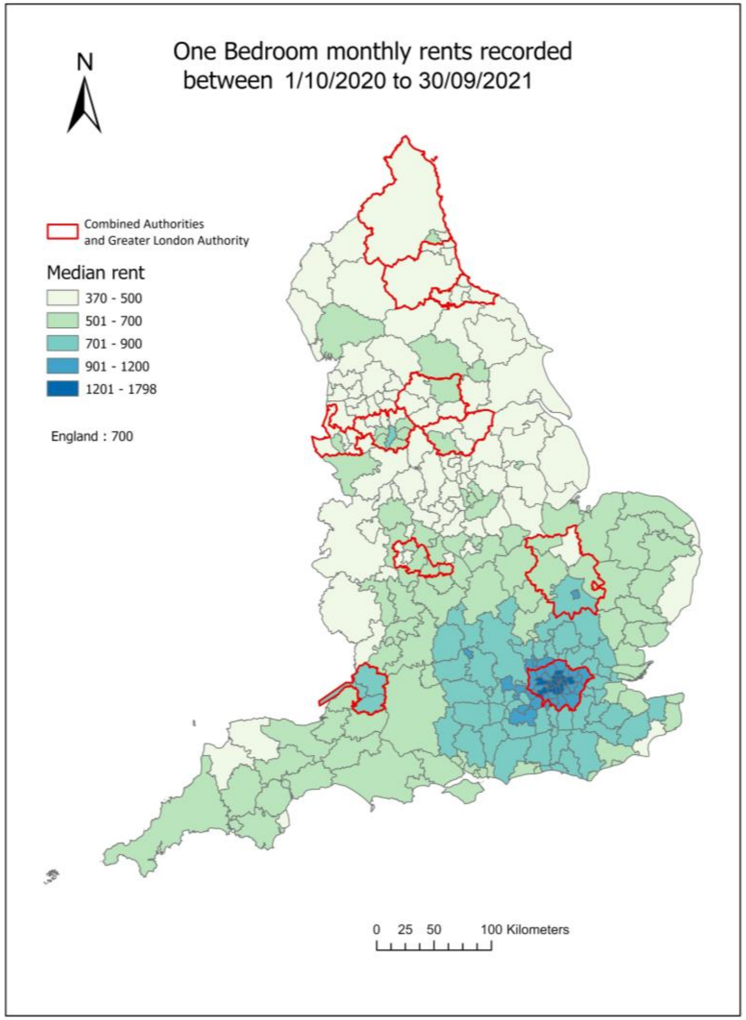


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**Figure 7 Median one bedroomed monthly rental, ONS 1/10/2020-30/9/2021**

## Affordability

Housing affordability, both in the rental and for sale sectors, is widely acknowledged as a national problem. However, amidst this wider issue there are wide regional and local variations. In considering issues around affordability, the analysis identifies issues within the market rented and owner-occupied sectors.

### *House purchase affordability*

Housing affordability was measured as a ratio of median house price to median annual earnings and the value for England in 2021 was 9.05. Figure 8 shows that the ratio varied widely from 3.14 to 24.18, with a clear spatial pattern of higher ratios in the three southern regions and particularly in areas around central London. All 18 LADs with median house price ratios lower than 5.43 were found in the North of England, with the lowest rations in Copeland (3.14), Barrow-in-Furness (3.98) and Burnley (4.04). Of the 25 LADs with ratios higher than 13.74, all were in the South East and especially concentrated around London.

Within the CA areas, LADs with affordability ratios under 5.43 included: South Tyneside, Sunderland, Darlington, County Durham, Hartlepool, Middlesbrough, Wigan, Barnsley, Doncaster, Bradford, Knowsley, Liverpool and St. Helens. LADs with high ratios were Cambridge (12.2), Bath & North East Somerset (11.9), East Cambridgeshire (9.8), South Cambridgeshire (9.7), Bristol (9.7), Huntingdonshire (9.7), South Gloucestershire (9.5), Trafford (9.3), and Solihull (9.2). Figure 8 also highlights that Trafford and Solihull were the only LADs outside the southern CA areas to exceed the national ratio.

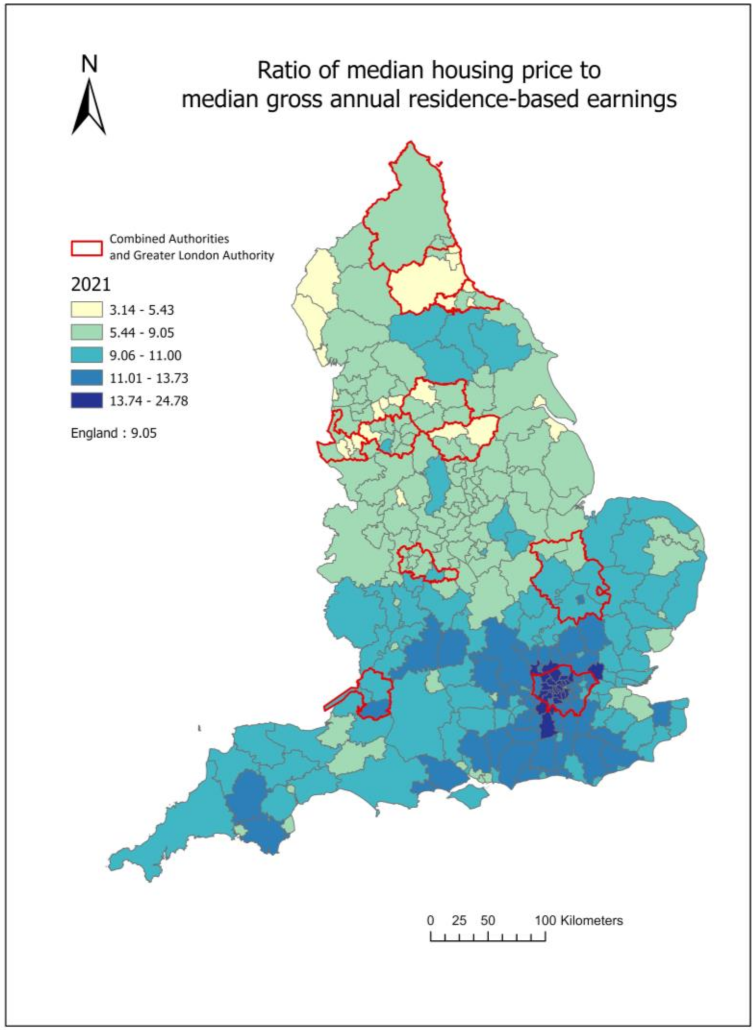




**Figure 8 Median house purchase affordability, 2021**

## *Rental affordability*

Rental affordability is often calculated as the percentage of income spent on housing costs, with agreement that more than 30% of annual income is on the edge of affordability[21]. The England average of median monthly rental cost to median earnings was 27% in 2021. Based on ONS rental data, Figure 9 maps the median rent to median earnings percentage for 2021 and shows the wide variations from 12% to 49%.

The map clearly shows that affordability of rental housing is worst in and immediately around London area and there are also affordability problems in some parts of the CA areas. In total, 16 LADs had ratios exceeded 40% and 49 LADs had their ratios exceeded 30%. It is notable that these LADs tended to locate in the South of England.

The median rents of one bedroomed homes to median earnings ratios were lower in 47 LADs within the CA areas than the national average of 27%. Wigan had the most affordable rents (15%), followed by Darlington, County Durham and Wirral (all with 16%). On the opposite side, the ratio for one-bedroomed properties exceeded 30% was found in Bristol (33%), Bath & North East Somerset (33%), Manchester (33%), Cambridge (33%) and Salford (30%).

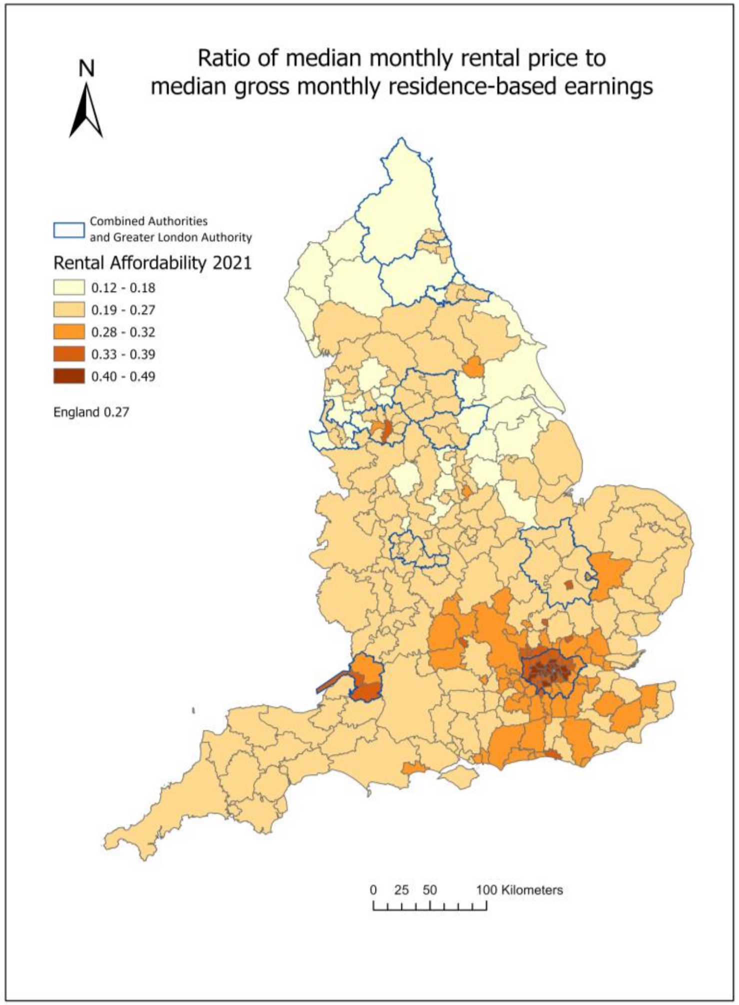




**Figure 9 Rental affordability, 2021**

21 https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalaffordabilityengland/2021#rent-prices-as-a-percentage-of-income The ONS publishes data on a regional basis, but this is not broken down into local authority levels.

# Changes in the housing situations

The previous section of the report has illustrated the spatial landscape of different housing indicators in England and highlighted areas experiencing the greatest levels of housing stress. The section considers the patterns of change in tenure, housing costs, affordability and demographic characteristics between the 2011 and 2021 censuses.

The total housing stock of all CAs has risen from 6,177,106 to 6,473,976 between 2011 and 2021, an increase of 4.8% (see Table 3) when compared to England's 6.2%. Cambridgeshire & Peterborough CA had the largest percentage increase in stock, followed by West Yorkshire and West of England. The lowest percentage increases were in the North East, Liverpool and South Yorkshire CA areas.

Table 4 shows that the largest absolute increases in tenure were amongst the outright owned (up by 241,320) and privately rented (up by 230,372). The largest decreases were in properties owned with a mortgage (down by 139,058) and social rented (down by 35,764). The percentage changes of stock by tenure are highlighted in Figure 10, which show that owned with a mortgage and social rented have declined in all CA areas, with increases in owned outright and privately rented across the board.

### Table 3 Changes in total stock between 2011 and 2021 censuses

| | 2021 stock | 2011 stock | Increase | Percentage increase |
|---|---|---|---|---|
| Cambridgeshire and Peterborough | 362,168 | 325,264 | 36,904 | 11.3% |
| Greater Manchester | 1,178,244 | 1,128,066 | 50,178 | 4.4% |
| Liverpool | 676,853 | 655,399 | 21,454 | 3.3% |
| North East | 514,228 | 499,882 | 14,346 | 2.9% |
| North of Tyne | 365,951 | 346,982 | 18,969 | 5.5% |
| South Yorkshire | 1,065,739 | 1,026,884 | 38,855 | 3.8% |
| Tees Valley | 295,503 | 283,071 | 12,432 | 4.4% |
| West Midlands | 1,131,760 | 1,086,748 | 45,012 | 4.1% |
| West of England | 388,989 | 363,800 | 25,189 | 6.9% |
| West Yorkshire | 494,541 | 461,010 | 33,531 | 7.3% |
| All combined authorities | 6,473,976 | 6,177,106 | 296,870 | 4.8% |

### Table 4 Changes in occupied stock by tenure 2011 to 2021

| | Numerical change outright | Numerical change mortgaged | Numerical change social | Numerical change private rented | Total change |
|---|---|---|---|---|---|
| Cambridgeshire and Peterborough | 17991 | 1814 | 1381 | 15718 | 36904 |
| Greater Manchester | 36252 | -24055 | -9867 | 47848 | 50178 |
| Liverpool | 23547 | -19088 | -3927 | 20922 | 21454 |
| North East | 25084 | -24306 | -3094 | 16662 | 14346 |
| North of Tyne | 20474 | -9352 | -2415 | 10262 | 18969 |
| South Yorkshire | 44100 | -33354 | -7344 | 35453 | 38855 |
| Tees Valley | 13391 | -10104 | 38 | 9107 | 12432 |
| West Midlands | 28145 | -22036 | -7268 | 46171 | 45012 |
| West of England | 12469 | 3491 | -600 | 9829 | 25189 |
| West Yorkshire | 19867 | -2068 | -2668 | 18400 | 33531 |
| Grand Total | 241320 | -139058 | -35764 | 230372 | 296870 |

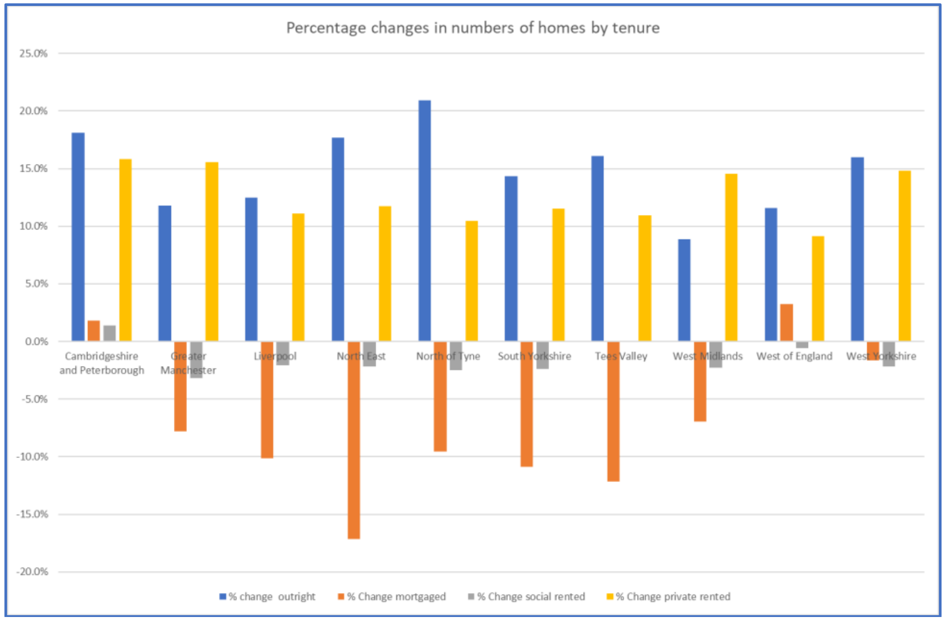


Figure 10 Percentage changes in tenure, 2011 and 2021 censuses

## Tenure changes in detail

### *Changes in outright ownership*

Between the 2011 and 2021 censuses, the total number of homes which were owned outright rose by 879,000 (13%) in England, against an overall increase in housing stock of 6.2%. The total number of homes which were owned outright rose from 6.75 million to 7.63 million in the period. Different LADs recorded very different pictures, with the largest increase of 28.52% and the largest decrease of 25.83%

Figure 11 shows a more complex picture, with the increase in outright ownership mainly found in non-metropolitan areas. Above England level of increase in outright ownership was found in 175 LADs, with Milton Keynes recording the largest increase (28.5%), followed by Telford & Wrekin (27.5%) and Bracknell Forest (26.9%). Only 5 LADs witnessed a decrease in home ownership levels and all were London boroughs, with Kensington and Chelsea experiencing a 25.8% reduction, followed by Westminster (-18.6%) and Camden (-11.2%).

More striking change of outright ownership was found across all CA areas, as shown in Figure 11. None of the LADs in CA areas experienced a decline in the level of outright ownership. LADs in CA areas with the largest increase in the level of homes owned outright included Huntingdonshire (24.6%), Northumberland (23%), North Tyneside (21%), East Cambridgeshire (21%) and South Tyneside (20.6%). Levels of increase below 8% were experienced in Wolverhampton (6.6%), Coventry (7%) and Bristol (7.3%).

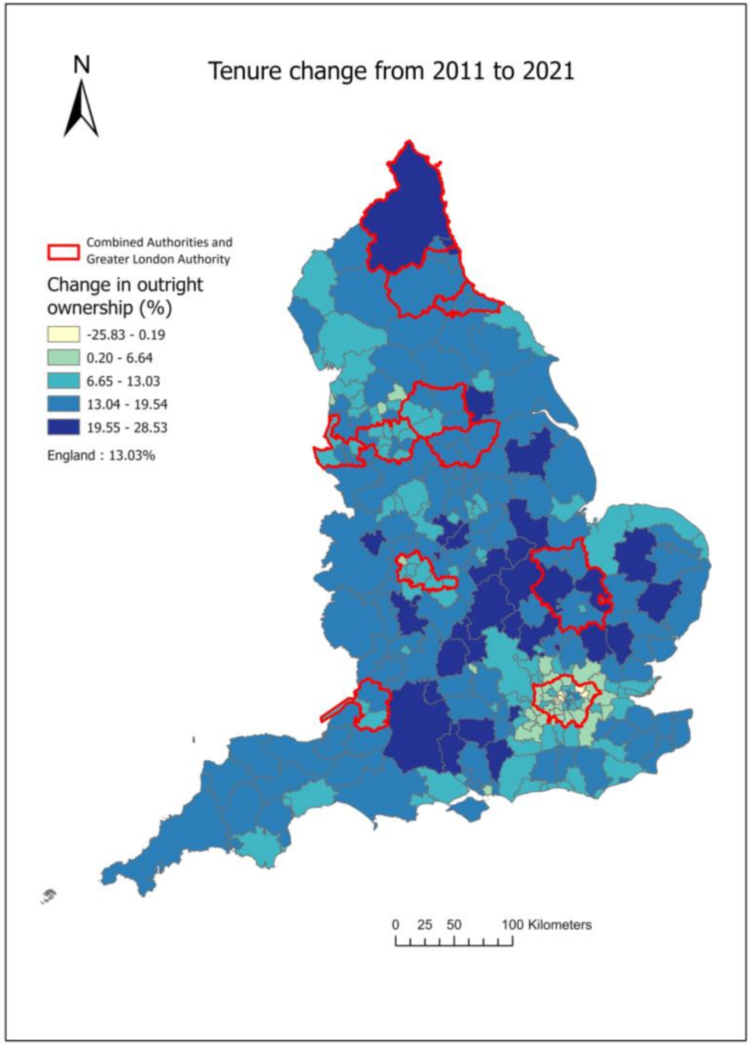




**Figure 11 Change in the numbers of properties owned outright, 2011-2021**

## *Changes in owned with a mortgage*

The total number of homes which were mortgaged in England declined by 3.45%, from 7.23 million to 6.98 million, between the 2011 and 2021 censuses. The varied experience of change across LADs was shown in Figure 12, ranging from an increase of 35.83% to a drop of 16.29%. LADs experiencing the largest increase in owned with a mortgage were all in London and the South East (see Figure 12), with the highest levels found in Tower Hamlets (35.8%), Dartford and Hackney (18.5%) and Milton Keynes (16.5%). Levels of owned with a mortgage, nevertheless, were found decreasing in 224 LADs, with the biggest drop in North East Lincolnshire (-16.3%), Blackpool (-15.9%) and Westminster (-15.8%).

Turning to the CA areas, the level of owned with a mortgage increase was only found in five LADs: South Cambridgeshire (9.6%), Bristol (5.8%), Cambridge (5.5%, Peterborough (4.3%) and Bath & North East Somerset (1.8%). The largest decline was found in the northern CAs including Sunderland (-15.3%), County Durham (-14.7%), Gateshead (-14%), Hartlepool (-13.7%), South Tyneside (-13.3%), Oldham (-12.3%), Bolton (-12%), Calderdale (-12%), Redcar & Cleveland (-11.8%), Northumberland (-11.6%), Halton (-11.3%), Wirral (-11.2%), Darlington (-11.0%), Sheffield (-10.8%), and Sefton (-10.8%). Nearly half of the 53 LADs in CA areas (i.e. 47%) experienced declines in the level of properties owned with a mortgage.

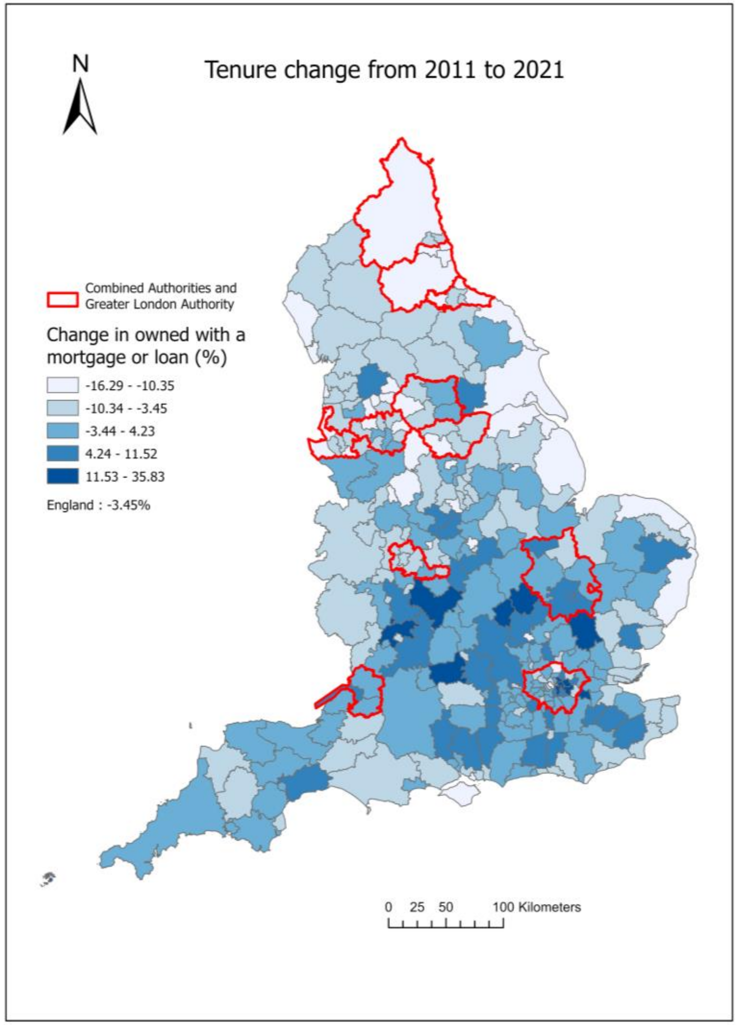


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**Figure 12 Change in the numbers of properties owned with a mortgage, 2011-2021**

## *Changes in private renting*

The total number of homes which were privately rented rose from 4.01 million in 2011 to 4.83 million in 2021, representing an increase of 20.3% between the two censuses. Wide spatial variations in the level of change across LADs, from 56.63% to -12.99%, were mapped in Figure 13.

The largest percentage increase in the size of the private rented sector occurred in Oadby and Wigston (56.6%), Telford and Wrekin (50.8%) and Hillingdon (48.2%). Only six local authorities experienced a small decrease in the private rented sector over the decade: Kensington & Chelsea (-13%), Isles of Scilly (-11.5%), Westminster (-8.6%), Hastings (-5.6%), Richmondshire (-2.3%) and Folkestone & Hythe (-2%).

LADs within the CA areas with the largest increases were recorded in Salford (47.7%), Knowsley (41%), St. Helens (41%), Halton (40.2%), Peterborough (37.9%), Oldham (37.5%), Sandwell (37.2%), Dudley (37%), Wolverhampton (33.4%), Walsall (32.3%), Sefton (32%), and Wakefield (32%). Whilst no local authority in a CA area witnessed a decrease in private renting, the lowest level of increase was found in Liverpool (6.5%).

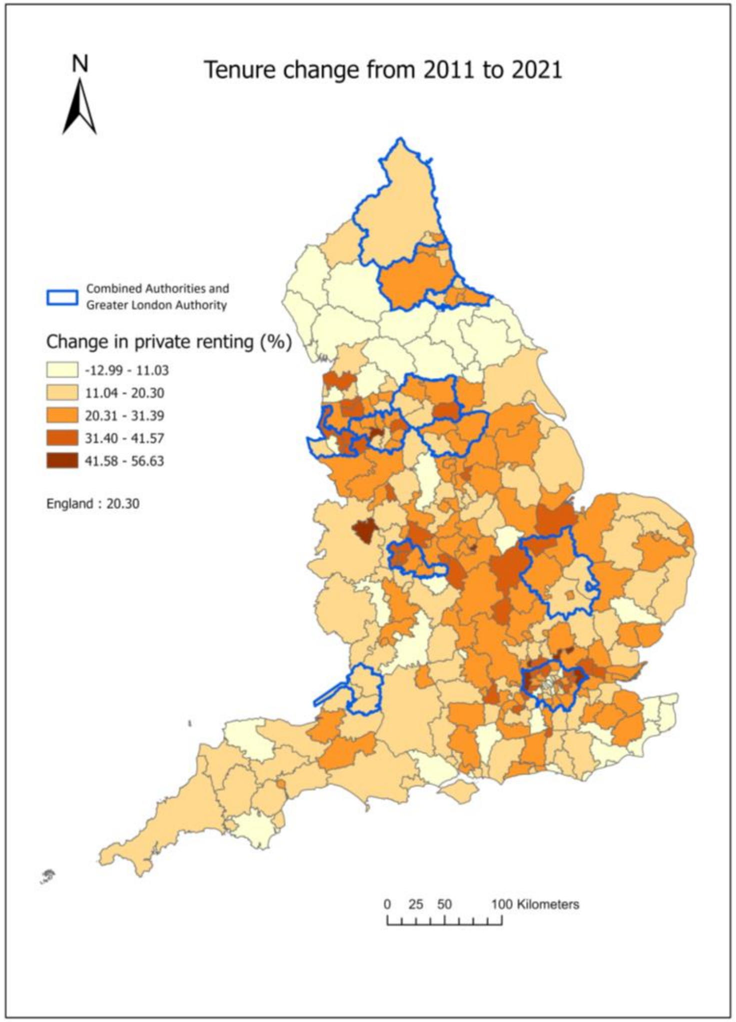




**Figure 13 Changes in the numbers of privately rented homes, 2011-2021**

## *Changes in social rented stock*

Between the 2011 and 2021 censuses, the number of homes which were rented from social landlords declined from 4.08 million in 2011 to 4.01 million in 2021, a reduction of 72,000 (-1.76%). This reduction suggests that sales of social housing to sitting tenants or as part of stock rationalisation outstripped the development of new units. However, there were wide variations in the level of change across different LADs, ranging from an increase of 21.15% to a decline of 5.93%.

LADs experiencing the largest increases in the social rented sector included Wychavon (21%), Cherwell (19.5%), East Devon (18.2%) and Burnley (15.8%). On the other side of the pendulum, Nottingham experienced the largest decrease (-16.9%), followed by Milton Keynes (-13.9%) and the Isles of Scilly (-13.4%).

Within the CA areas, social rented sector rented homes were found increased in nineteen LADs between the two censuses. The largest increases were found in South Gloucestershire (14.5%) and Darlington (7%). The proportion of social housing declined in 34 of the local authorities in combined areas, with declines greater than 5.93% being experienced in Gateshead (-11.7%), Trafford (-10.2%), Sheffield (-9.5%), Wolverhampton (-8.9%), Rochdale (-8.6%), Wigan (-6.9%), Bristol (-6.7%), Liverpool (-6.5%), Solihull (-6.2%) and South Tyneside (-6%).

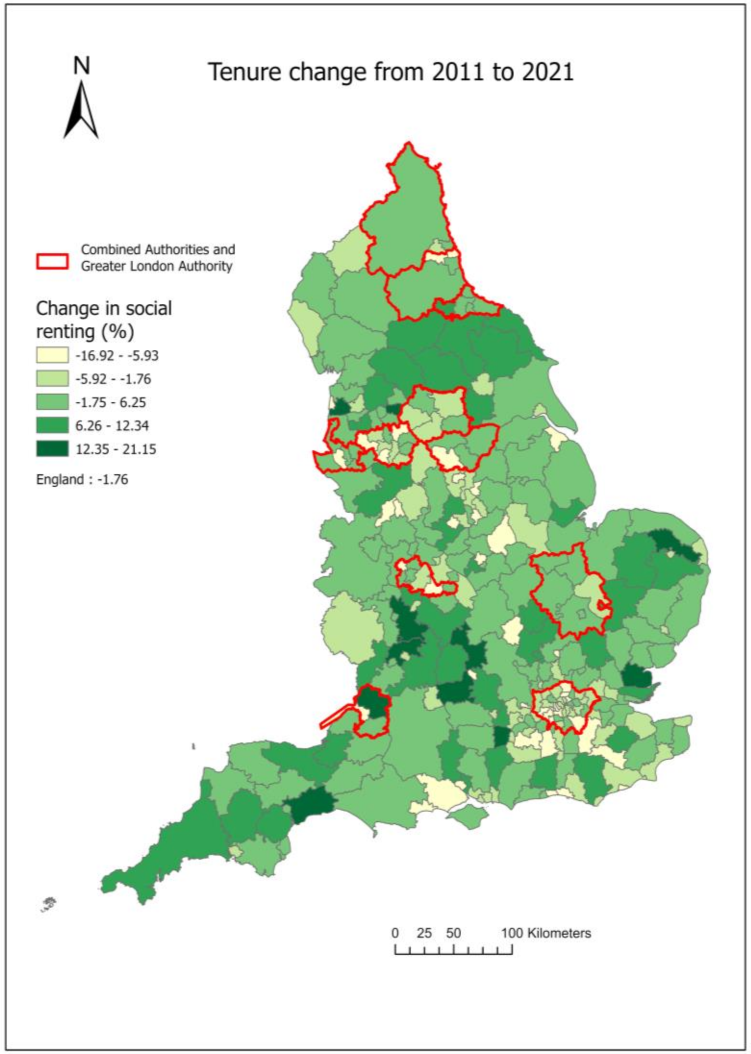


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**Figure 14 Changes in the numbers of socially rented homes, 2011-2021**

## Changes in housing costs

### *House prices*

Change analysis of house prices was carried out with data between 2015 and 2021 in this report, reflecting the period of recovery from the 2008 financial crisis to the start of the post-pandemic recovery. Although the rate of house price increase appears to have stalled in some areas since the 2022 mini-budget and subsequent rises in interest rates, they have still not fallen back to 2021 levels. Within England the median house price increased from £209,500 in 2015 to £285,000 in 2021. At a national level, house prices rose by 36% between 2015 and 2021[22], compared to CPI rising by 11.5% and median earnings rising by 15.25% in the same period[23].

LADs in England with the highest level of increase in the period included: Salford (64%), Hastings (61%) and Leicester (59%). Only two London boroughs, City of London (-8%) and Westminster (-1%), experienced a decline in median house prices during this time period (see Figure 16).

Figure 15 shows that the only CA areas experienced house prices rose above the national average were the West of England and the West Midlands. House prices in the Tees Valley did not rise at the rate of CPI in the period[24]. Median house prices rose by over 45% were found in the following LADs within CA areas: Salford (64%), Manchester (57.2%), Bristol (51.4%), Stockport (51.1%), Trafford (48.1%), Birmingham (47.9%) and Bury (46.7%). On the opposite end, LADs with lower than 15% increase included Middlesborough (12.9%) and Hartlepool (8.7%). Twelve of the fifteen LADs where house prices rose by less than 25% were in the CAs in the North East region, with the exceptions being Bradford (24%), Doncaster (21.9%) and Cambridge (16.7%).

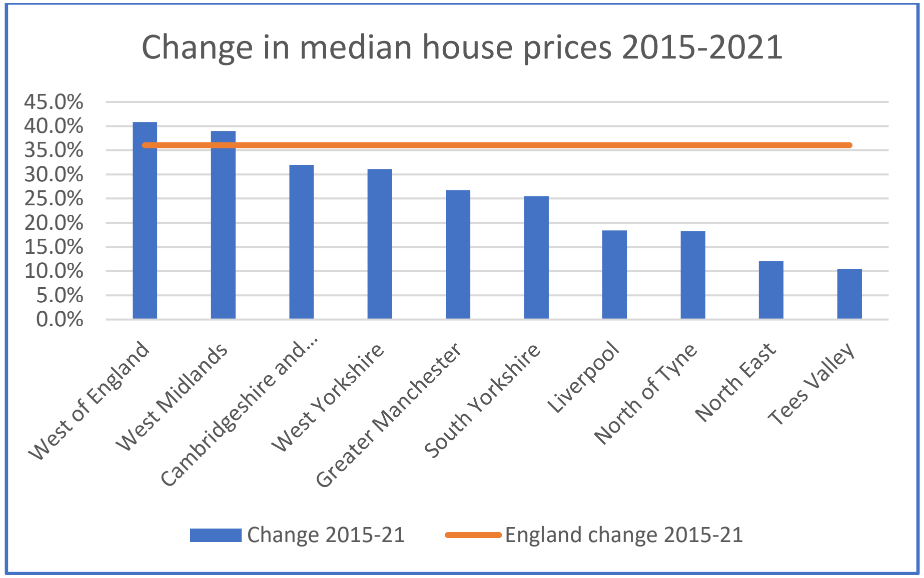


**Figure 15 Changes in median house prices within the combined authorities, 2015-2021**

Source: ONS affordability ratio reports

[22] In ratio of house prices to earnings data ONS 2022

[23] Source: https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Earnings/medianweeklyearnings-by-ukcountryenglishregion-year

[24] CPI rose by 11.5% between 2015 and 2021. https://www.rateinflation.com/consumer-price-index/uk-historical-cpi/

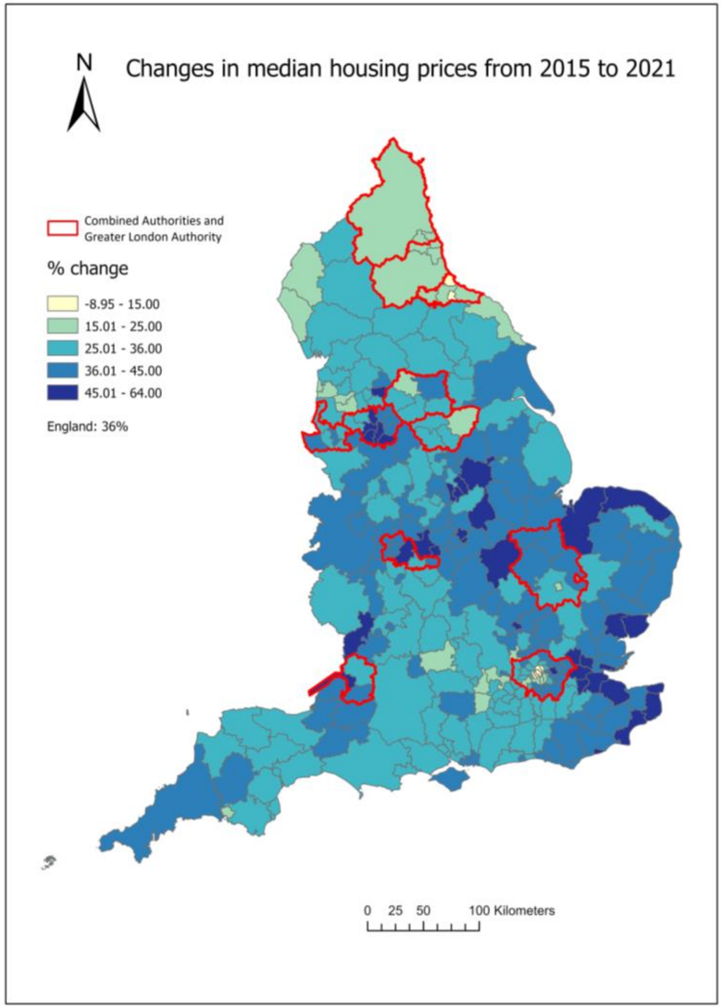


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Figure 16 Change in median house price, 2015-2021

## *Inflation in the private rental sector*

The ONS publishes national comparisons of private rents based on dwelling types and number of bedrooms, with the data first published for 2018/19[25]. In England, the median rent for a one bedroomed property was £620 in April 2019, with this rising to £675 by April 2021, an increase of 8.9%.

LADs experiencing the highest increases (see Figure 18) in median monthly rental costs between 2018/19 and 2021/22 included: West Suffolk (34.2%), Mansfield (28.2%), Walsall (25.9%) and Barrow-in-Furness (25%). Median one-bedroomed rents were decreased in 22 LADs, with the largest decreases being recorded in Westminster (-12.8%), East Suffolk (-11.9%) and South Kesteven (-10%).

Within most of the CA areas, rental inflation was much lower than the England average. West Yorkshire, the West Midlands and South Yorkshire CAs had the highest rental increases for one bedroomed flats (see Figure 17). The rate of increase in private rents was considerably lower than the rate of inflation for owner-occupied housing and only slightly higher than CPI in the period.

Median rental costs for one bedroomed properties increased above the national average in the following LADs within CA areas: Walsall (25.9%), Tameside (20.7%), Trafford (16.8%), Liverpool (16.7%), South Gloucestershire (14.8%), Bradford (13.9%), Rochdale (13.9%) and Dudley (13.6%). Rents remained static or decreased slightly in Doncaster (-3%) and Hartlepool (-1%), with prices being static in Wirral and Northumberland LADs.

[25] The first national data was published for the period 1/10/18 to 30/9/19, with the mid-point being April 2019. The data for 1/10/20 to 30/9/21 has been used as the comparator.

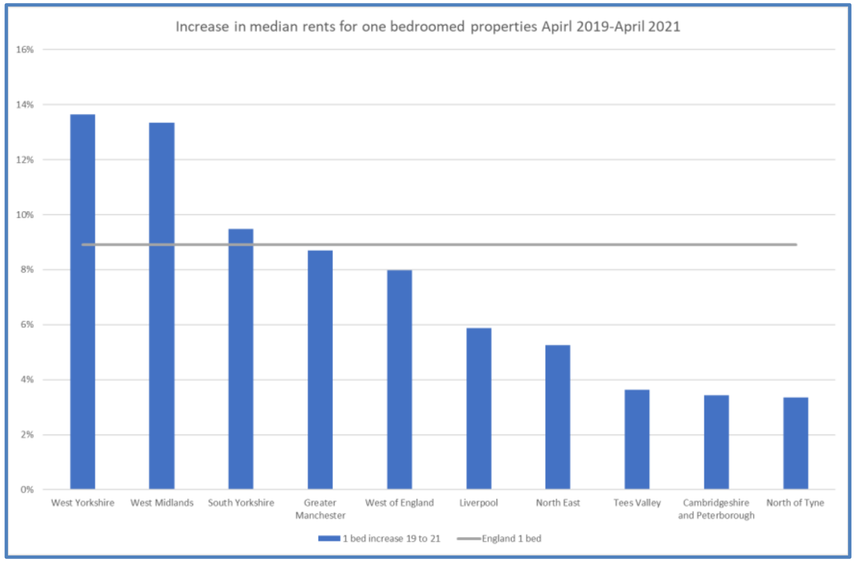


**Figure 17 Rate of increase in rents of combined authority areas, April 2019-April 2021**

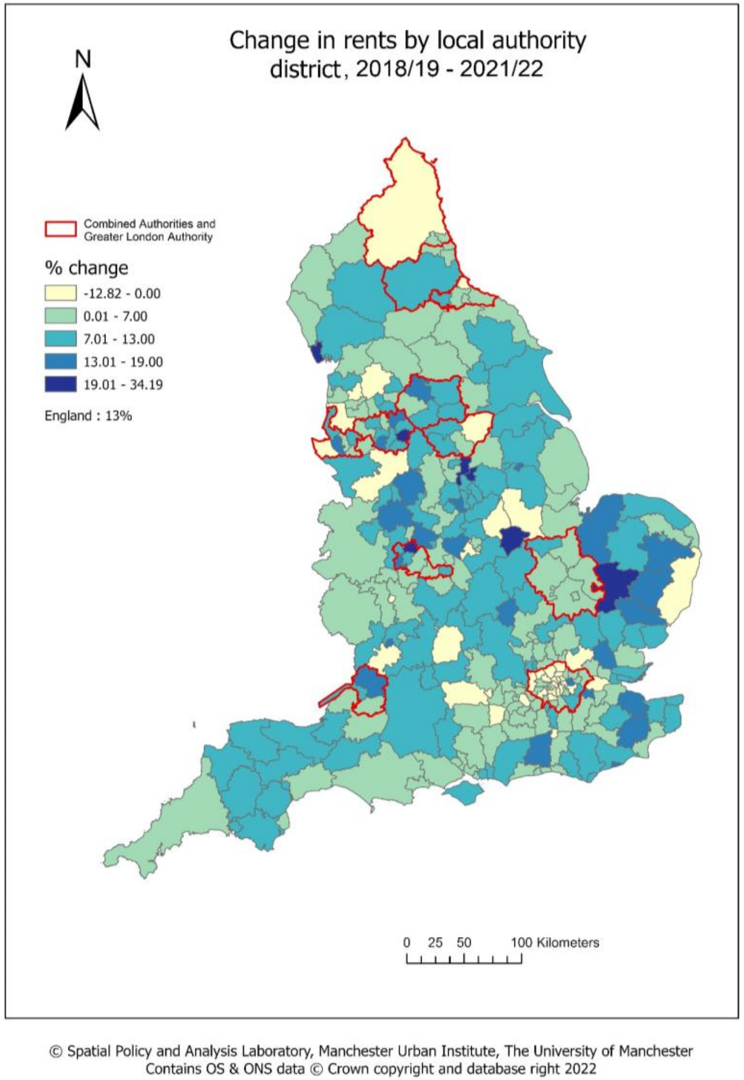


**Figure 18 Change in median rents for one bedroomed accommodation 2018/19-2021/22 (April mid-point)**

## Demographic change

### *Population growth*

According to the 2021 census data, the total population of England stood at 56.49 million, an increase of 3.48 million (6.6%) from the 2011 Census's 53.01 million[26]. The pattern of change at the LAD level over the decade was very variable, as shown in Figure 19. The map shows that the largest population increases were mainly found in non-metropolitan areas as well as part of Greater London. LADs experiencing high level of population growth included: Tower Hamlets (22.1%), Dartford (20%), Barking and Dagenham (17.5&), Bedford (17.7%), Cambridge (17.6%) and the City of London (16.6%). On the other side of the coin, 12 LADs experienced population reductions with the largest declines occurring in Kensington & Chelsea (-10%), Westminster (-7%), as well as in Copeland, the Isles of Scilly and Camden (all experiencing a 5% reduction).

Figures 20 and 21 show population growth patterns in the CA areas, with the highest level of growth found in Cambridgeshire& Peterborough and West of England. However, in absolute terms, Greater Manchester had the largest numerical growth of 183,000, closely followed by the West Midlands. Within the CA areas, LADs with the highest level of population increase included Cambridge, Peterborough and Salford - all with growth rates more than twice of England's level. Three LADs in CA areas of North East England, however, experienced population decline. They were Gateshead (-2%), Sunderland (-0.5%) and South Tyneside (-0.2%).

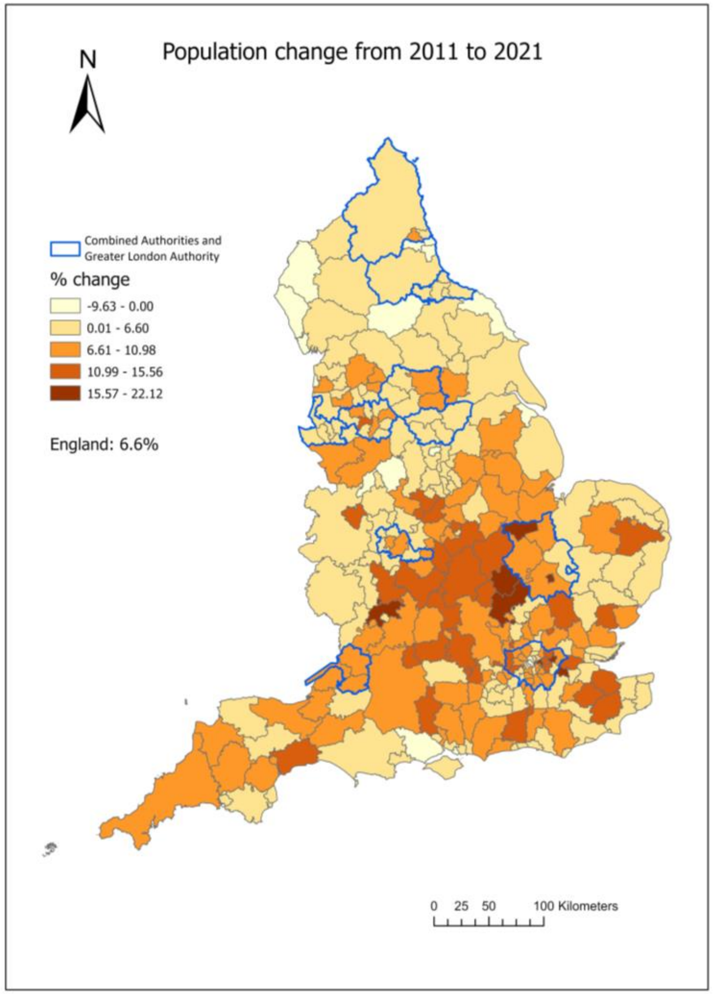


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**Figure 19 Change in population, 2011 - 2021**

26 https://www.nomisweb.co.uk/reports/lmp/gor/2092957699/subreports/gor_pop_time_series/report.aspx – this records 53.1 million people in England, whereas later ONS data published in spreadsheet form records 53.012 million. We have used this as the basis of the figure is clearer.

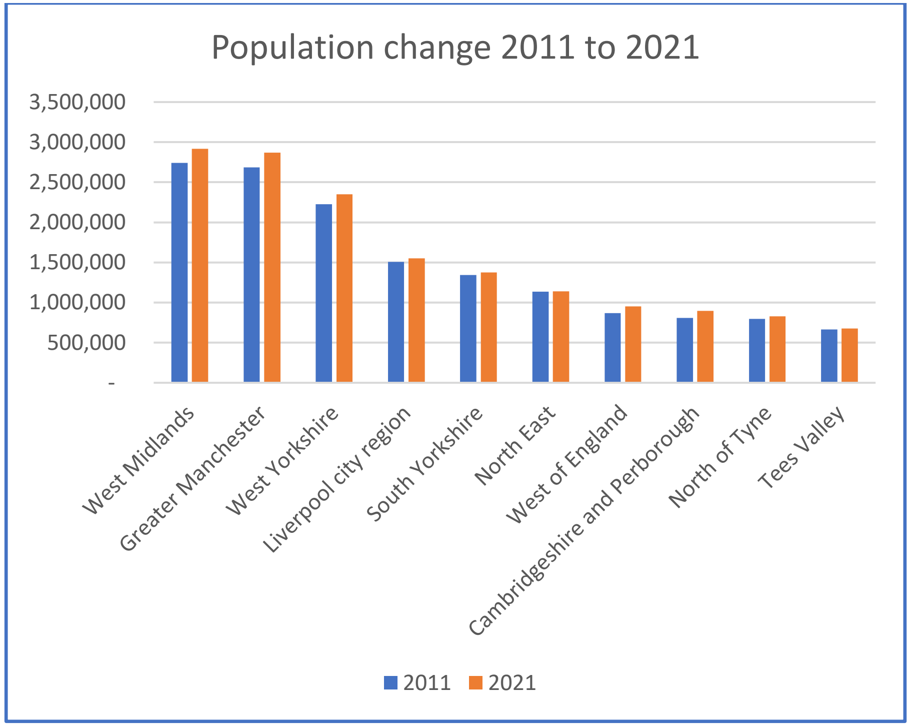


Figure 20 Change in population size by combined authority areas, 2011-2021

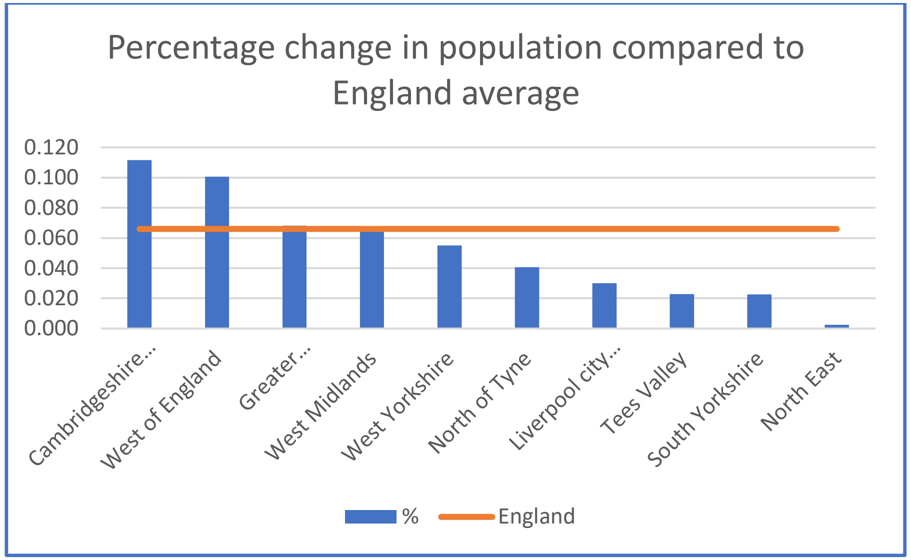


Figure 21 Percentage change of population by combined authority areas, 2011-2021

## *Household change*

Data from the 2011 and 2021 censuses indicates that England experienced a 6.2% (1.37 million) increase in the total number of households, from 22.06 million in 2011 to 23.4 million in 2021[27]. This is a lower level of increase than that projected by the ONS in June 2020, where the number of households was expected to rise to 23.7 million by 2021[28].

Figure 22 maps the spatial distribution of different household change level, ranging from a drop of 14.82% to an increase of 19%. The growth in household numbers exceeded 11% in 43 LADs, with the largest growth level occurring in Tower Hamlets (19%), Uttlesford (18.1%) and Bedford (17.3%). Echoing the patterns with population change, only nine LADs experienced household number decline, especially in Kensington & Chelsea (-14.8%), Westminster (-10.3%) and the Isles of Scilly (-9%).

[27] Data extracted from table TS041-2021-2 with Wales removed.

[28] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/householdprojectionsforengland

Within the CA areas, LADs experiencing high levels of household number increase included Peterborough (14.2%), Cambridge (12.2%), South Cambridgeshire (11.7%), and Salford (11.1%). Gateshead was the only LAD to experience a decline in household numbers (-0.17%), whereas the number of households was static in Liverpool.

In terms of average household size, the average level in England remained at 2.4 residents per household between the two censuses. Within the CA areas, LADs such as Peterborough, Cambridge and South Cambridgeshire experienced the largest growth in household size (see Figure 23). Indeed, the growth in household size and the average household size tended to be higher in southern England, especially in Peterborough and Cambridge LADs.

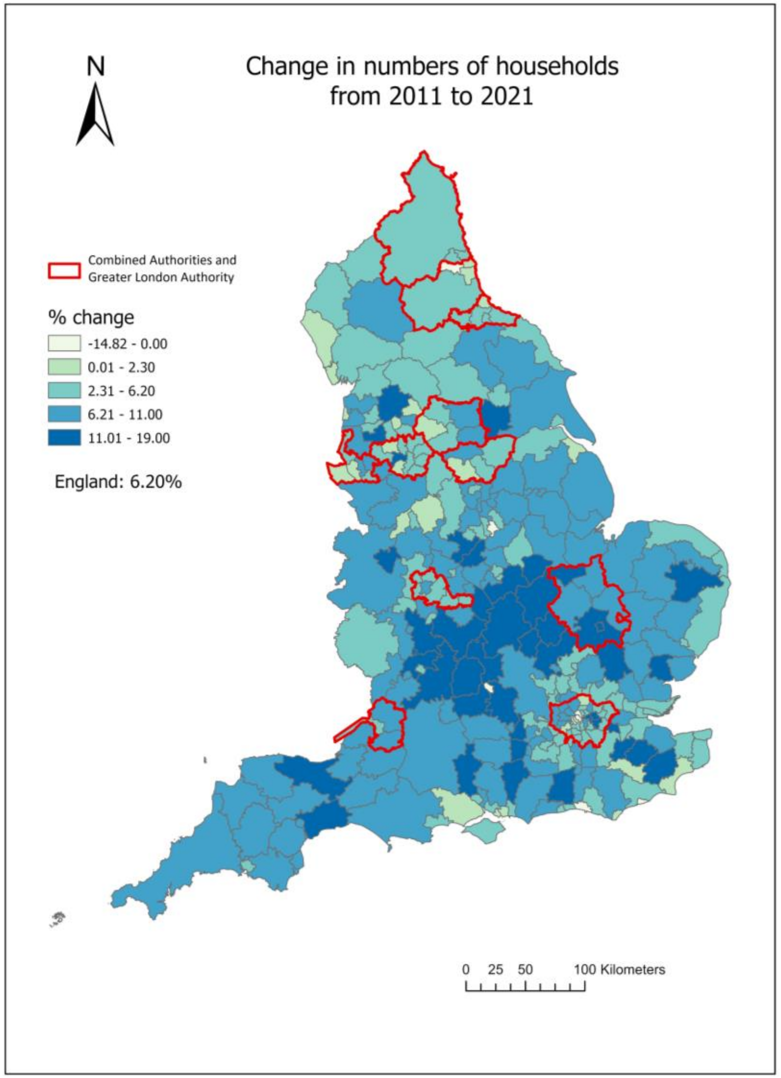


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**Figure 22 Change in number of households, 2011-2021**

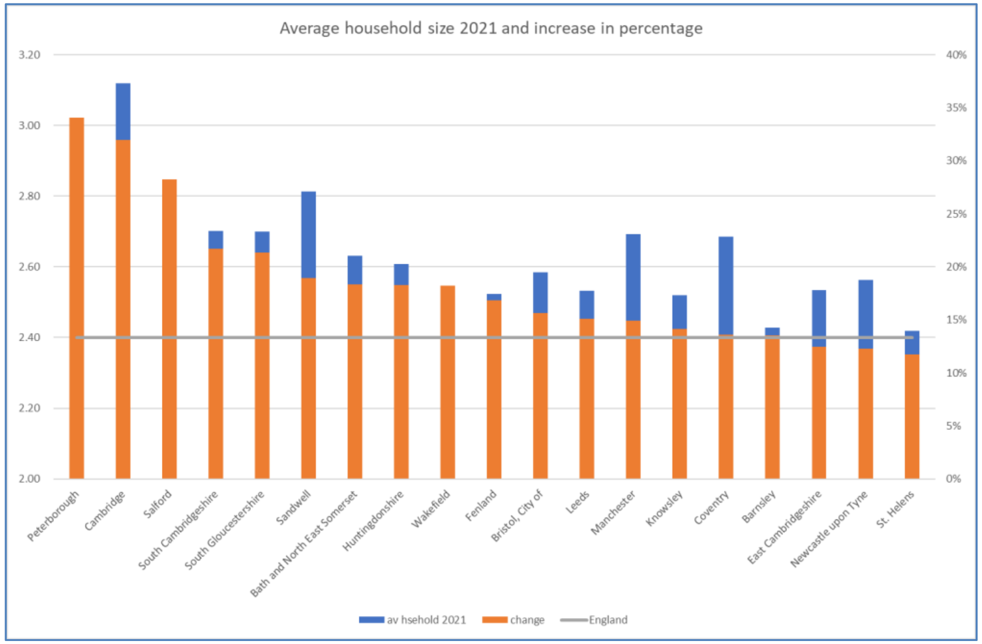


**Figure 23 Change in average household size, 2011-2021**

## *Inward migration*

Inward migration accounted for 57.5% of the population increase in England and Wales between 2011 and 2021[29]. The population of England and Wales grew by 3.5 million between 2011 and 2021, when net inward migration to England and Wales was approximately 2 million[30]. The ONS further noted that of the 10 million non-UK born residents in England and Wales in 2021, 4.2 million had only arrived the country since 2011. The 2021 census data showed that 17.4% of England's residents were not born in the UK[31]. Figure 28 maps the spatial distribution of non-UK born residents across different LADs in England in 2021 and the value ranged from 2.6% to 56.1%. There was a clear divide between Greater London and the wider South East region from the rest of the country, as well as a higher proportion of non-UK residents in major metropolitan areas around Birmingham and Manchester.

The percentage of residents born outside the UK was above 38.2% in 26 LADs, with the highest levels found in Slough (44%), Redbridge (43.6%) and Barnet (43.2%) in Greater London, as well as in Leicester (41.1%) and Luton (38.4%). There were 126 LADs in England where non-UK residents were less than 9% of the population, with the lowest levels occurring in Staffordshire Moorlands (2.6%), Redcar & Cleveland (2.9%) and Copeland (2.9%).

LADs within CA areas with over 26.5% of local population born outside the UK were Cambridge (38%), Manchester (31%), Peterborough (28%), Coventry (28%) and Birmingham (27%). LADs with the lowest levels were generally founds in CAs in northern England, including Redcar & Cleveland (2.9%), Northumberland (3.5%), Hartlepool (4%), County Durham and South Tyneside (4.4%).

It is probable that cities with large numbers of international students had the largest proportion of residents born outside the UK, however, the 2021 census has not yet published data on economic status by country of birth. Although data on full-time students in 2011 and 2021 is available and broken down by LAD areas, the data only records "usual residents of England and Wales" rather than for England alone. Using Manchester and Salford as an example, the student population was recorded as 98,009 and in 2011 and 97,356 in 2021. However, the 2021/22 HESA data records 46,410 students at the University of Manchester (of which 18,170 were non-UK), 36,980 at Manchester Metropolitan University (of which 2,890 were non-UK) and 25,415 at the University of Salford (4,325 non-UK) - which gives a combined total of 108,805 students.

HESA also record that the total number of students in England in 2021/22 was 2,342,775, of which 555,165 were non-UK. In 2017/18 the figures were 1,983,480 and

[29]https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/internationalmigrationenglandandwales/census2021 - Also Nomis census2021-ts012-ltla

[30] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/internationalmigrationenglandandwales/census2021#migration-between-censuses

[31] See Non-UK born spreadsheet

387,700 respectively. Given the growth in student numbers of 360,000 in the period, it is highly likely that demand for student housing will have increased in the major university cities.

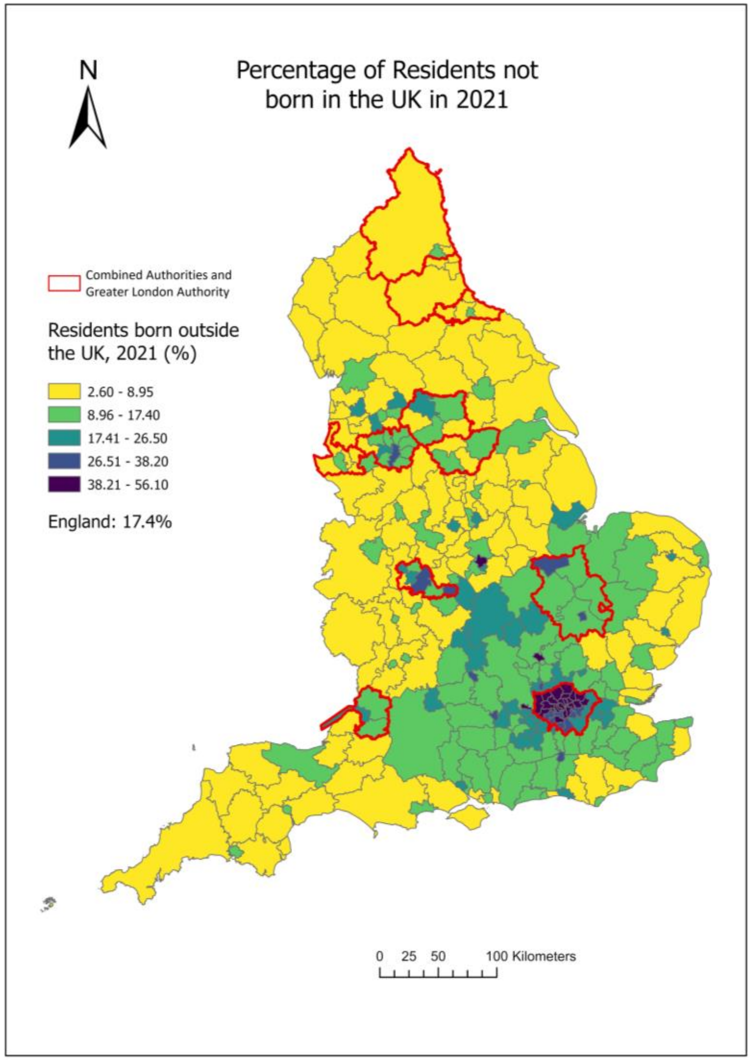


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**Figure 24 Percentage of residents born outside the UK, 2021**

# Exploring the relationships of housing affordability issues

So far the report has considered the structure of the housing situation across different parts of England in terms of tenure, house prices, rental costs and affordability ratios. The evidence shows that affordability of housing, whether to rent or buy, have worsened in most CA areas and LADs. It is also interesting to note that the proportion of stock that is owned outright has increased over the last decade.

Many accounts of increases in housing costs tend to focus on the supply and demand factors, basing their explanations upon neo-classical economics. UK governments of all political persuasions have promoted increased housebuilding as a way of increasing supply and tempering inflationary pressures [32] and the current government is committed to building 300,000 new homes each year. However, the nature of the housing market is complex and intertwined with many other factors[33] and Galster and Lee's [34] desktop review of research around the dynamics of housing costs in metropolitan areas, identified six perspectives that they felt could provide "putative explanations" for housing affordability problems. These were: (1) construction costs; (2) regulation; (3) household growth; (4) income inequality; (5) agglomeration; and (6) induced migration.

Although their research considered that it was, "impossible to draw any unambiguous, valid, general conclusions about the primary sources of the current international housing affordability crisis" (p.20), they felt that population growth and high level of income inequality would cause perpetual housing appreciation and intensify affordability problem for lower earners (p.18)[35].

The exploration of relationships, through desktop-based review and triangulation with various housing statistics, starts with a broad-brush review of the six factors highlighted in Galster and Lee's analytical framework. In addition, we have analysed data relating to two further factors which may contribute to rising housing costs: the influence of inward investment from overseas and the effects of government policies. The schematic at figure 25 provides a visual representation of the analytic approach. Figure 25 also notes four further sources of influence (competitiveness, housing supply, the structure and levels of employment, and education and qualifications). These factors have not been investigated within this report but certainly merit further study.

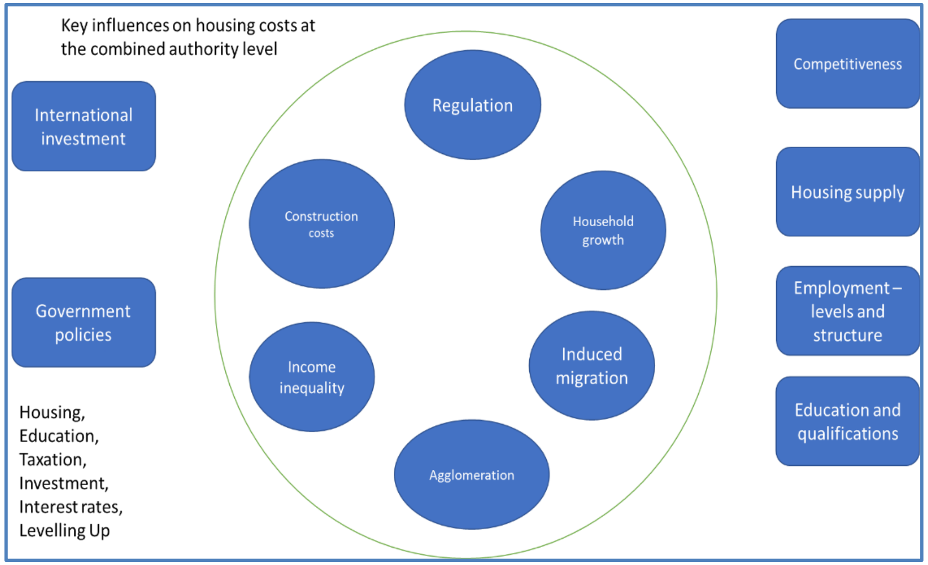


Figure 25 Factors influencing housing affordability (adapted from Galster and Lee, 2021)

[32] E.g. The 2017 Fixing our Broken Housing Market White Paper, claimed that building more homes would "slow the rise in housing costs" (p.6).
[33] Gallent, N., 2016. Investment, global capital and other drivers of England's housing crisis. Journal of Urban Regeneration & Renewal, 9(2), pp.122-138.

[34] Galster, G. and Lee, K.O., 2021. Housing affordability: A framing, synthesis of research and policy, and future directions. *International Journal of Urban Sciences*, *25*(sup1), pp.7-58.
[35] Van Doorn, L., Arnold, A. and Rapoport, E., 2019. In the age of cities: The impact of urbanisation on house prices and affordability. *Hot Property*, *pp.3-13*. This echoes the findings of Galster and Lee.

### *Construction costs*

At the national level, construction costs have exceeded general CPI in recent years, with a 37% increase in new build costs between 2014-22 (OBR)[36]. The OBR's cost-modelling index shows a 117% increase between 2010 and 2022 and building material costs have risen by more than 30% since 2017[37]. There are also many reports of large increases in labour costs[38]. Unfortunately, data is not readily available for LAD and CA levels.

### *Regulation*

The planning and construction of new housing is highly regulated through the planning system and building regulations. The 2021 National Planning Policy Framework sets out clear expectations around design, environmental considerations and protection of green belt[39]. Several commentators claim that the English planning system is a major factor in suppressing new supply and extending timescales for new construction[40]. The design and construction of new areas of housing also requires considerable liaison with infrastructure providers and often the construction of entirely new infrastructure. Thus, the cost of housebuilding needs to encompass more than the building components of the house itself.

The cost of constructing individual units of housing has also been increasing, as noted earlier and Part L of the Building Regulations 2021 creates additional costs for constructors in achieving higher standards of energy efficiency. Although there are few sources of official data[41], some estimates consider that these will increase building costs by 4%[42].

### *Growth in the numbers of households*

As noted earlier, the population of England grew by 6.6% and household growth was 6.2% between 2011 and 2021. The rate of population growth and household growth has varied greatly and this will be referenced against other factors later in the report. Between 2011 and 2021 the population of England population grew by 3.45 million to 56.5 million[43]. The ONS estimate that 57.5% of the population increase was due to inward migration. In 2021 17.4% of the population in England was born outside the UK, an increase of 3.4 percentage points on 2011. In addition, population and household growth within areas can be stimulated by housebuilding, expansion of higher education related residential facilities and the creation of job opportunites. On the basis of ONS' 2018 estimates, the number of households in England is projected to grow to 26.7 million by 2031, an increase of 3.3 million in 20 years[44]. It will be important to consider the potential patterns of this increase and the impications for housing provision and housing costs.

### *Income inequality*

As income inequalities have sharpened in many richer countries, there has been an increase in the capacity of the better off to bid up house prices, purchase second homes and purchase rental properties. Low interest rates have helped stimulate steep rises in the price of housing, enabling those with existing housing equity to fund larger mortgages[45]. The latest ONS data on second homes shows that some cities, such as

[36] https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/datasets/interimconstructionoutputpriceindices and https://costmodelling.com/construction-indices

[37] https://www.gov.uk/government/statistics/building-materials-and-components-statistics-october-2022

[38] https://www.gripple.com/about-gripple/news/uk-construction-industry-reports-record-breaking-rise-in-labour-costs/

[39] https://www.gov.uk/government/consultations/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy

[40] https://commonslibrary.parliament.uk/research-briefings/cbp-7671/

[41] 2021 changes to the energy efficiency requirements of the Building Regulations for domestic buildings from https://www.three-dragons.co.uk/news/revised-domestic-building-standards--part-l-of-the-building-regulations.htm

[42] https://bcis.co.uk/news/housebuilders-estimate-cost-uplift/

[43] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/internationalmigrationenglandandwales/census2021

[44] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/householdprojectionsforengland/2018based

[45] Graczyk, A. and Phan, T., 2021. Regressive welfare effects of housing bubbles. *Macroeconomic Dynamics*, *25*(8), pp.2102-2127.

Manchester, have very high proportion of households with access to second homes[46]. Similarly, the attraction of cities to those seeking employment can attract further inward migration which bidding up the cost of accommodation and stimulating rental investors to subdivide properties.

### Agglomeration

Galster and Lee suggest that the success of agglomeration can intensify issues around affordability and housing quality, as demand to live in such areas increases with the quality of amenities and jobs improves. Nygaard, Parkinson and Reynolds[47] argue that as agglomeration increases it tends to intensify issues around income inequality – giving the largest housing rewards to existing residents, creating competition to live in areas with better reputations and facilities and driving down wages in already lower-paid jobs.

### Induced migration

Whilst the contribution of inward migration to population growth at a national scale is fairly well charted, the linkages between inward migration and housing affordability at the metropolitan level is less well-documented. Several studies have indicated that inward migration to metropolitan areas can be induced by the presence of better employment prospects and the level of amenities[48]. However, this inward migration can drive down wages in lower productivity jobs and increase the competition for higher skills labour[49]. In turn this can drive up prices in aspirational areas, affect housing configurations and intensify competition for the housing types affordable to incomers. Galster and Lee argue that this can create a situation of "perpetual housing appreciation" (p.18).

### International investment

Several studies have linked the existence of global footloose capital to the appreciation of property values in global cities[50]. More recently the trend has changed from the simple acquisition of housing assets to the construction, management and ownership of new apartment blocks. Analysis of B sales[51] in several cities shows that they are increasing in many areas, as rental investors move in. Similarly, the 2021 census results show some of the highest levels of second home ownership within cities.

### Government policy

Most of the current government's housing policies have subsidised the consumption of housing rather than favour the construction of new affordable housing. Prior to the COVID pandemic, the Help to Buy scheme helped bolster the price of new build through government assistance in mortgage costs and deposits[52]. During the pandemic the various stamp duty holidays were widely considered to have helped fuel house price inflation. Housing also remains a relatively lowly taxed asset class, as the owners of homes do not pay any form of taxation on the appreciation in value. Thus housing as an asset class is often supported by fiscal policy, further sharpening the distinction between those with equity in the housing market and new entrants.

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[46] https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/peoplewithsecondaddressesenglandandwales/census2021

[47] Nygaard, C., Parkinson, S. and Reynolds, M., 2021. Agglomeration effects and housing market dynamics.

[48] Gray, D., 2023. What Can District Migration Rates Tell Us about London's Functional Urban Area?. Journal of Risk and Financial Management, 16(2), p.89. Cochrane, W. and Poot, J., 2021. Effects of immigration on local housing markets. *The economic geography of cross-border migration*, pp.269-292.

[49] Longhi, S., Nijkamp, P. and Poot, J., 2005. A meta-analytic assessment of the effect of immigration on wages. Journal of economic surveys, 19(3), pp.451-477.

[50] Gallent, N., 2016. Investment, global capital and other drivers of England's housing crisis. *Journal of Urban Regeneration & Renewal*, *9*(2), pp.122-138. Byrne, M., 2020. Generation rent and the financialization of housing: A comparative exploration of the growth of the private rental sector in Ireland, the UK and Spain. *Housing Studies*, *35*(4), pp.743-765. Beswick, J., Alexandri, G., Byrne, M., Vives-Miró, S., Fields, D., Hodkinson, S. and Janoschka, M., 2016. Speculating on London's housing future: The rise of global corporate landlords in 'post-crisis' urban landscapes. *City*, *20*(2), pp.321-341.

[51] These are sales of properties to non-occupiers.

[52] Carozzi, F., Hilber, C. and Yu, X., 2019. The economic impacts of help to buy. Manlangit, M., Karadimitriou, N. and de Magalhães, C., 2022. Everyone wins? UK housing provision, government shared equity loans, and the reallocation of risks and returns after the Global Financial Crisis. *International Journal of Housing Policy*, pp.1-23.

# Correlation analysis

The key housing indicators have thus far shown the situation in 2021 for different LADs across England, which highlighted changes in tenure, housing costs and affordability between 2015 and 2021. To explore the potential relationships between different factors, Pearson correlation analysis was carried out to establish the relationship between different housing indicators. The analysis presented here is not comprehensive as there are many factors involved, however, it does illustrate that the drivers of housing costs differ between the rented and purchase sectors and demonstrates the significance of correlated variables other than supply.

The results indicate a complex web of correlations and some surprising absences of correlation.

## *House price analysis*

Table 5 shows the findings of correlation analysis between house prices and other housing indicators across England's LADs. The table only shows the correlations above a statistically significant coefficient of 0.5. As expected, house prices and rental levels have a very strong correlation (r=0.917) as private landlords' rents will tend to follow market signals in the owner-occupied sector. House prices are also strongly correlated with rent to earning rations, residence-based earnings as well as educational qualification above NVQ level 4. Although being correlated, weaker relationships between house prices are found with the two proxy measures of inward migration (i.e. percentage of people born outside the UK and percentage of people holding a non-UK passport). Likewise, workplace-based earnings and productivity level (GVA per hour index) bear a weaker correlation with house prices.

**Table 5 Relationship between house prices and other housing indicators**

| Correlation with House prices | Pearson correlation |
|---|---|
| Rent levels | 0.917** |
| Rent to earnings ratio | 0.794** |
| Residence based earnings (medium hourly pay - full-time) | 0.791** |
| % with NVQ4+ of people aged 16-64 | 0.737** |
| Percentage of people born outside the UK | 0.638** |
| Percentage of people holding a non-UK passport | 0.592** |
| GVA per hour index | 0.551** |
| Workplace based earnings (median hourly pay - full-time 2020) | 0.547** |

Note: **. Correlation is significant at the 0.01 level (2 -tailed).

## *Rental cost analysis*

The patterns of correlation analysis for privately rental cost somewhat differ from that of prices of the owner-occupied sector, as shown in Table 6. Rental cost levels have the strongest correlation with the two proxy measures of in-migration, but lesser with residence-based earnings and education qualifications. In addition to workplace-based earnings and productivity level, share of employment in information and communications as well as that in the professional, services and technical sector in 2020 also showed correlation coefficients over 0.5, which suggests the implications from particular groups of employment.

**Table 6 Rental cost relationship with other housing factors**

| Correlation with 2021 rental levels | Pearson correlation |
|---|---|
| Median house prices | 0.917** |
| Percentage of people born outside the UK | 0.812** |
| Percentage of people holding a non-UK passport | 0.779** |
| Residence based earnings (medium hourly pay - full-time) | 0.758** |
| Percentage with NVQ4+ of people aged 16-64 | 0.736** |
| Workplace based earnings 2020 (median hourly pay - full-time) | 0.663** |
| Share of employment in the information and communications sector 2020 | 0.600** |
| GVA per hour index 2020 | 0.576** |
| Share of employment in the professional, services and technical sector 2020 | 0.519** |

Note: **. Correlation is significant at the 0.01 level (2 -tailed).

The correlation analysis of the two tenure sectors suggests that the two markets have very different drivers but strong linkages. For the owner-occupied market, price levels appear to be strongly related to the economic power of residents such as their earnings and education levels. When examining the market rental levels, inward migration seems to be the key driver, with residents' earnings and education levels following.

# Discussion and implications

## Summary of key findings

The data presented in the report demonstrates the complexity of England's housing situation: housing situations vary enormously across LADs as well as within and between CA areas. A number of general observations are made here. These include the trends towards increasing levels of outright ownership; gradually diminishing levels of owned with a mortgage; and the weight of tenure legacies within areas[53]. The data shows that many of the commonly accepted assumptions do not seem to be generalisable easily. For example, the affordability ratio has barely changed in several combined authority areas between 2015 and 2021; levels of privately rented homes have declined in some areas; and median rents for 1 bedroomed flats have actually reduced in a few LADs between 2019 and 2021.

Although there has been substantial population growth in England as a whole, some LADs in northern England have experienced shrinkage between the 2011 and 2021 censuses. Migration has been a key driver of population growth, with the highest in-migration found in LADs with universities. The data showed that in some local authorities the average household size has increased significantly indicating a growth in houses with multiple occupation.

The huge disparities in housing costs, both rented and owner-occupied, indicate how difficult labour mobility has been becoming. The differences between median earnings on a job-by-job basis do not match the differentials in housing costs, with this tending to entrench younger workers to stay put in areas of lower housing costs. Conversely, the big differentials between house prices in the south and elsewhere may incentivise a northward move amongst younger workers. The 2021 census data shows that 5.3% of residents in England and Wales had a second address either in or outside the UK, this ranged from 20.5% in Cambridge to 2.4% in Sandwell. Currently, there is no breakdown of this figure against economic status, of course, it may be the case that most of the 2.45 million people with second addresses are students.

[53] That is, if large amounts of social housing were supplied 50 years ago of more, then this will still influence the current tenure profile.

In terms of the affordability of housing, it is important to note the differences between the owned with a mortgage market and the private rental market. As noted earlier, the cost of a median priced house in England rose from £209,500 to £285,000 between 2015 and 2021, an increase of 36%. This increased England's ratio of median annual earnings to median house price from 7.9 to 9.05. The median house price increase of 36% compares to an increase of 14.6% in median earnings and 11.5% in CPI. The recent increase in base rates from less than 1% to 5% are likely to make it harder for first time house purchases; however, the evidence around the effects is complex, with some areas experiencing reducing prices whereas others with continued price increase. It is important to note that rampant inflation in the house building cost and the tendency for existing owner-occupiers to sit tight during downward movements may mitigate against any pressures to reduce asking prices. There is emerging evidence of a reduction in the volume of sales in England[54].

The data for the private rental market shows a more nuanced pattern. Between 2019 and 2021 rents for median 1 bedroomed flats rose by 13% in England, compared to the CPI of under 6% in the period[55]. However, the rate of inflation varied significantly across the country. Unfortunately, rental data for LADs is not easily accessible before 2019 which limits our analysis. It is clear though that housing costs in most of England are rising faster than incomes and outstripping CPI, with clear consequences for affordability.

The calculation of housing needs and the distinctions between housing need and housing demand have been debated widely. Our evidence shows that reliance upon very dated information is problematic as housing situations are extremely dynamic. The policy signals around housing need are complex and contradictory, for example, single people receive discounts on council tax for single occupancy, whereas tenants have their benefits reduced if they are considered as under-occupying. Similarly, the subsidies available under the Help to Buy scheme did not apply incomes tests or assess the suitability of the chosen home against housing need. The lack of taxation on the capital gains on home ownership places those who have benefitted from house price inflation at a distinctly more advantageous position to those who are entering into tenancies or trying to buy a home.

Although not included in our analysis, some preliminary investigation around the supply of new housing and household formation rates indicates, once again, the complexity of the picture. In many parts of the country the supply of housing has outstripped the growth in households, without any measurable effect on house prices; and, in fact sometimes increased supply has been accompanied by a rise in house prices. This supports the arguments that increasing supply will not in itself dampen housing costs[56].

## Policy implications

The overall purpose of the government's Levelling Up agenda is to reduce regional inequality in the UK by improving economic dynamism, driving economic growth and addressing the six types of capital needed to reduce spatial inequality[57]. Within the twelve levelling up missions, the mission for housing aims to ensure that renters by 2030 will have a secure path to ownership (measured by increases in the numbers of first-time buyers) and to reduce the number of non-decent homes by 50% especially in areas with the greatest problems. Whilst these two targets are laudable, such housing targets say little about housing affordability, supply and inequalities as well as the regulation of rented housing.

The UK 2070 Commission's Action 5: Rethinking the Housing Crisis highlights increasing problems around housing affordability, that more policy attention is given to the rental sector, that housing policy is integrated within infrastructure provision and that housing policies are better aligned with local governance arrangements. The recently announced Trailblazer devolution deals for Greater Manchester and the West Midlands[58] indicate that the government is willing to engage with combined authorities around the devolution of funding and strategic housing functions. In the light of this, it

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54 https://www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above/uk-monthly-property-transactions-commentary

55 Source: https://www.rateinflation.com/consumer-price-index/uk-historical-cpi/

56 Fingleton, B., 2008. Housing supply, housing demand, and affordability. Urban studies, 45(8), pp.1545-1563. Molloy, R., Nathanson, C.G. and Paciorek, A., 2022. Housing supply and affordability: Evidence from rents, housing consumption and household location. *Journal of Urban Economics*, *129*, p.103427. Mulheirn, I., 2019. Tackling the UK housing crisis: is supply the answer. *UK Collaborative Centre for Housing Evidence*.

57 https://www.gov.uk/government/publications/levelling-up-the-united-kingdom/levelling-up-the-united-kingdom-executive-summary

58 https://commonslibrary.parliament.uk/english-devolution-whats-in-the-new-deals/

is especially important to ensure that any housing strategies have to address the drivers of change rather than simply treating the symptoms of housing affordability, stock conditions and housing supply problems.

The report has shown that the affordability of housing, whether for rent or for purchase, is a key problem in many areas of England. The evidence strongly suggests that economic growth is likely to be accompanied by population growth driven by inward migration, with these factors outstripping any possible price mitigations offered by new supply. Throughout England as a whole, but especially in the northern combined authorities, the decline in the availability of affordable social rented housing was striking. Indeed, it provides a salient counterpoint to the considerable growth in the level of outright owner-occupation, a tenure that has grown rapidly despite increasing house prices. In the context of a heavily financialised housing market and the purchase of housing as wealth stores, the provision of affordable rented housing (not eroded through sales to sitting tenants or stock disposals) will be essential in enabling essential, but poorly paid, workers to enjoy decent homes. The continuous proposed reforms of the planning system by the government and the (lack of) monitoring of the nature of new housing provision has to embed this vital social infrastructure within the wider economic development frameworks.

Alongside the growth in outright ownership, the expansion of the private rented sector represents both a response to and exacerbation of the affordability and inequity issues. The attractiveness of purchasing rental stock to individual and institutional investors demonstrates an imbalance of power between those seeking housing and those best placed to own housing assets. The lack of any effective systems of landlord registration at local and/or national level is an urgent priority given the burgeoning size of the sector and its fiscal and health implications.

There is no simple solution to the issues around housing affordability, but treating affordable housing as infrastructure and part of the country’s stock of social and physical capital would be a good starting point, alongside an appreciation of the local and international features of our housing system.

# Appendix: data sources and notes

| Figure | Theme | Unit | Source |
|---|---|---|---|
| **Figure 1** | Tenure of the ten combined authorities, 2021 | Combined Authority | ONS Census 2021 |
| **Figure 2** | Outright ownership level, 2021 | Local Authority | ONS Census 2021 |
| **Figure 3** | Owned with a mortgage level, 2021 | Local Authority | ONS Census 2021 |
| **Figure 4** | Privately rented housing, 2021 | Local Authority | ONS Census 2021 |
| **Figure 5** | Social housing, 2021 | Local Authority | ONS Census 2021 |
| **Figure 6** | Median house prices, September 2021 | Local Authority | ONS house median house price data - September 2021 |
| **Figure 7** | Median one bedroomed monthly rental, 1/10/2020-30/9/2021 | Local Authority | Private rental market summary statistics in England, ONS, April 2021 to March 2022 (https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland) |
| **Figure 8** | Median house purchase affordability, 2021 | Local Authority | ONS - house price to workplace earnings ratio 2021 – table 5c (https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian) |
| **Figure 9** | Rental affordability, 2021 | Local Authority | ONS residence based annual earnings 2021 and ONS median rentals 2021 |
| **Figure 10** | Percentage changes in tenure, 2011 to 2021 | Combined Authority | Census stock data 2011 and 2021 |
| **Figure 11** | Change in the numbers of properties owned outright, 2011-2021 | Local Authority | Census stock data 2011 and 2021 |

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|---|---|---|---|
| **Figure 12** | Change in the numbers of properties owned with a mortgage, 2011-2021 | Local Authority | Census stock data 2011 and 2021 |
| **Figure 13** | Changes in the numbers of privately rented homes, 2011-2021 | Local Authority | Census stock data 2011 and 2021 |
| **Figure 14** | Changes in the numbers of socially rented homes, 2011-2021 | Local Authority | Census stock data 2011 and 2021 |
| **Figure 15** | Changes in median house prices within the combined authorities, 2015-2021 | Combined Authority | ONS housing affordability data - table 5a |
| **Figure 16** | Change in median house price, 2015-2021 | Local Authority | ONS housing affordability data - table 5a (https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian) |
| **Figure 17** | Rate of increase in rents of combined authority areas, April 2019-April 2021 | Combined Authority | Index of Private Housing Rental Prices, UK (https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/november2022) |
| **Figure 18** | Change in median rents for one bedroomed flats, 2018/19-2021/22 (April mid-point) | Local Authority | Index of Private Housing Rental Prices, UK (https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/november2022) |
| **Figure 19** | Change in population, 2011-2021 | Local Authority | 2011 and 2021 census data |
| **Figure 20** | Change in population size by combined authority areas, 2011-2021 | Combined Authority | 2011 and 2021 census data |
| **Figure 21** | Percentage change of population by combined authority areas, 2011-2021 | Combined Authority | 2011 and 2021 census data |
| **Figure 22** | Change in number of households, 2011-2021 | Local Authority | 2011 and 2021 census data |
| **Figure 23** | Change in average household size, 2011-2021 | Local Authorities in CAs | 2011 and 2021 census data |
| **Figure 24** | Percentage of residents born outside the UK, 2021 | Local Authority | ONS 2021 census |
| **Table 1** | Tenure profile of England, 2011 and 2021 Censuses | England | 2011 and 2021 census |

| | | | |
|---|---|---|---|
| **Table 2** | England's housing stock by tenure, 2011 and 2021 Censuses | England | 2011 and 2021 census |
| **Table 3** | Changes in total stock between 2011 and 2021 censuses | Combined Authority | Census stock data 2011 and 2021 |
| **Table 4** | Changes in occupied stock by tenure 2011 to 2021 | Combined Authority | Census stock data 2011 and 2021H |