

The state of the nation's housing:

An ILC-UK Factpack

July 2016



The International Longevity Centre – UK (ILC-UK) is an independent, non-partisan think tank dedicated to addressing issues of longevity, ageing and population change. It develops ideas, undertakes research and creates a forum for debate.

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About this report

Population ageing is likely to affect many aspects of our lives. At the ILC-UK we are concerned with understanding the potential impacts through in-depth research and analysis. In this regard, we produce a regular Factpack series setting out the evidence on our ageing society in a usable and accessible format. This year's special edition focuses on housing in the context of demographic change.

Housing is at the frontline of the challenge of ageing. Ensuring supply of affordable and suitable housing will be critical to successfully meet the needs of an older society. In particular, getting housing right will help support the incomes and savings of younger people while helping to limit the growth in health and social care costs from a rising number of older people. Getting housing right can therefore support the foundations of an aspirational and sustainable future. But in order to plan ahead, we need to understand the current state of UK housing as well as anticipate the drivers of change. To achieve this goal, we have undertaken our own original analysis of official statistics and large datasets including the English Housing Survey and the English Longitudinal Study of Ageing. The report is split into five sections:

1. The current housing market.
2. The quality of UK housing in perspective.
3. The future of housing.
4. Implications: Five priorities.
5. Appendix: Data acknowledgements.

Summary: The good, the bad and the ugly

The good

- The rate of overcrowding in a UK context is below the EU average.
- The housing cost overburden rate is also lower – though only for homeowners.
- The vast majority of households are either fairly or very satisfied with their housing – particularly older households.
- Amongst those aged over 50, typical problems with accommodation seem to fall with age.
- Retirement housing stock is rising faster than the general stock of housing.
- Those in retirement housing are significantly more likely to be living in homes with adaptations than those who do not.
- On average, overall housebuilding appears to have been responsive to population change at a local authority level.

The bad

- House prices to earnings are at a record high for first time buyers, partly driven by a long term lack of supply.
- Since the 1940s, the private sector has only occasionally built more than 200,000 homes over a 12 month period, and after the financial crisis, total house building collapsed to less than 150,000 homes being built a year.
- Reduced affordability has led to increasing numbers of young adults living with their parents, peaking at 6.7 million in 2014 – the highest on record.

- A higher proportion of UK tenants (33%) are overburdened by housing costs than across the EU as a whole (27%).
- Among private renters, the proportion of people who are very satisfied with their accommodation is just 20%. Indeed, around a quarter of private renters tend to disagree or strongly disagree that their current tenure is a good way to occupy a home.

The ugly

- While on average housebuilding has been responsive to population change at a local level, this is not universally the case. A number of London and Midlands local authorities have experienced a significant shortfall in the growth of housing supply relative to population change between 2001-2011. More specifically, Birmingham, Brighton and Hove and Enfield top our shortfall list.
- People of Bangladeshi origin are far more likely to live in overcrowded homes – 3 in 10 live in such circumstances.
- 16 million households – mainly owner occupiers in middle aged and older households - live in under-occupied housing. 8 million households live in homes with 2 or more excess bedrooms.
- Yet the suitability of housing for older people remains an issue, especially given rising care needs. Over half of the over 50s with limitations in Activities of Daily Living live in homes without any health-related adaptations.
- According to our calculations, there could be a retirement housing gap of 160,000 homes by 2030 if current trends continue¹. By 2050, the gap could grow to 376,000.
- The lack of supply is also likely to be an issue more generally. If the population keeps rising as expected but overall housebuilding remains at current levels, we face a potential shortage of a quarter of a million homes by 2020 and 670,000 homes by 2030.

Acknowledgements

This Factpack was produced by the team at the ILC-UK including: Ben Franklin, Brian Beach, Cesira Urzi Brancati and Dean Hochlaf. We are extremely grateful for the support of Firstport without whom this work would not have been possible. Any errors or omissions are the sole responsibility of the report's authors.

¹ We assume an ideal level of housing supply would match the growth rate in the over 75s. We then calculate the difference between this ideal scenario and a base case of 7,000 homes being created per annum.

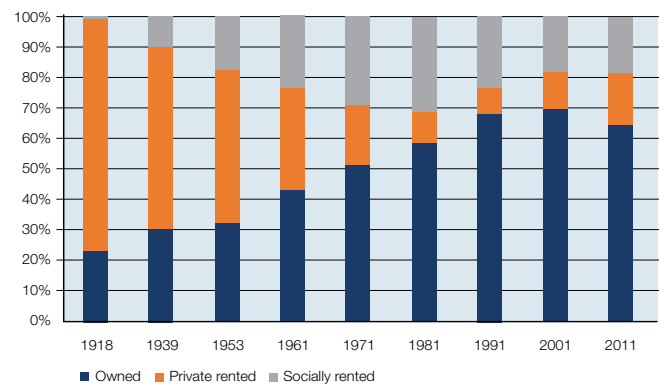
Summary

- Over the last century, homeownership took off dramatically but the trend is starting to reverse.
- There has been a significant increase in the proportion of renters, particularly at younger ages.
- House prices to earnings are at a record high for first time buyers, partly driven by a lack of supply.
- An increasing number of young adults are living at home with their parents.
- Mortgage lending volumes remain far lower than before the financial crisis.
- There are a number of local authorities on the outskirts of London and the Midlands that have experienced particularly low levels of growth in the supply of housing relative to population change over the last decade.

A century of changing homeownership

- In the early twentieth century, 76% of all households lived in privately rented accommodation.
- But throughout the century there was an increase in homes that were owned, peaking in 2001 at 69%.
- After WWII there was also an increase in the proportion of households living in socially rented accommodation. By 1981, 31% of all households lived in socially rented homes but this declined over the following twenty years.

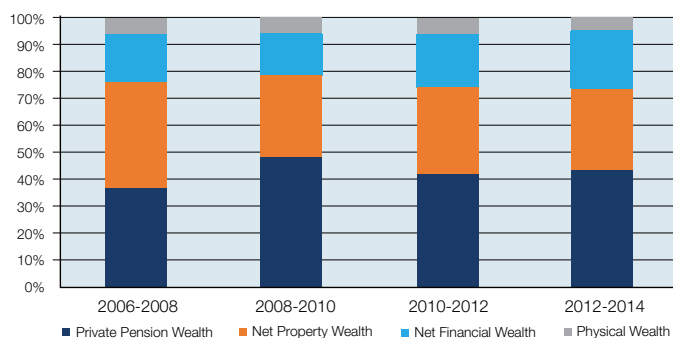
Tenure, England and Wales, 1918 to 2011



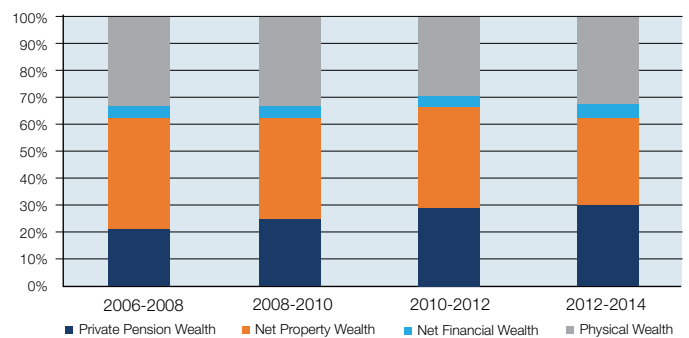
An Englishman's home became his castle

- Today, housing wealth is the most evenly distributed form of wealth in the UK.
- Housing wealth makes up a large proportion of total wealth for both the wealthiest and least wealthy households.
- For the least wealthy, property accounted for 34% of total wealth in 2012-14, whereas for the wealthiest it accounted for 31%.
- The wealthiest 10% have a higher proportion of their wealth held in financial assets (i.e. savings and bonds) and private pensions than the least wealthy.
- By contrast, the least wealthy have a higher proportion of their wealth held in physical assets (i.e. household possessions including any vehicles).

Composition of wealth for the wealthiest 10%



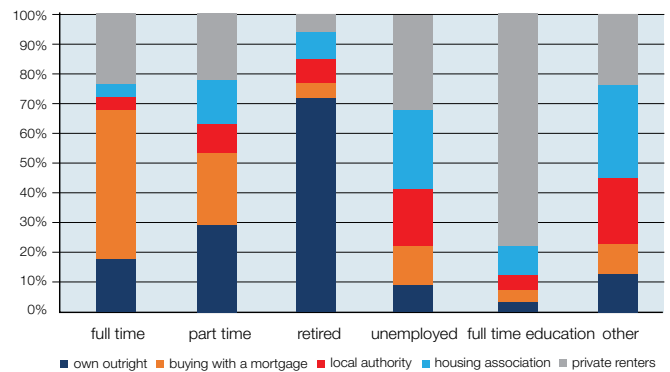
Composition of wealth for the least wealthy 50%



Retired people are far more likely to be owning a home mortgage free in England

- 72% of retired people own their home outright by comparison to 16% of people working full time.
- 18% of retired households also live in socially rented accommodation.
- Amongst unemployed people, the largest proportion (27%) are living in housing association provided accommodation. There are also just over 13% of unemployed people buying a house with a mortgage.
- This has fallen slightly since the financial crisis in 2008-09 when 16% of unemployed people were paying off a mortgage.

Tenure by economic status (2013-14)

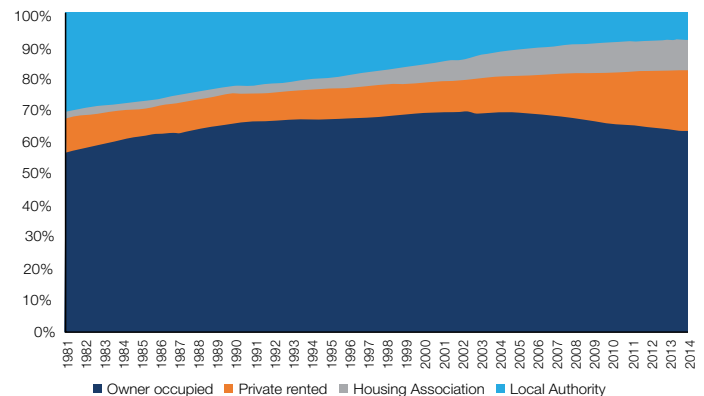


Sources: DCLG, the English Housing Survey and author's calculations

But times...they are a changing

- Since the beginning of the new millennium, the proportion of UK properties that are owner occupied has started to fall – from 69% in 2000 to 63% by 2014.
- At the same time, the proportion of properties privately rented is on the increase – rising from around 9% in 2000 to 19% by 2014.
- Indeed, the number of dwellings in the private rented sector is now bigger than the number provided by housing associations and local authorities combined.

Dwelling stock by tenure (1981-2014)

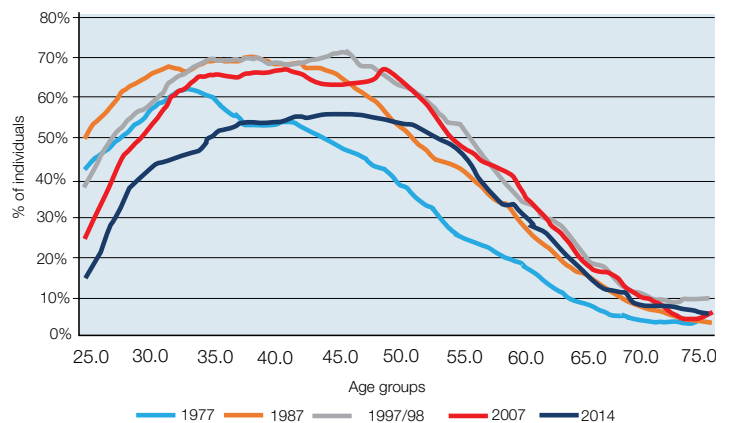


Sources: Live tables on dwelling stock (including vacants), Tables 101, DCLG

Younger households are increasingly likely to be renters not owners

- The changing nature of homeownership is particularly stark when looking across the generations.
- In the late 1980s, younger people had a good chance of getting on the housing ladder - 65% of people aged 26-30 had a mortgage. By 2014, the proportion of people of the same age with a mortgage had fallen to 42%.
- While the proportion of people with a mortgage falls dramatically with age, there is still a small minority of people with a mortgage between the ages of 65-75 (around 5%).

Proportion of individuals by age and housing tenure, rolling five year age group, UK mortgaged households

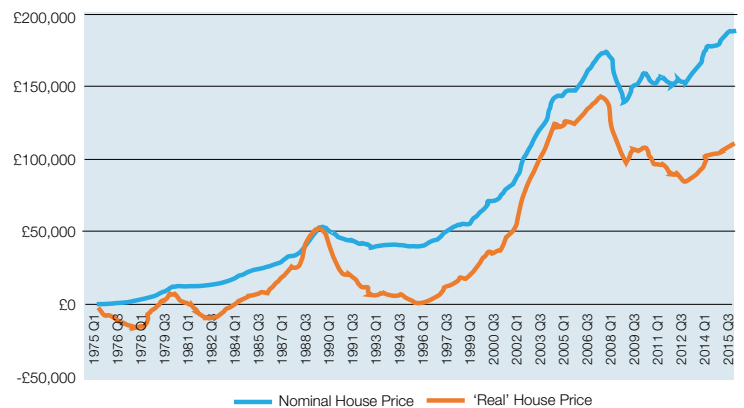


Sources: ONS

Rising house prices challenge affordability but prices are not yet back to peak...

- Looking at the difference between nominal and real (inflation adjusted) house prices show stark differences.
- Historical data on real house prices show far greater volatility over time, and suggest house prices are not yet back to peak following the 2008 crisis.
- Both nominal and real data highlight the significant growth in house prices during the late 1990s and early 2000s and the subsequent fall in prices.
- Since 2012 house prices (both nominal and real) have been recovering strongly.

Safe as houses? Cumulative change in house prices, real vs normal*



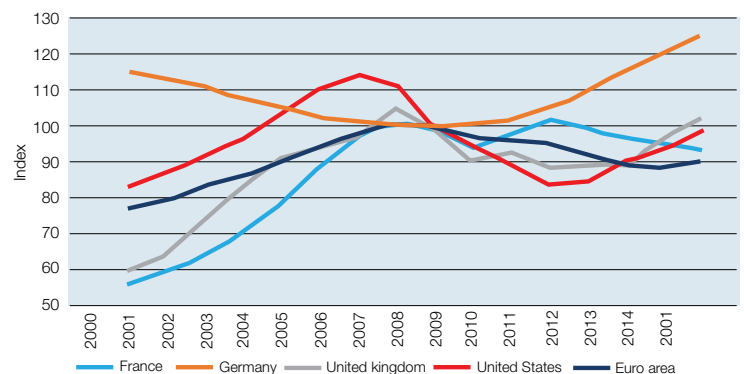
Sources: Nationwide House Price Index and author's calculations

* House Prices are adjusted for retail prices. This uses the Office for National Statistics Retail Price Index (RPI) to convert nominal prices to current prices. For example, a typical property in 2005 Q1 would on average, have cost £152,790 at the time. To buy this amount of 'retail goods' today would require £209,197

Excluding Germany, house prices have risen faster in the UK after the housing crash than in many other countries

- UK house price appreciation before the financial crisis was particularly strong when compared with a number of other advanced economies.
- While the UK saw a fall in prices after the crash of 2008, prices have recovered faster than in other countries.

Real house prices indices (Base Year= 2008)

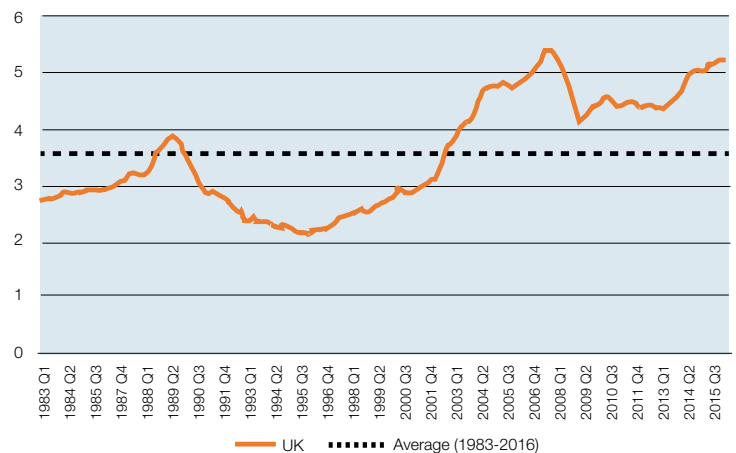


Sources: Author's calculations based on OECD data

House prices are historically high for first time buyers

- The house price to earnings ratio provides a good indication of affordability. In general, the higher the ratio, the less affordable housing becomes.
- Between 1983 and 2016, first time buyer house prices have been on average, 3.5 times earnings.
- However, as of Q1 2016, prices were 5.2 times earnings – substantially above the long run average.
- Today the ratio is close to its pre-crisis peak.

First time buyer gross house price to earnings ratios

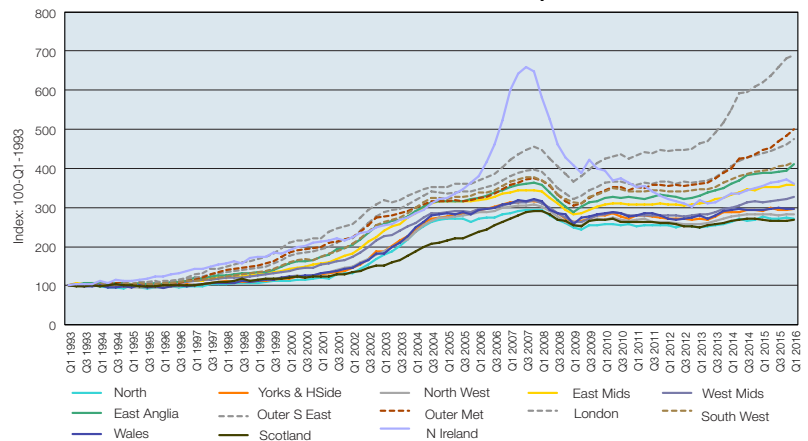


Sources: Nationwide House Price Index and author's calculations

...but beware of dramatic regional differences

- There is a big divide between the south (and in particular London) and the rest.
- While London house prices are far beyond their pre-crisis peak, prices in many regions north of London and the South of England are yet to recover.
- Northern Ireland is a particularly extreme case. By early 2008, property prices in the region were seven times larger than they were just 15 years earlier. But the bubble burst in 2008 and prices fell dramatically and remain way down on their pre-recession peak.

House prices by region, 1993-2016
(southern regions are shown via dotted lines)

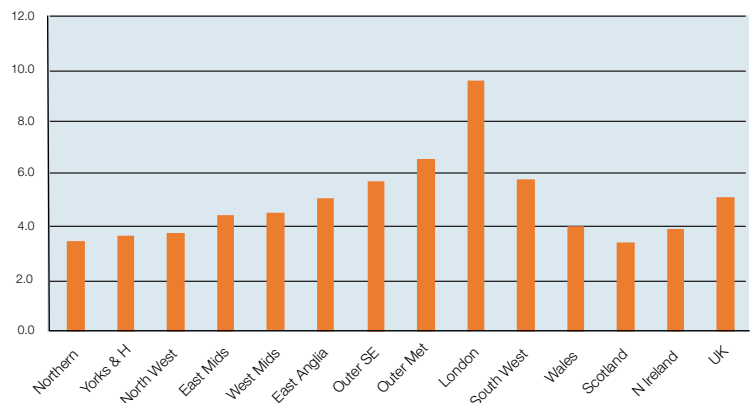


Source: Author's analysis of Nationwide House Price Index

...regional prices impact affordability differently

- London has by far the highest house price to earnings ratio for first time buyers. Prices are more than 10 times average earnings in the capital making it especially difficult to get on the housing ladder.
- The South West, Outer Metropolitan area and South East (excluding London) also have house price to earnings ratios that are greater than the UK average.
- Scotland has the lowest prices to earnings ratio across UK regions – 3.4.

FTB gross house price to earnings ratios
(2015 average) by region

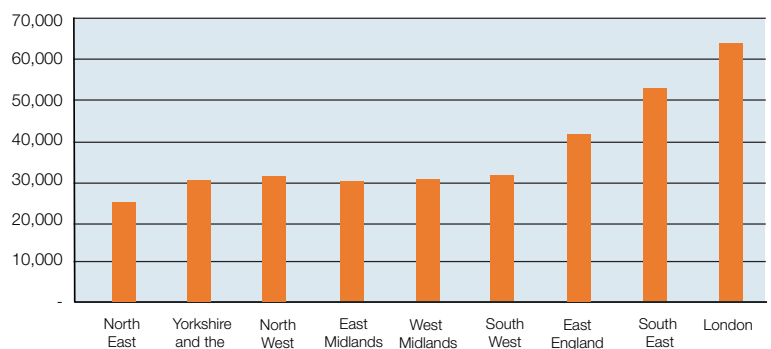


Source: Nationwide House Price Index and author's calculations

While house prices may be higher in London, outstanding mortgages are also much larger

- Outstanding mortgages in London are double the size of those in the Midlands and North of England.
- Outstanding mortgages in London were over £60,000, by comparison to £25,000 in the North East.
- The under 35s bear the largest mortgage debt – averaging £91,000 per person in England.
- By retirement, most have paid off their mortgage debts. Mortgage debt amongst the 65-74 age group averages £4,000 per person.

Outstanding mortgages by region

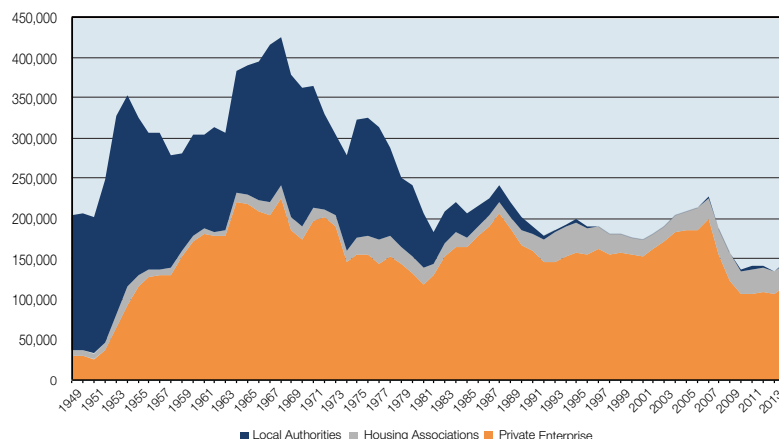


Source: Author's calculations based on English Housing Survey 2013/14

Very low levels of house building have contributed to the affordability problem...

- After the financial crisis, house building collapsed to less than 150,000 homes being built a year.
- In 2014 (the latest available annual data for the UK) the UK built just 145,000 new homes. This contrasts with over 400,000 new homes at peak in the late 1960s.
- Local authority house building led to the substantial increase in supply in the post-war era.
- The private sector has only occasionally built more than 200,000 homes over a 12 month period.

Housing completions, by tenure (UK), 1949-2014

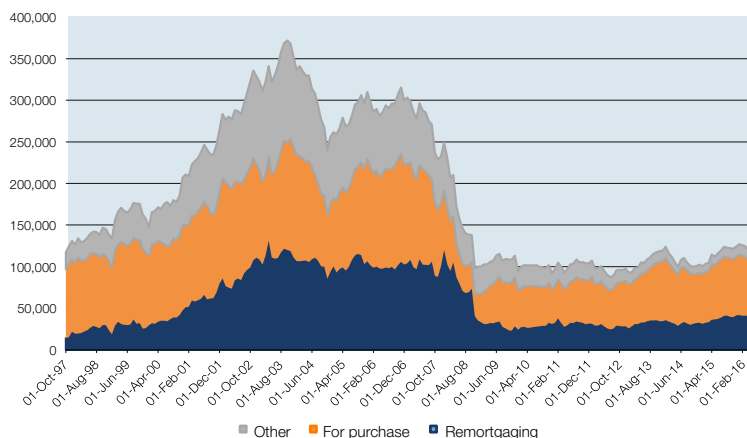


Source: DCLG, Live tables on housebuilding, Table 241

...as well as to comparatively low levels of mortgage lending

- The number of mortgage approvals remain way down relative to the pre-crisis period.
- At peak, in the latter half of 2003, there were over 300,000 mortgage approvals, boosted by a substantial amount of remortgaging and other activity alongside a relatively high number of approvals for purchase.
- By contrast, since the recession we have been averaging just over 100,000 approvals per month with substantially less remortgaging and other mortgage lending activity.

Monthly mortgage approvals by type

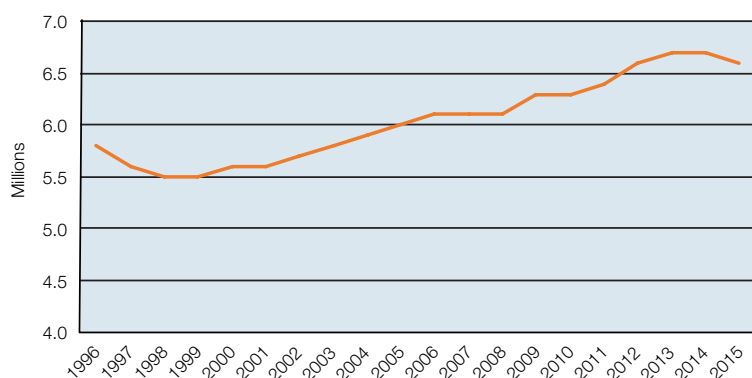


Source: Author's analysis of Bank of England: Approvals for lending secured on dwellings, seasonally adjusted

...reduced affordability has led to increasing numbers of young adults living with their parents

- The number of young adults living at home with their parents has markedly risen over the last two decades.
- Between 1999 and 2014 the number living with their parents rose by 1 million – faster than the rate of population growth for that age group.
- As a result a record 6.7 million young adults lived with their parents in 2014 – this fell slightly to 6.6 million in 2015.

Young adults aged 15 to 34 living with their parents, 1996 to 2015

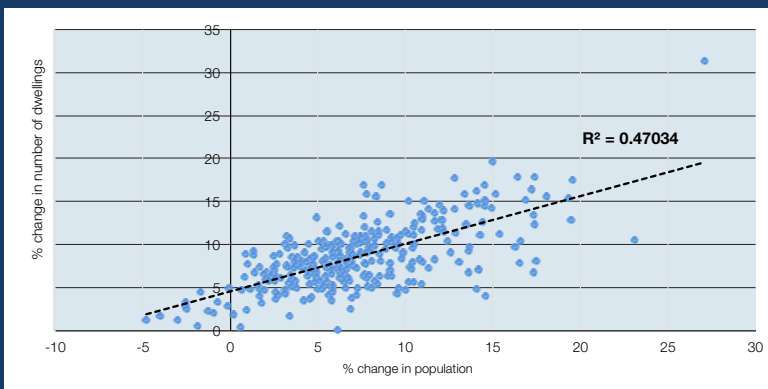


Source: ONS

Focus feature: Is local supply meeting local demand for housing?

- On average, areas with larger proportionate population increases during the period 2001 to 2011 also saw larger proportionate increases in the total housing stock in their area.
- Our analysis suggests that population change during this time period can explain nearly half of all the local variation in changes to housing stock.
- The chart below shows this relationship on a simple scatterplot, with each dot representing a local authority².
- There are some significant outliers. In particular, Tower Hamlets stands out (the top right of the chart) for having experienced both significant population change (+30%) and a significant increase the number of dwellings over the period (+30%).

Scatterplot showing % change in population against % change in dwellings 2001-2011



Source: Author's calculations based on analysis of 2001 and 2011 Census on population change and dwelling change by local authority

- While on average, local authorities that have experienced increases in their population have experienced proportionate increases in the number of dwellings, this is not universally the case.
- Some local authorities have seen a significantly greater proportion of dwellings built relative to population change than others and vice versa.
- The table on the right sets out the top and bottom 20 local authorities. The top 20 have seen the greatest proportionate increase in dwellings relative to population change, the bottom 20 have seen the smallest. London boroughs and parts of the Midlands make up a large share of the bottom 20 having seen substantial population growth relative to supply of additional homes over the period.

Table showing over and undersupply

Top 20	Bottom 20
Westminster	Birmingham
King's Lynn and West Norfolk	Brighton and Hove
Rutland	Enfield
West Devon	Peterborough
Weymouth and Portland	Kingston upon Thames
Scarborough	Croydon
Craven	Luton
Wyre Forest	Merton
East Lindsey	Brent
Torridge	Hounslow
North Norfolk	Leicester
South Lakeland	Barnet
Fylde	Harrow
Isle of Wight	Welwyn Hatfield
Ryedale	Redbridge
Derbyshire Dales	Hillingdon
West Somerset	Greenwich
Kensington and Chelsea	Barking and Dagenham
Hinckley and Bosworth	Waltham Forest
Redcar and Cleveland	Newham

² Local authorities with missing values were dropped from our analysis.

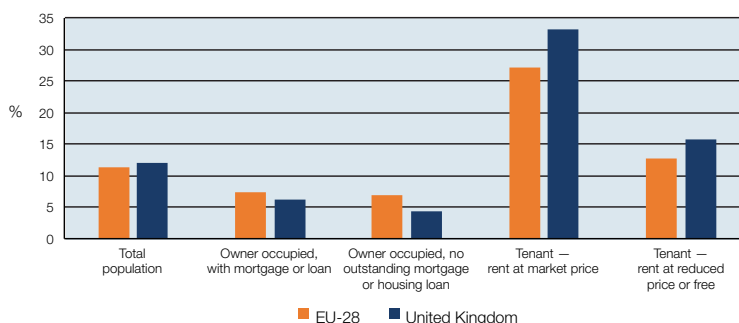
Summary

- Housing cost overburden is higher in the UK than in the EU driven by high rental prices.
- We are also relatively less overcrowded, though the level of overcrowding differs substantially by ethnic background and tenure.
- 16 million households – mainly owner occupied, middle aged and older households - live in under-occupied housing. There are 8 million households with 2 or more excess bedrooms.
- Only a minority of people over 50 have moved over the last few years – most of which for reasons of “suitability”.
- Owner occupiers are far more likely to be satisfied with their form of accommodation than renters.
- Over half of those over 50s and experiencing limitations in Activities of Daily Living live in homes without any health-related adaptations.
- Those in retirement housing are significantly more likely to be living in homes with adaptations than those who do not.

Housing cost overburden is higher in the UK than the EU

- Around 12% of the UK population is overburdened with housing costs compared with 11.4% across the EU as a whole.
- The UK has a higher overall rate because of significantly higher rates amongst the population who rent.
- 33% of UK tenants who rent at the market price are overburdened by housing costs by comparison to 27% across the EU as a whole.
- By contrast, the housing cost overburden rate for owners is lower in the UK than for the EU.

Housing cost overburden rate by tenure, 2014*



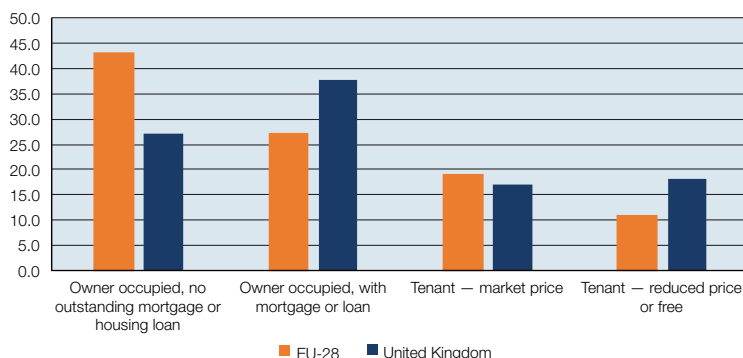
Source: Eurostat

*The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40% of disposable income ('net' of housing allowances)

UK residents are more likely to live in homes with a mortgage

- While it is often thought that home ownership is a uniquely British obsession, the data suggests otherwise.
- People in the UK are far more likely to be owning with a mortgage than across the EU as a whole, but significantly less likely to own a home outright.
- Meanwhile the UK has almost double the proportion of people renting at a reduced price or for free than across the EU.

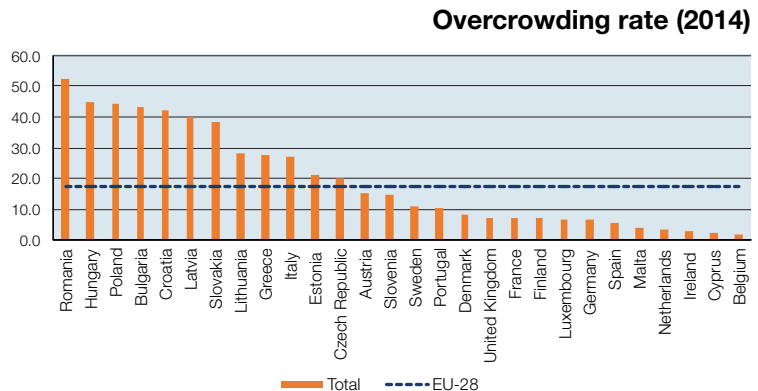
Distribution of population by tenure status



Source: Eurostat

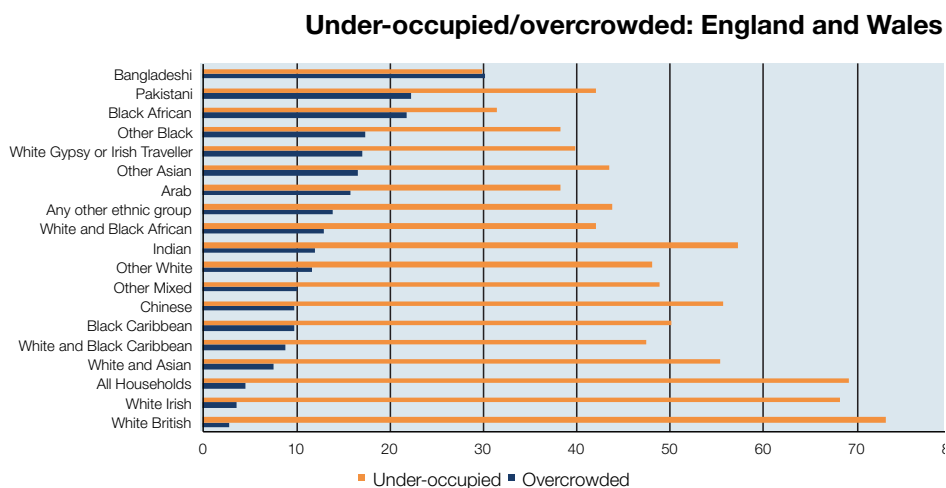
...but we are less crowded than our European neighbours

- Overcrowding does not seem to be as much of a problem for the UK as it does for other EU countries.
- 7% of the UK population lives in overcrowded homes by comparison to an EU-wide average of 17%.
- Central and Eastern European countries have a particular problem with overcrowded homes – in Romania, 52% of the population live in overcrowded homes.



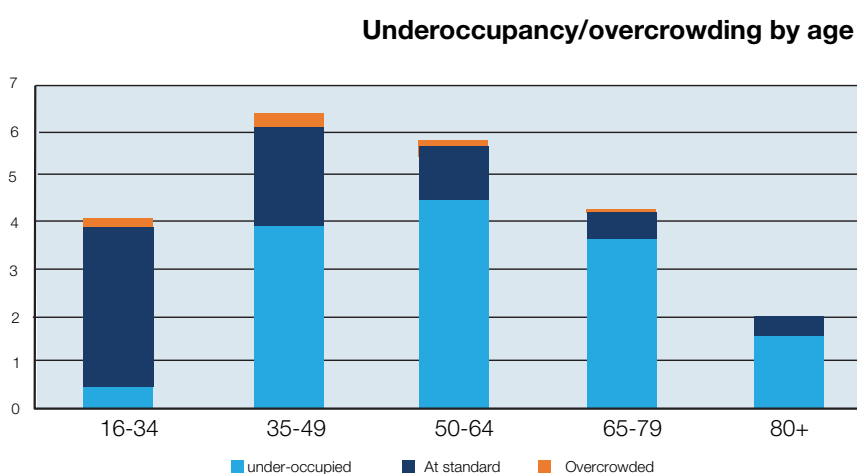
While the UK may be doing better on overcrowding, there are significant differences by ethnicity...

- People of White British origin have the lowest levels of overcrowding – just 2.8% live in overcrowded homes in England and Wales.
- They also have the highest levels of under-occupancy – 73% live in under-occupied homes.
- By comparison those of Bangladeshi origin are far more likely to live in overcrowded homes – 3 in 10 live in such circumstances.



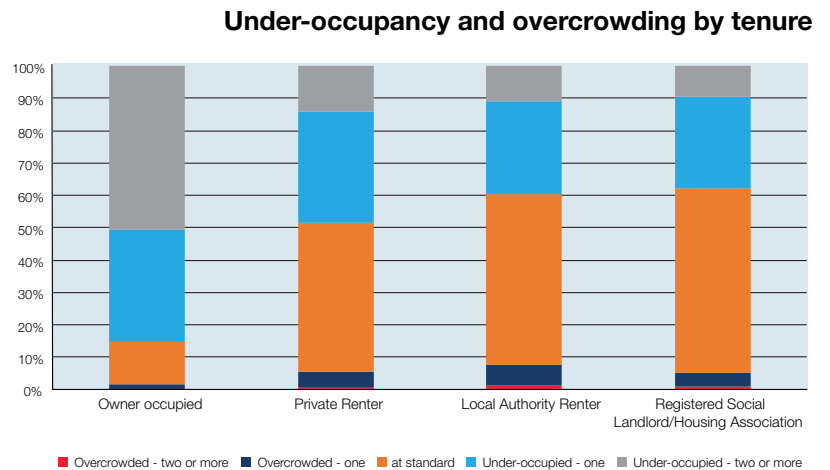
...under-occupancy is particularly prevalent amongst older age groups

- Across England, there are nearly 16 million households that under-occupy their homes.
- Indeed, there are over 8 million households living in homes with two or more excess bedrooms.
- The highest number of under-occupied homes are headed by those aged 50-64 (4.5 million).
- Nearly 9 in 10 households headed by those aged 65-79 live in under-occupied housing – over 50% of which have with two or more excess bedrooms.



...and it is overwhelmingly concentrated in owner occupied housing

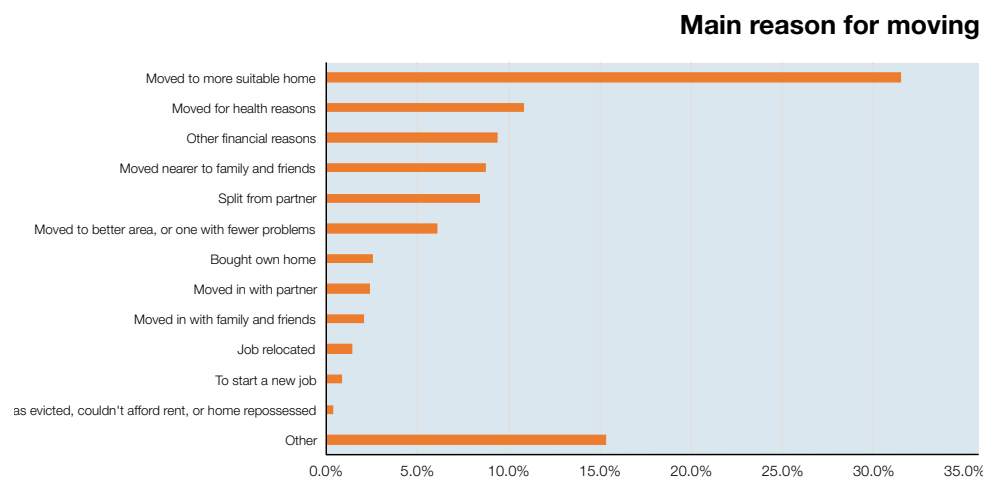
- 85% of households living in owner occupied housing are living in under-occupied homes.
- This compares with around 50% of households in the private rented sector.
- Those living in accommodation provided by a social landlord or housing association have the lowest levels of under-occupancy while local authority renters experience the highest rates of overcrowding.



Source: Author's analysis of English Housing Survey 2013/14

A minority of older people have moved for reasons of "suitability"

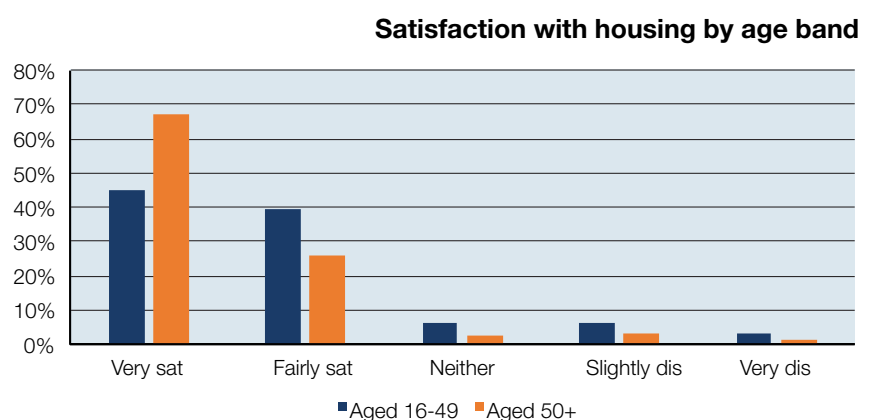
- Over the last two years, 4% of people over the age of 50 moved home.
- Of these movers, the highest proportion said the main reason was to move to a more suitable home (31.5%) which for the vast majority (65.5%) meant moving to a smaller home.



Source: Author's analysis of ELSA 2014/15

Most are happy with their housing but particularly the over 50s

- The vast majority of households are either fairly or very satisfied with their housing.
- Older homeowners (aged 50+) are generally more likely to be satisfied with their housing than younger homeowners (aged 16-49).
- More specifically, nearly 70% of households aged 50+ are very satisfied with their housing by comparison to around 45% of people aged 16-49.

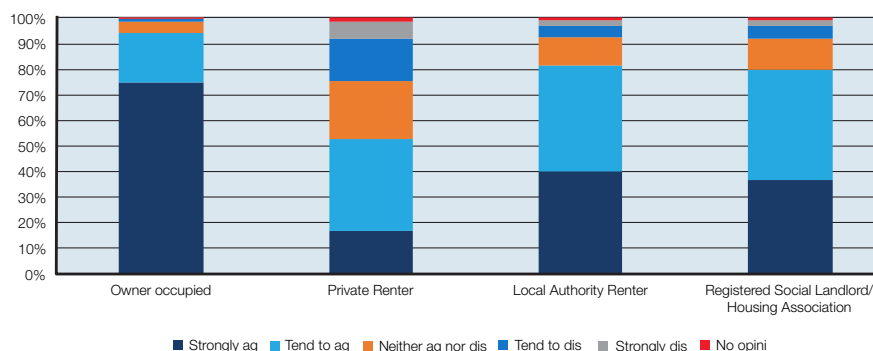


Source: Author's analysis of English Housing Survey 2013/14

Private renters appear to be most dissatisfied while owner occupiers are the most satisfied

- Over 70% of people who own their own home (with or without a mortgage) strongly agree that their current tenure is a good way to occupy a home.
- By comparison, among private renters this figure falls to less than 20%. Indeed, around a quarter of private renters tend to disagree or strongly disagree that their current tenure is a good way to occupy a home.

View on whether current tenure is a good way to occupy home

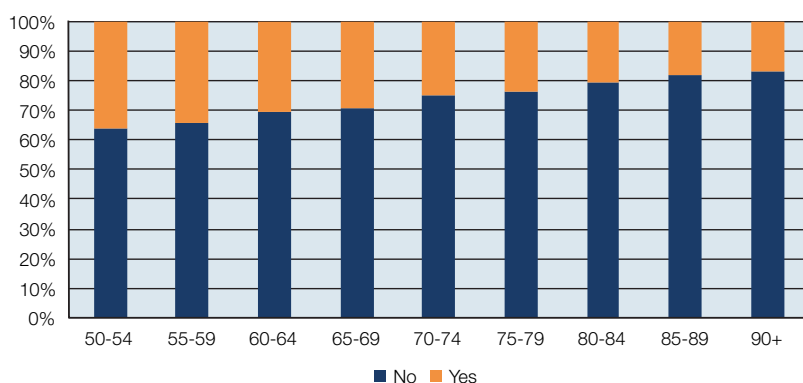


Source: Author's analysis of English Housing Survey 2013/14

Amongst those aged over 50, problems with accommodation seem to fall with age

- The proportion of people who say they have problems with their accommodation appears to fall with age – from around 35% amongst the 50-54 age group to less than 20% for those aged over 90.
- Among those over 50 who reported having problems, the most common were noise (41%), shortage of space (around 25%) and being too cold in the winter (around 20%).

Proportion who have problems with accommodation



Source: Author's calculations of ELSA 2014/15

Focus feature: Housing adaptations and older people

- The UK's population is ageing and it is the oldest age group which is rising the fastest.
- Between 1980 and 2014, the number of people aged over 80 in England has more than doubled from 1.3 million in 2004 to close to 3 million by 2014³. Over the last 10 years alone, this age group has grown by over 800,000.
- Population ageing is leading to rising care needs, but these needs are not being met. Since 2008-9 the numbers of older people (aged over 65) receiving care has fallen by 30%, while it has fallen by around 26% for those aged 18-64. As a result there are now half a million fewer people receiving care services than there were in 2008-9⁴.
- In 2012/13, there were 1.86 million people over the age of 50 in England who had unmet needs – an increase of 120,000 people (or 7%) since 2006/7. This means that around 1 in 10 people aged over 50 in England has an unmet care need⁵.

Rising care needs will require appropriate accommodation including making adaptations to homes where necessary. Adaptations are currently more likely in retirement housing and amongst owner occupiers without a mortgage

- After the age of 50 the proportion of people with home adaptations rises with age. By age 90+ over 70% live in homes with adaptations by comparison to around 50% amongst the 50-54 age band.
- Amongst those that have had adaptations, bathing/shower adaptations and hand rails are the three most common adaptations⁶.
- Those in retirement housing are significantly more likely to be living in homes with adaptations than those who do not. Approximately 87% of those in retirement housing have home adaptations, by comparison to around 60% of those living in other housing.
- Similarly, outright owners are more likely to be living in homes with adaptations than any other groups – particularly private renters and owners with a mortgage.

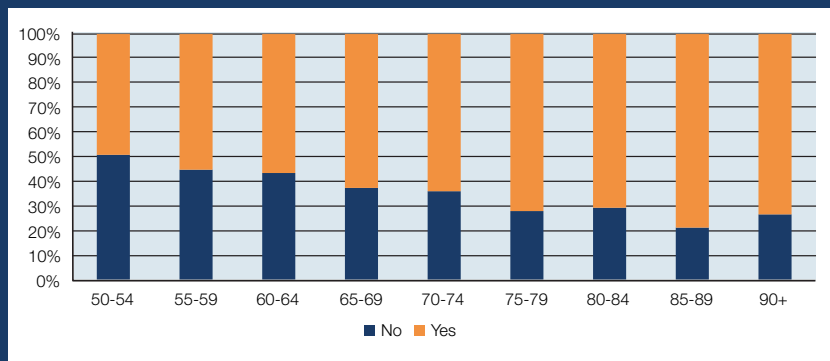
³ ONS 2014 Mid-Year Population Estimates

⁴ Franklin (2015) The end of formal adult social care: A provocation by the ILC-UK.

⁵ Ibid. Using data from the English Longitudinal Study of Ageing (ELSA), we calculated the level of unmet need by first identifying all those who struggle to undertake certain activities and then estimating the numbers who do not receive any help with them. The activities include: 1. Dressing 2. Walking across a room 3. Bathing or showering 4. Eating, such as cutting up food 5. Getting in and out of bed 6. Using the toilet, including getting up or down

⁶ Author's analysis of ELSA 2014/15.

Adaptations to homes



Source: Author's calculations based on ELSA 2014/15

Many have undertaken adaptations for health reasons but some of those who struggle with Activities of Daily Living are occupying homes without any adaptations

- Around 46% of people who have limitations with at least one Activity of Daily Living (ADL) have undertaken health related adaptations to their homes.
- However, this still leaves around 54% of over 50s with limitations in ADLs who do not have any health-related home adaptations.
- The most prevalent ADL limitation amongst those who are not living in homes with adaptations is dressing. This may not be easily alleviated by adaptations, but the second most prevalent, bathing/showering, is commonly addressed by the most prevalent adaptation outlined above.

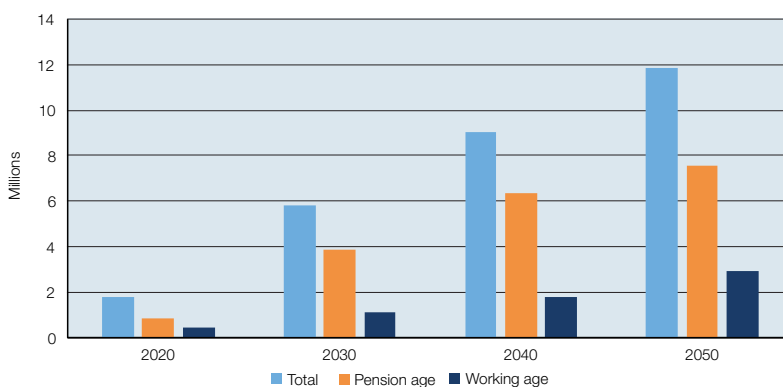
Summary

- The UK’s population will continue rising over the coming decades with the fastest rise coming from those over State Pension Age.
- Household size has been steadily decreasing since the 1970s. After age 41, the older the head of the household the smaller the household size.
- The supply of homes will need to be responsive to population change. Current levels of house building will be insufficient to meet the overall needs of the population.
- Current levels will also be insufficient to meet the needs of the older population by providing too few retirement homes.

The UK’s population will continue rising, with a significant increase in older people

- Between now and 2050, the UK’s population is projected to rise by around 12 million with nearly 8 million of this rise accounted for by people over State Pension Age.
- By comparison the number of people of working age will only rise by around 3 million during the period.
- Given the increasing number of older people, the housing needs of this group is likely to be increasingly pertinent.

Cumulative increase in the number of people by age group

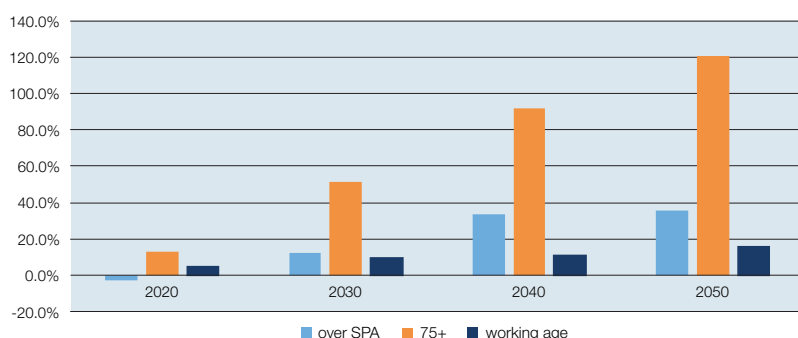


Source: Author’s calculations based on ONS Principal Population Projections

The oldest old will see by far the biggest percentage rise over the period

- By 2040, the population of over 75s will have nearly doubled in size.
- The rate of growth amongst this older age group is much greater than amongst the working age population or amongst the over 65s as a whole.

Cumulative increase (%)



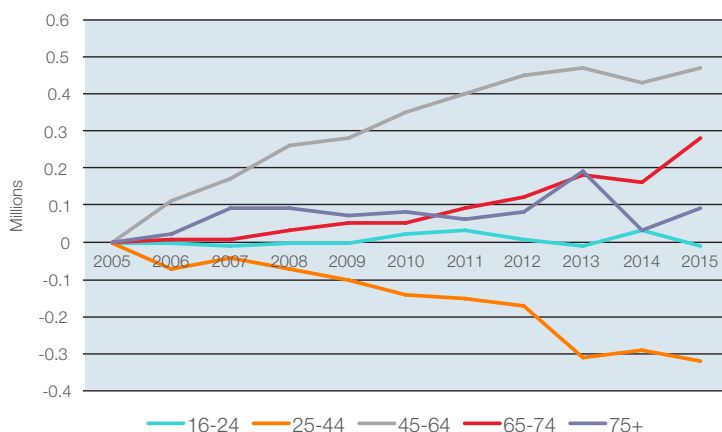
Source: Author’s analysis of ONS Principal Population Projections

Source: Author’s analysis of ONS Principal Population Projections

There has been a shift towards smaller households for those of middle and older age

- Since 2005 there has been a significant increase in the number of 45-64 year olds living alone (500,000) as well as the number of 65-74 year olds living alone (300,000).
- By contrast, there has been a fall in the number of 25-44 year olds living alone.

Cumulative change in number of people living alone

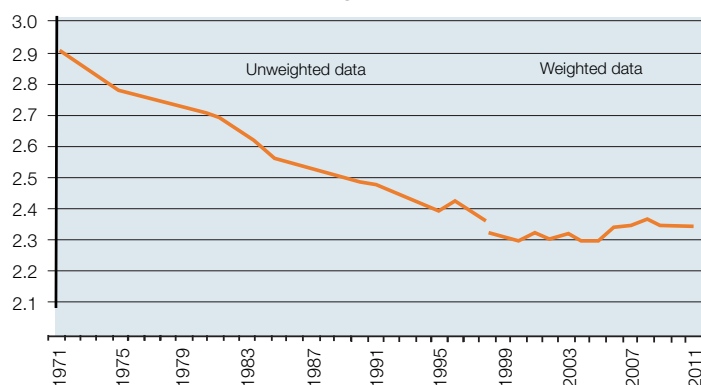


Source: ONS and authors calculations

Average household size has fallen since the 1970s

- The average household size was 2.9 people in 1971.
- It fell during the next two decades reaching less than 2.4 by the late 1990s.
- Today there are on average 2.3 people per household.

Average household size 1971-2011



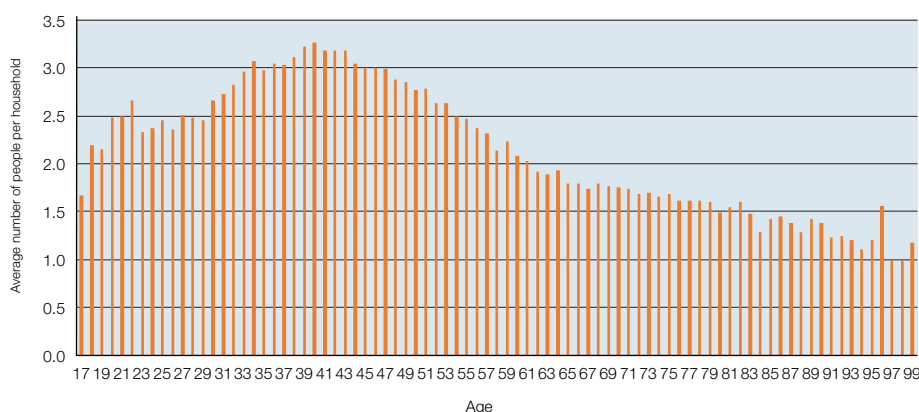
Source: General Lifestyle Survey - Office for National Statistics

- Notes
- 2005 data includes the last quarter of 2004/2005 data as the survey changed from a financial year to a calendar year. Results from 2006 onwards include longitudinal data.
 - For 1988 unweighted and weighted data are shown for comparison purposes. Weighted data are not available before this point.
 - The survey was not run in 1997/98 or 1999/00. A linear trend has been drawn between the data point before and after these years.

Household size varies considerably depending on the age of the head of the household

- Household size peaks at over 3 people per household when the head of the household is in their early 40s.
- It then declines with age, falling to around 1 by the time the head of the household reaches their 90s.
- Assuming these trends continue, population ageing will ultimately reduce average household size.

Average household size by age of household reference person - England (2015)

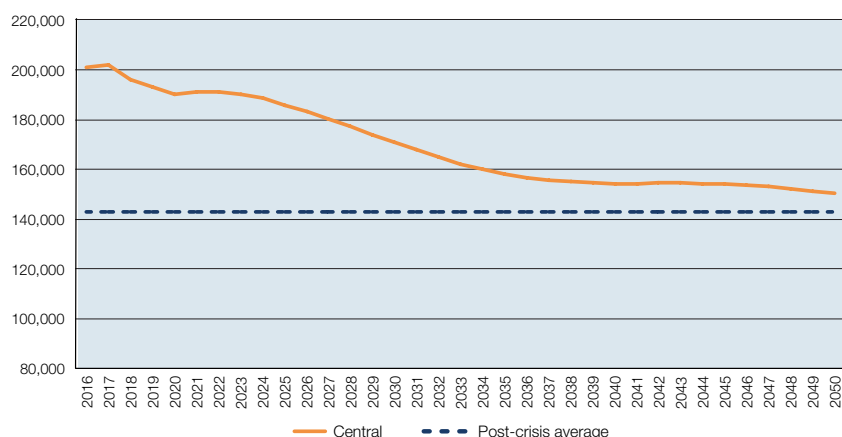


Source: ONS Labour Force Survey 2015

Beware of housing shortfalls

- Levels of housebuilding will need to reflect demand as the population rises.
- Based on reasonable assumptions about future population growth and average household size, we will need close to 1 million more homes by 2020.
- But current levels of housebuilding imply that just over 700,000 new homes will be built.
- This would suggest a shortfall of over a quarter of a million homes by 2020 and 670,000 homes by 2030.

Projected level of housebuilding required*

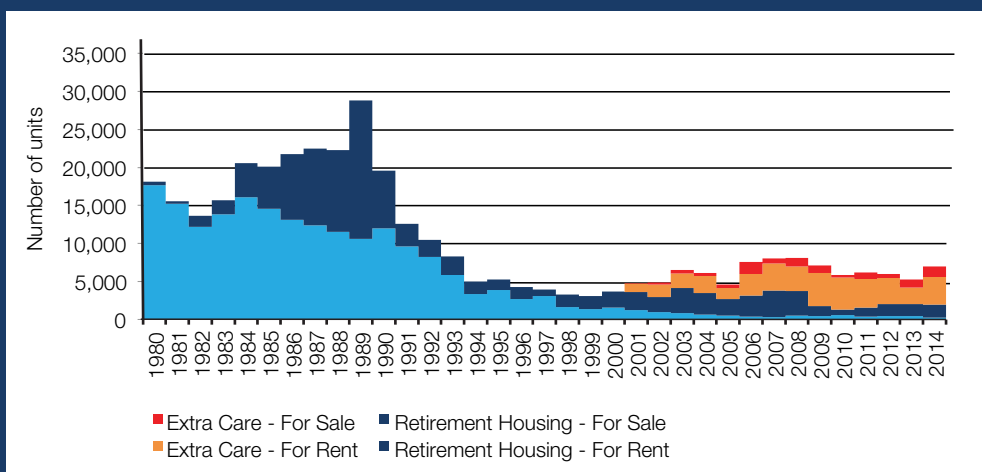


Source: Author's calculations based on DCLG Live Tables, ONS Principal Population Projections and ONS General Lifestyle Survey
 *Future needs: Annual change in population/future household size. Household size was projected based on the trend since the 1970s

Focus feature: Retirement housing needs

- The rate of construction of new housing for older people has varied over the years. It peaked in 1989 at 30,000 units but has since fallen back dramatically – averaging around 7,000 new units a year over the last decade⁷.
- This increase is equivalent to a 1.4% rise in existing stock - around double the level being achieved by the general new build housing market.
- There are currently around 515,000 specialist retirement and extra care homes in England. However, this means that there is only enough specialist housing to accommodate 5% of the over-65 population⁸.

Delivery of housing for older people⁹



Source: Elderly Accommodation Council

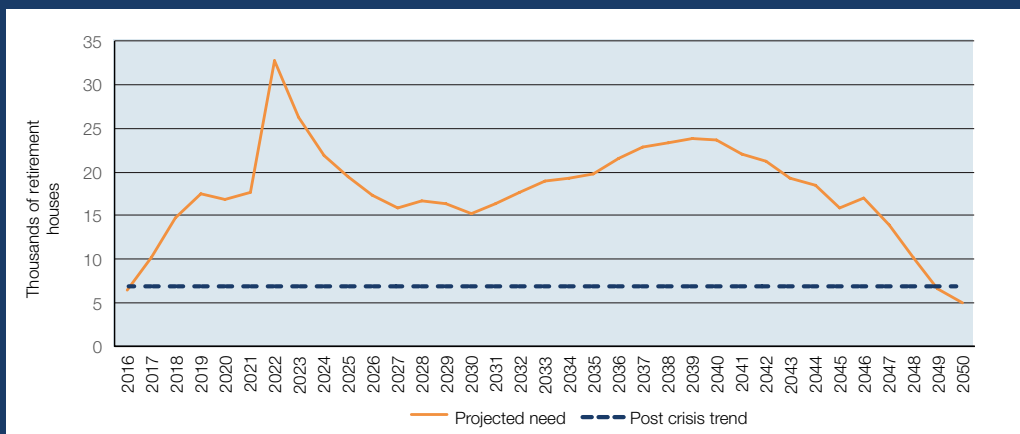
⁷ Lyons et al (2016), How a greater focus on 'last time buyers' and meeting the housing needs of older people can help solve the housing crisis. Future of the welfare state thinkpiece, ILC-UK

⁸ Ibid and Joseph Rowntree Foundation, Supported housing for older people in the UK: an evidence review, 2012

⁹ This chart is reproduced from Lyons et al (2016).

- We are potentially facing a large gap in the supply of retirement housing. Analysis by Savills suggests that we need an average of 18,000 homes per annum to maintain existing levels of provision given population ageing. This is more than double the amount of retirement housing currently being provided.
- According to our calculations, there could be a retirement housing gap of 160,000 homes by 2030 if current trends continue⁹. By 2050, the gap could grow to 376,000.
- The implied level of housebuilding required will vary year on year depending on the growth rate amongst the over

Delivery of housing for older people¹⁰



Source: Author's calculations based on ONS Principal Population Projections.

*Future housing needs are determined by the growth rate in the number of over 75s. We assume a base level of 515,000 retirement homes in 2015.

¹⁰We assume an ideal level of housing supply would match the growth rate in the over 75s. We then calculate the difference between this ideal scenario and a base case of 7,000 homes being created per annum.

⁹This chart is reproduced from Lyons et al (2016).

Getting serious about supply

Current levels of housebuilding will not be sufficient in order to support the housing needs of our growing population. A renewed housebuilding effort must focus on the needs of the older population and plug the retirement housing supply gap. Research has shown that investing in the housing needs of older people (who often have assets at their disposal) can be a cost effective way of freeing up the housing chain for younger people¹¹.

Planning for local needs

While housebuilding in some local authorities appears to have been responsive to a growing population, in others, the industry has failed to keep up with demand. To avoid a post-code lottery on house building, the Government needs to ensure that local housing plans are in place by 2017 as per the National Planning Policy Framework¹². But Government could go even further. In locations where the private sector appears reluctant to build, Government should consider direct intervention – either in terms of tax and other incentives to attract private sector developers or by directly investing in housebuilding for the area.

Preparing for a future of renters

Over the last decade there has been a notable shift away from homeownership and towards renting. As this report has shown, those who rent are less likely to be satisfied with their accommodation, more likely to live in overcrowded homes and, for those over the age of 50, less likely to have adaptations that make their homes more suitable for those living with disabilities and health problems. Those who rent are also more likely to be overburdened by housing costs. Supporting future affordability and suitability of rental accommodation is a critical challenge facing the housing market – one which we are only starting to appreciate. This is relevant for people of all ages.

Making sufficient home adaptations

With the adult social care sector in crisis and a retirement housing market that is not yet building enough homes for a swelling older population, ensuring effective home adaptations in the short term is critical. Currently around 54% of people who have ADL limitations live in homes without any health-related adaptations despite the fact that, for a great number of those with limitations, adaptations would make a real difference. Some may even be eligible for financial support from their local authority to make the necessary adaptations. Facilitating a greater number of adaptations must be an important immediate policy objective.

Adapting to changing needs

Over the long term, an older population will require a more mature retirement housing market which offers real options for older people. Currently, traditional retirement housing makes up the majority of housing specifically provided for older people, with the majority (75%) built and owned by local authorities and housing associations¹³. These provide an important function, and, as this report has shown, the vast majority of people living in them are far more likely to live in homes with adaptations than those who don't. But many of these were built decades ago. New, purpose built stock, is required – some of which with a provision for care support. This is starting to happen but not nearly quickly enough.

¹¹ Lyons et al (2016)

¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/488276/151207_Consultation_document.pdf

¹³ Lyons et al (2016)

Appendix – data acknowledgments

The English Longitudinal Study of Ageing

This report uses data from Wave 7 of the English Longitudinal Study of Ageing (ELSA). ELSA was developed by a team of researchers based at the NatCen Social Research, University College London and the Institute for Fiscal Studies. The data were collected by NatCen Social Research. Funding is provided by the National Institute of Aging in the United States, and a consortium of UK government departments co-ordinated by the Office for National Statistics. The ELSA data were made available through the UK Data Archive (UKDA). The developers and funders of ELSA as well as the Archive do not bear any responsibility for the analyses or interpretations presented here.

The English Housing Survey

This report also uses data from the English Housing Survey 2013/14. The English Housing Survey is a national survey of people's housing circumstances and the condition and energy efficiency of housing in England. In its current form, it was first run in 2008-09. Prior to then, the survey was run as two standalone surveys: the English House Condition Survey and the Survey of English Housing. This report provides the findings from the 2013-14 survey. The developers and funders of EHS do not bear any responsibility for the analyses or interpretations presented here.

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