Housing affordability in the UK

Can we fix it? Solving Britain’s housing crisis

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Housing is about more than homeownership – it’s a key driver of living standards

- Housing is the subject of much political and media attention – but commentary focuses primarily on rising house prices and declining home ownership.

- Our research looks at housing costs as a proportion of income over time:
  - What constitutes a housing cost?
  - Treatment of housing benefit.
The average ratio of housing cost to income has risen over time

Housing cost to income ratio for working age households, 1994-95 to 2015

Lockstep  Pre-crisis bubble  Post-crisis  New normal?

Average household spends 4ppt more of its income on housing costs in 2015 than in 1994-95
Driven by a significant number of households spending more on housing

Millions of working-age households by housing cost to income ratio, 1994-95

1.6 million households (or 10%) spent more than a third of their income on housing in 1994-95...

..with 540,000 (or 3%) spending more than half their income on housing

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Driven by a significant number of households spending more on housing

Millions of working-age households by housing cost to income ratio, 1994-95 & 2013-14

- 3.3 million households (or 17%) spent more than a third of their income on housing in 2013-14.
- With 970,000 (or 6%) spending more than half of their income on housing in 2013-14.
With the increase most marked for low to middle households

*Housing cost to income ratio for working age households, 1994-95 to 2015 by income group*

- Low to middle income households
- Benefit reliant households
- Higher income households

7-8 ppt difference between high income households and others

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There was a clear North-South divide in 1994-95
London is now the stand-out region (but gaps have narrowed between other areas too)
Private renters experience highest ratios (but social renters have also seen an increase in recent years)
Housing and the living standards squeeze

- If a couple household with 1 child was paying the same proportion of their income in housing costs today as they did in the early 1990s, they would be £1500 p.a. better off
- Equivalent to a 10% rise in the basic rate of tax
- London and Scotland equivalent to 13% rise in basic rate of tax
- The wedge that has opened up between incomes and housing costs does not look set to shrink
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