Section 3

Housing costs and security

In the years immediately preceding the Covid-19 pandemic, the proportion of young people that were renting in the private sector had begun to fall, as the share owning homes and living with their parents ticked up. But this did little to unravel the long-term, generational shift in housing, where adults born after 1960 are less likely to own – and more likely to privately rent – than their older counterparts at the same age.

Prior to the pandemic, housing costs relative to income were higher for younger generations than their predecessors at the same age. But there were considerable differences within generations, too: among younger cohorts, mortgagors spent less on housing (even after including the mortgage principal) compared to their counterparts who were privately renting (even after netting out Housing Benefit). But the young and private renters appear to get increasingly less value for money, with overcrowding significantly up during 2018-20 compared with 2010-12.

Temporary changes to large-scale data collection methods have prevented us from examining how the pandemic has affected most housing tenure patterns across different age groups. However, data on mortgage sales provides little evidence to suggest there has been any significant change in youth home ownership rates: 43 per cent of mortgages in 2020 went to 18-35-year-olds, up one percentage point from 2019 but down a percentage point from 2018. There has been an increase in the number of first-time buyer mortgages issued during 2021, but it is still unclear whether this reflects a rise in home ownership rates among the young, as some of the increase will have been driven by delayed sales from the early days of the pandemic and another part could represent sales accelerated to benefit from the stamp duty holiday.

The noticeable impact of the pandemic on housing relates to house prices: although they've grown most for detached homes (approximately 13 per cent between July 2019 and July 2021), they also are up for properties that first-time buyers and young families typically seek, like terraced houses and flats (12 and 7 per cent, respectively) (we consider the impact of house price changes on household wealth in the next section).

Rents have grown more slowly, but they still remain elevated compared to recent years, even in cities like London (where private rents have fallen in recent months).

Data lags mean we don't have definitive information on how housing costs relative to income have changed during the Covid-19 period. However, housing arrears are up among young adults in most forms of housing tenure, and are markedly higher for older working-age adults living in the private and social rented sectors: 2 per cent of 45-54-year-old respondents in the private-rented sector reported that they had arrears in February 2020 whereas 7 per cent reported having them in May 2021.

Our Spotlight analysis, at the end of this section, discusses the proportion of young people that live with their parents, the characteristics of young people that do so, and the link between young people experiencing an employment shock during the pandemic and subsequently moving to their parents' home.

The defining shift in housing over recent decades has been falling home ownership and a rise in private renting among the young

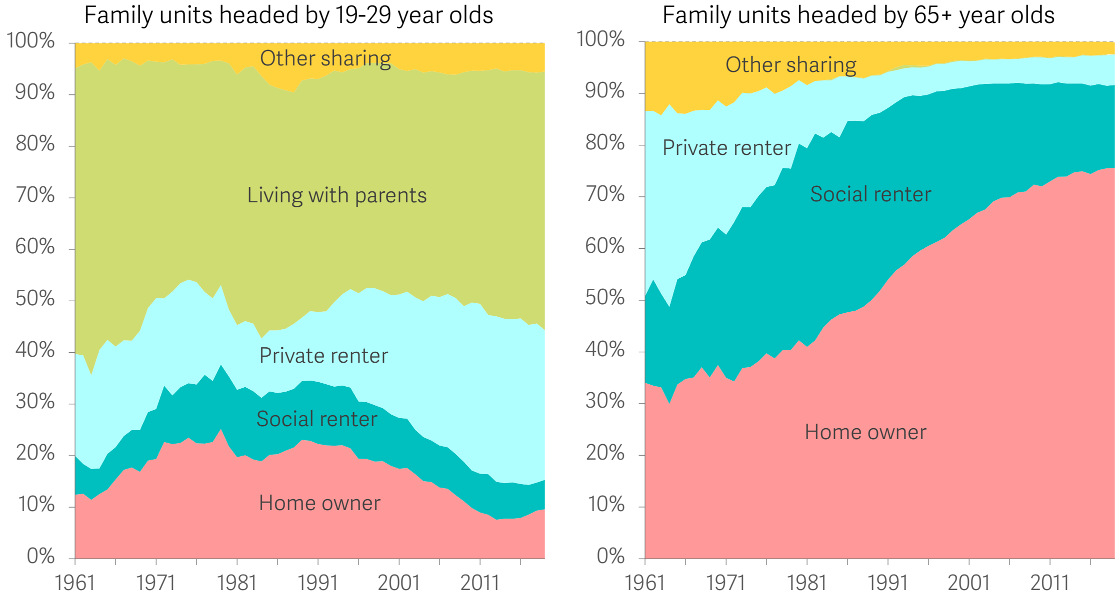
As previous Intergenerational Audits have set out, housing tenure patterns among the young began to shift markedly from the late 1980s: the share of 19-29-year-old family units that owned their own homes fell by two-thirds between 1989 and its lowest point (2013), from 23 to 8 per cent. Over the same timeframe, the share in social rented accommodation fell by more than a third (from 12 to 7 per cent), while the share that lived with their parents increased marginally (from 46 to 48 per cent) and the proportion living in the private-rented sector (PRS) more than doubled, from 12 to 25 per cent.[44]

In the most recent years, as Figure 20 shows, home ownership among the young had been ticking up slightly, rising from just over 7.5 in 2013 per cent to just over 9.5 per cent in 2019. The share of young people in the PRS fell by three points over the period (to 29 per cent), and the share living with their parents grew by 2 points (to 50 per cent). But young people in 2019 were still less than half as likely to own, and more than twice as likely to private rent, than they were thirty years earlier.

44 L Gardiner et al, An intergenerational audit for the UK: 2020, Resolution Foundation, October 2020.

FIGURE 20: **Although home ownership among the young has continued to rise in recent years, young people remain more likely to rent or live with their parents**

Housing tenure by age group: UK, 1961-2019



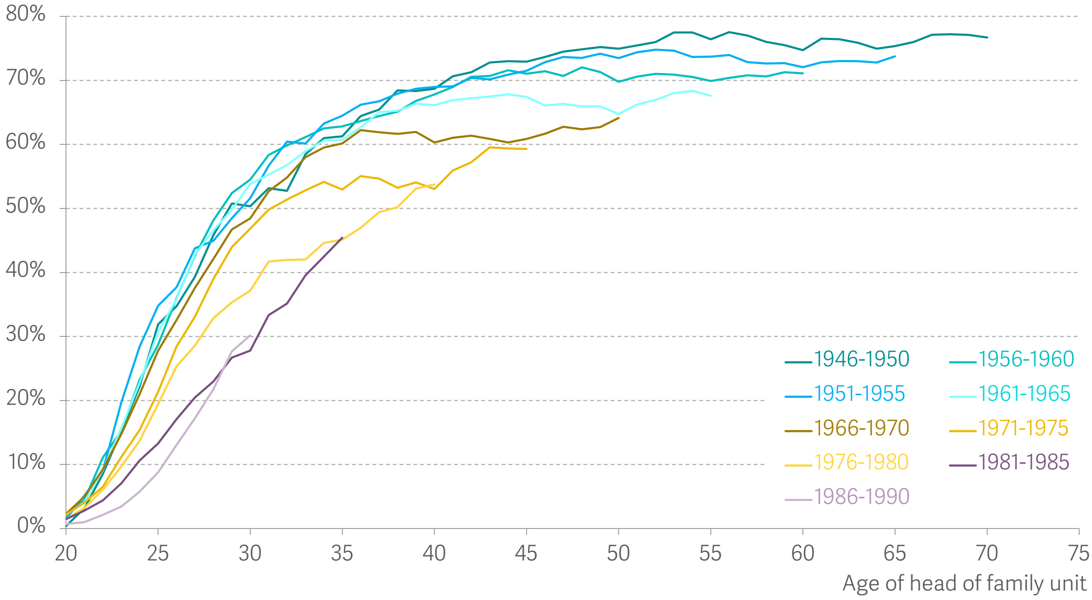
NOTES: A family unit is a single adult or couple, and any dependent children. 18-year-olds that live with parents and are not full-time students are not counted as separate family units and do not appear in these statistics. These people are likely to be in education at sixth form or college, and so are still 'dependent children'. 'Other sharing' refers to anyone sharing who is not a single adult without children living with their own parents, e.g. single parents living with their own parents, elder family members or lodgers.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-1983); ONS, Annual Labour Force Survey (1984-1991); ONS, Labour Force Survey (1992-2019).

The right-hand panel of Figure 21 shows how the trends have been reversed among older adults. In the year before the pandemic, more than three-quarters (76 per cent) of households headed by someone aged 65 and older owned their home, more than double the 34 per cent that did in the early 1960s. The share that either rented privately or socially had fallen too, with social renting declining slowly but steadily from the 1990s, and private renting falling from the late 1970s.

Taking a longer view allows us to better understand what these tenure changes have meant for different generations. Figure 21 presents home ownership rates by age and birth cohort. It shows that, although those born in the 1980s spent more of their early life outside of home ownership than their counterparts born in the 1970s, they have begun to catch them up now that they've reached their mid-30s. We see a similar trend for those born in the 1970s: although there have been substantial generational gaps during their early adult life, younger cohorts born in the 1970s have started catching up with the cohorts preceding them. But considerable gaps remain: at age 34, home ownership rates among late millennials (born 1981-1985) are closer to what they were for their grandparents' generation (born in the early 1930s) (42 and 37 per cent, respectively) than their parents' generation born in the 1950s (63 per cent), all assessed when aged 34.[45]

FIGURE 21: **Young people today are only half as likely to be buying a home at the age of 30 compared to some baby boomer birth cohorts**

Proportion of family units owning a home, by age of head of family unit and birth cohort: UK, 1961-2019



NOTES: Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-1983); ONS, Annual Labour Force Survey (1984-1991); ONS, Labour Force Survey (1992-latest).

There are a number of reasons why getting on the property ladder has proven so difficult for younger birth cohorts. As the Spotlight analysis featured in Section 5 shows, house prices have played a major role in raising barriers to entry over recent years, and this has outweighed the effects of lower interest rates: the total cost of buying a first-time property (outright) rose two-thirds over the past half-century, from £154,000 in 1974 to £254,000 in 2020 (in 2020 prices). (See Box 4 for a discussion on the growing income divide between younger home owners, and see the Spotlight analysis in Section 5 for an analysis on the costs for first-time buyers faced by different generations.)

The effect of rising house prices on lower home ownership has been bolstered by social and demographic changes among recent generations, including staying in education for longer, and partnering and having children later in life.[46] Policy changes will also have

45 Our 2019 Intergenerational Audit pointed out that falling home ownership rates and a rising share of younger people living in private-rented accommodation had led to an increase in the proportion of young children growing up in the private-rented sector. In 2018, one-in-four children started school when living in the PRS, up from one-in-ten during 2003. See: G Bangham et. al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

46 A Corlett & L Judge, Home Affront: Housing across the generations, Resolution Foundation, September 2017; L Gardiner et al., A New Generational Contract: The final report of the Intergenerational Commission, Resolution Foundation, May 2018.

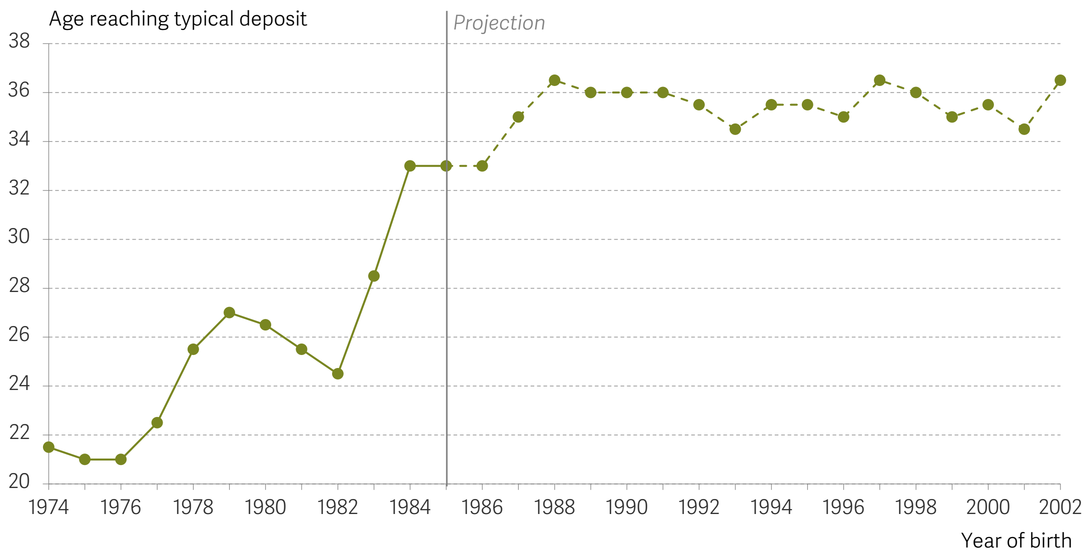
played a role, with the 1980s and 1990s Right to Buy policy boosting home ownership among older generations (which also reduced the number of social-rented properties available today, as it was not replenished).[47]

BOX 4: Among the young, home ownership has increasingly become the preserve of those on higher incomes

The rise in house prices over recent decades means that a typical young person will take longer to save up for deposit today than in the past. Recent Resolution Foundation research, summarised at the end of Section 5, finds that, for those born in 1974, the typical age by which someone could have sufficient savings for a deposit was 22. That rose by 11 years, to 33, for those born in 1984 (see Figure 22).[48]

FIGURE 22: **Age at which typical first-time buyer family will have saved required deposit, by year of birth of head, two-year rolling average: UK**

Estimated age by which typical first-time buyer family will have saved required deposit, by year of birth of head of family: UK



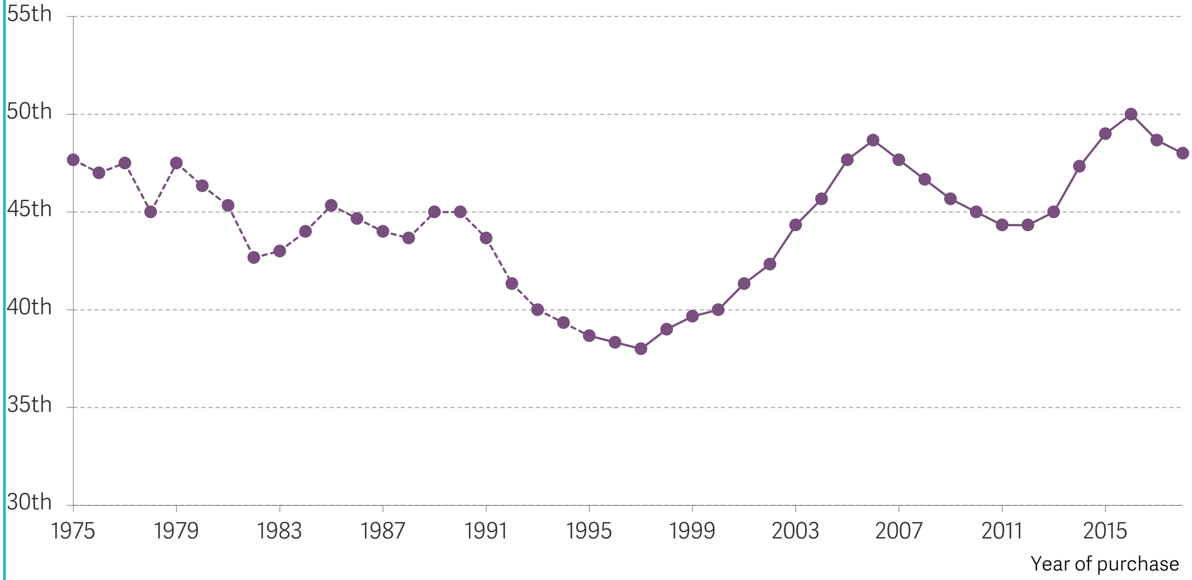
NOTES: The data is smoothed with a two-year rolling average, with 1974 representing an average of 1973 and 1974, and the pattern following for subsequent years. Assumes saving begins at age 20. Projection assumes real wage growth in line with average for each age group since 1962, inflation of 2 per cent, house price growth of 3 per cent (in line with nominal wage growth and assumptions made in earlier analysis), current sight deposit rates continue, and 2020 FTB LTVs continue.
SOURCE: RF analysis of IFS HBAI (FES) 1961-1991; DWP HBAI (FRS) 1994-95-2018-19; UK Finance Industry Tables; FCA, Product sales data; Bank of England, Bankstats.

47 A Corlett & L Judge, Home Affront: Housing across the generations, Resolution Foundation, September 2017.
48 L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.

The increase in house prices and consequent requirement for larger deposits means that buying a home while young has become increasingly limited to those on higher incomes. For example, the typical first-time buyer family in 1996 was at the 38th percentile of the income distribution of their age group; by 2020, they stand at the 48th (Figure 23).[49]

FIGURE 23: **Today's young people need higher incomes to access home ownership than previous generations**

Income percentile of typical first-time buyer family aged 25-34: UK



NOTES: The data is smoothed with a two-year rolling average, with 1975 representing an average of 1974 and 1975, and the pattern following for subsequent years. Years from 1994 onwards are financial years i.e. 1994=1994-95. Income percentiles are based on gross income and are calculated at the benefit unit level. There is a structural break between FES and FRS data, in order to calculate a consistent series we project the FRS backwards using FES growth rates for each percentile of the income distribution (projected data is denoted with dashed lines).
SOURCE: RF analysis of IFS HBAI (FES) 1961-1991; DWP HBAI (FRS) 1994-95-2018-19; UK Finance Industry Tables; FCA, Product sales data.

Although a person's income is central to the odds of their owning a home, previous Resolution Foundation analysis found that parental property wealth matters too: at age 30, those whose parents do not own property are about 60 per cent less likely to be homeowners.[50] Parental wealth has also become more important over time: during the 1990s and early 2000s, 30-year-olds with parents who own property were roughly twice as likely to be homeowners as those whose parents don't, but from the mid-2000s,

49 L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.
50 S Clarke & J Wood, House of the rising son (or daughter): the impact of parental wealth on their children's homeownership, Resolution Foundation, December 2018.

they were nearly three times as likely to be homeowners. Our research did not identify the effect of parental gifts or loans, which would help a child accrue a deposit, but other research does find that parental wealth has an independent effect on home ownership (in other words, its impact holds after controlling for factors like education, occupation and pay).[51]

Younger generations spend a greater share of their income on housing compared with their parents at the same age

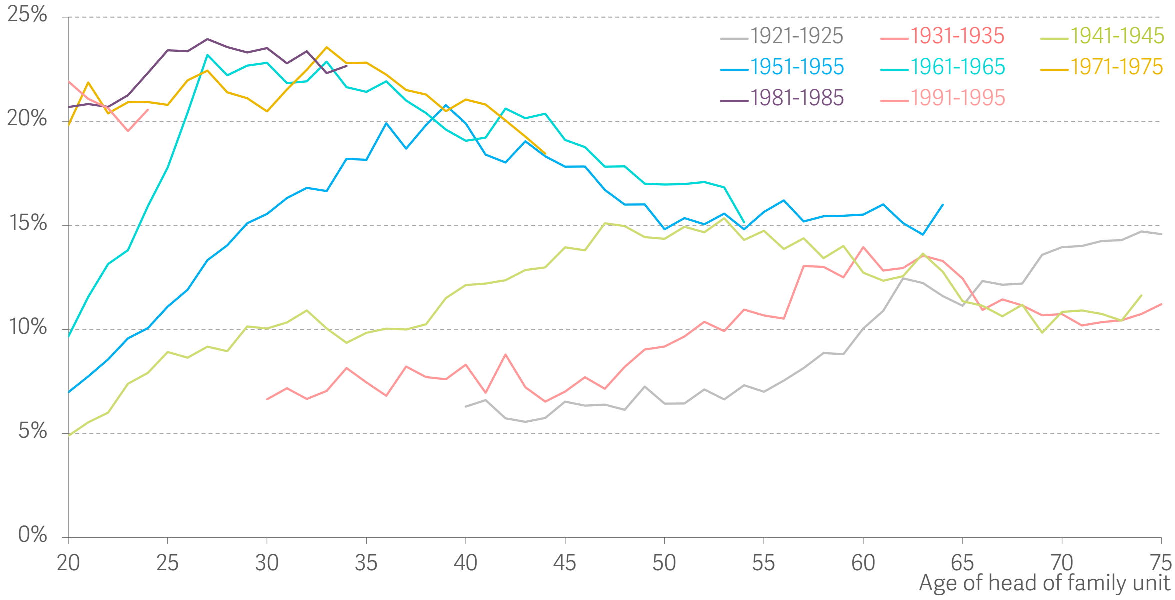
Taking our headline measure of housing costs (which excludes the effects of housing benefit or paying down a mortgage principal), the pre-pandemic trend was for the proportion of income spent on housing costs to be declining marginally for most age groups: among 25-34-year-olds it fell from 24 to 19 per cent between 2008-09 and 2019-20; among pensioners it fell from 12 to 11 per cent. Welcome though these falls were, they mask a longer-term, generational shift in housing costs. Due in part to large increases in housing costs in the 1980s, younger cohorts are spending considerably more of their income on housing than their predecessors were at the same age.

This is borne out in Figure 24, which shows that the proportion of income spent on housing costs at age 40 has more than trebled from those born in the early 1920s (6 per cent) to those born in the early 1970s (20 per cent). Among those aged 30, there's been less of an increase over recent cohorts (while in their early 30s, cohorts born in the early 1970s and early 1980s each spent roughly 24 per cent of their income on housing costs) but even still this represents a substantial increase compared with the share of income those born in the early 1950s spent on housing while the same age (approximately 16 per cent).

51 For further discussion, see: A Davenport, P Levell & D Sturrock, Why do wealthy parents have wealthy children?, Institute for Fiscal Studies, September 2021.

FIGURE 24: **Housing costs relative to incomes have risen for all cohorts born after the 1950s**

Proportion of net income spent on housing costs (gross of housing benefit, excluding principal repayment), by age of head of family unit and cohort: GB, 1961-20

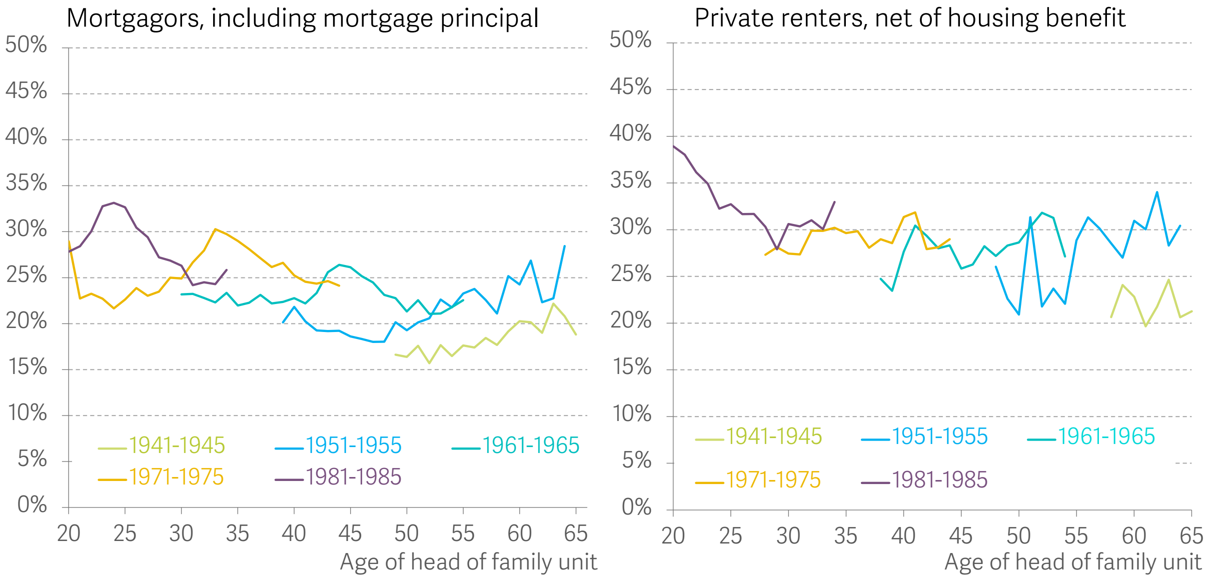


NOTES: Income and housing costs both include housing benefit. Incomes and housing costs are assumed to be shared equally within households. Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-93); DWP, Family Resources Survey (1994-2019).

Housing costs, of course, vary considerably between different tenures with mortgagors consistently spending relatively less on housing (even after including mortgage principal), compared to their counterparts in the PRS (even after netting out Housing Benefit). But, as Figure 25 shows, these cohort-on-cohort patterns persist even if we focus just on mortgagors or just on private renters. Once mortgage principal is included, we find that those born in the 1970s and 1980s spent a larger share of their income on housing than their predecessors born in the 1950s and 1960s, but these differences tend to even out as older millennials (1981-1985) reached their mid-30s. There have also been successive cohort-on-cohort increases in the share of income spent on housing among private renters, even after Housing Benefit is accounted for, although these gaps appear to have narrowed as cohorts reach their 30s and 40s.

FIGURE 25: **At most ages, private renters spend more of their income on housing than their mortgagor counterparts**

Proportion of net income spent on housing costs by mortgagors, including principal; proportion of net income spent on housing costs by private renters, net of housing benefit, by age and cohort: GB, 1961-2020



NOTES: Incomes and housing costs are assumed to be shared equally within households. Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-93); DWP, Family Resources Survey (1994-latest).

As well as the differences in spending by tenure shown in Figure 25, any compositional changes to tenure will also affect the changes in housing costs shown in Figure 24. For example, Figure 26 shows that housing costs for private renters increased sharply for the 1981-1985 cohort over the past five years while young mortgagors have instead experienced a slight fall. Since the number of young mortgagors has increased relative to renters (in line with the pre-pandemic increase in home ownership rates among young people, discussed at the top of this section), and young mortgagors on average have lower housing costs relative to their incomes than renters, then overall costs have decreased, as shown in Figure 25.[52] However, across all cohorts, the relative costs of private-renting (even after factoring in housing benefit) have – at most ages – been higher than the relative costs of a mortgage (including paying down the principal).

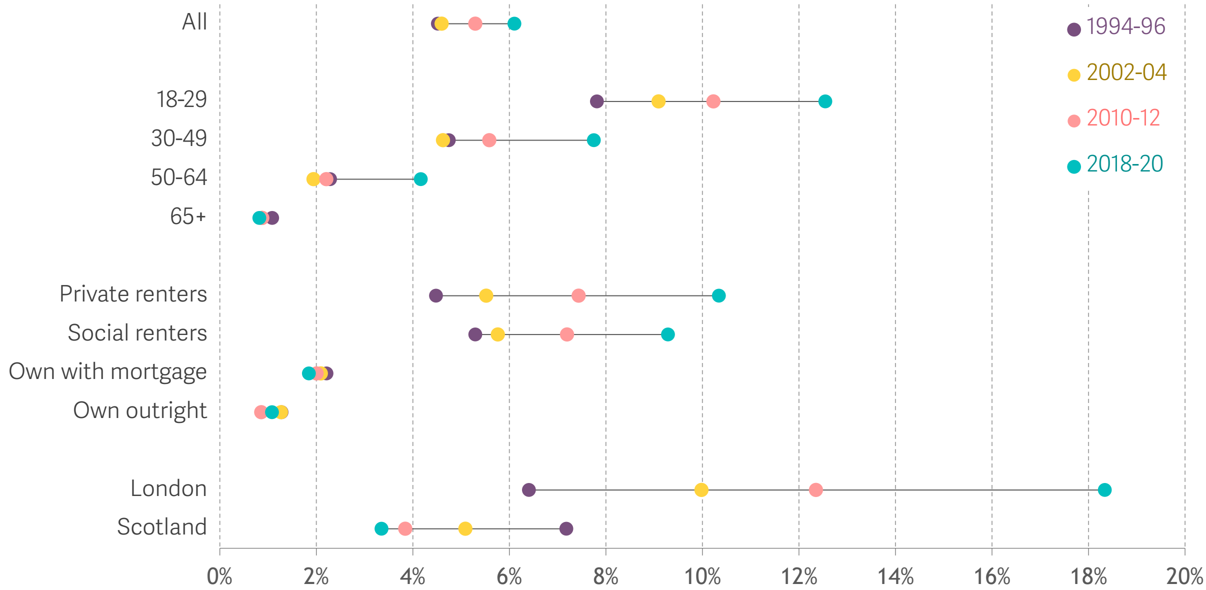
And this higher expenditure on housing does not seem to be matched by a greater consumption of housing services: markers of quality, like overcrowding, have worsened over recent years, especially for private renters. For example, Figure 26 shows that the proportion of young family units living in overcrowded accommodation grew from 8 to

52 For a more detailed discussion, see: L Gardiner et al, An intergenerational audit for the UK: 2020, Resolution Foundation, October 2020.

13 per cent between 1994 to 2020, and that overcrowding trebled, from 4 to 12 per cent, among privately renting households over the same time period.[53]

FIGURE 26: **The share of younger private renters living in overcrowded housing has doubled since 1994**

Proportion of family units living in overcrowded accommodation, by selected groups: UK/GB



NOTES: From 1994-95 to 2002-03 data only covers GB. Age refers to age of head of family unit. Years in the chart refer to two consecutive financial years.
SOURCE: RF analysis of ONS, Family Resources Survey.

The share of households in London living in overcrowded accommodation also trebled (from 6 to 18 per cent) over the same time period; with these high rates of overcrowding likely having proved significantly challenging throughout the course of the pandemic and successive lockdowns.[54]

53 The bedroom standard is premised on the following norms: that a married or cohabitating couple or any single adult aged 21 or over should have their own bedroom; that two siblings of the same sex aged 10-20 could be expected to share a bedroom; and that it is also appropriate for two siblings of different sexes under the age of 10 to share. Any other person in the household aged 10-20 should be paired, if possible, with a child under 10 of the same sex, or, if that is not possible, given a separate bedroom. An unpaired child under 10 is also expected to have their own bedroom.

54 For further discussion of housing quality during the early stages of the Covid-19 crisis, see: L Judge & F Rahman, Lockdown living: Housing quality across the generations, Resolution Foundation, July 2020.

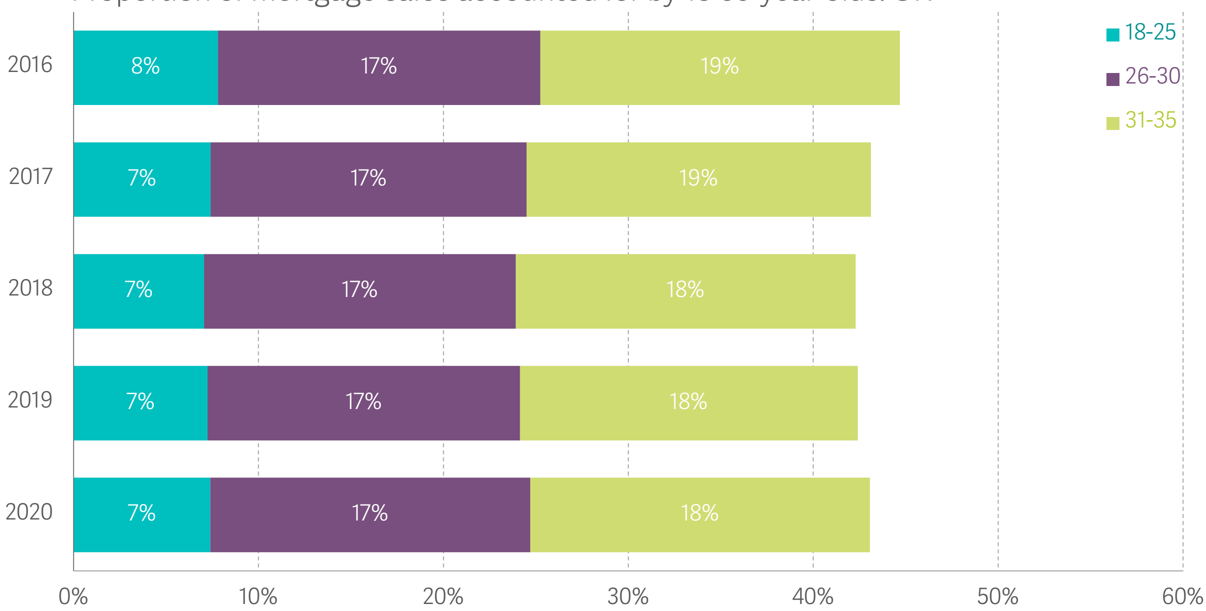
We are unable to track changes in tenure patterns reliably over the course of the pandemic, but there's little to suggest home ownership rates among young people have changed course

Unfortunately, our ability to understand whether tenure patterns have shifted over the course of the past year and a half have been hampered by changes to large-scale data collection methods that took place during the pandemic.[55]

However, the latest mortgage sales data (running to the end of 2020) finds that the share of total UK mortgage accounted for out by younger borrowers has changed little over recent years (see Figure 27). The share of mortgages that went to the 18-35-year-olds group fell by just under 3 percentage points (from 45 to 42 per cent between 2016 and 2018). It also appears to have changed very little during the first year of the pandemic: 42 per cent of UK mortgages went to those 35 and under during 2019 and 43 per cent did in 2020. That's not to say that home ownership among younger adults could not have ticked up during 2021. Increased savings among some young people, a desire to make a move, and the recent introduction of a Mortgage Guarantee Scheme, under which the Government, from April 2021, promised to back particular lenders offering 95 per cent mortgages could all have conspired to push young people onto the property ladder.

FIGURE 27: **The share of mortgage sales going to younger adults has shifted very little over recent years**

Proportion of mortgage sales accounted for by 18-35-year-olds: UK



SOURCE: RF analysis of FCA, Product Sales Data.

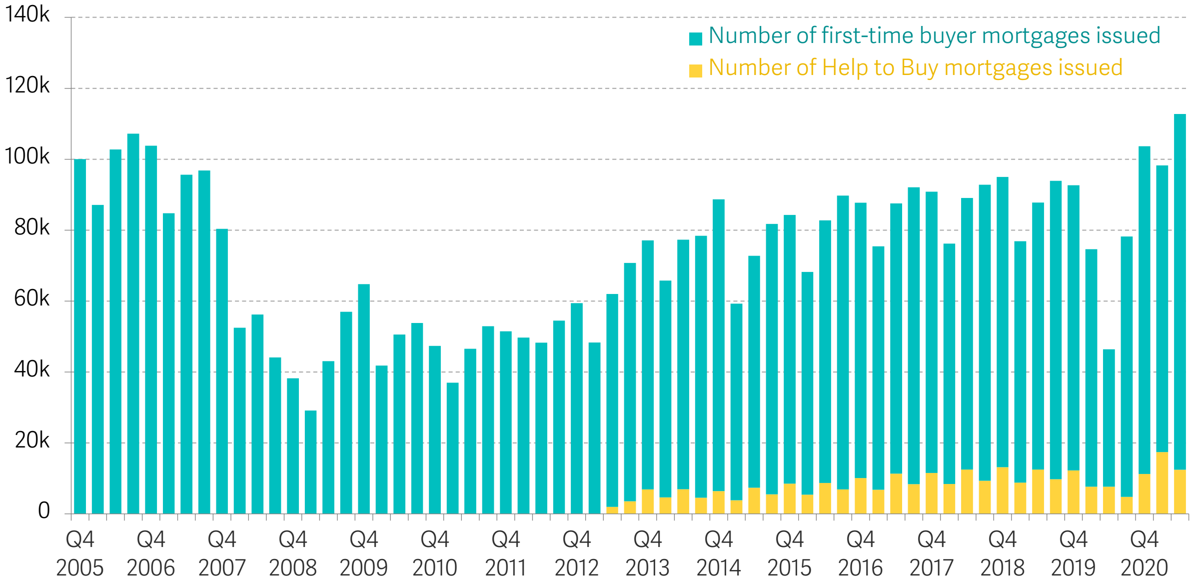
55 For a detailed explanation of how data collection methods have affected our understanding of housing tenure changes, see: ONS, Coronavirus and its impact on the Labour Force Survey, October 2020.

However, some of the mortgage sales data set out above will include younger adults moving onto the next rung of the property ladder rather than buying a residential property for the first time. To that end, Figure 28 sets out the number of mortgages taken out by first-time buyers (FTB), provides us with another indication of whether home ownership among younger generations has ticked up notably in the last year. (The data cannot be broken down by age, but other sources tell us that the median first-time buyer age has been 30 since 2013.)

It's clear the number of FTB mortgages issued in 2020 was, on average, below that of recent years (with new mortgages falling sharply during the second quarter). They have since risen quickly: the number of FTB mortgages issued during the first quarter of 2021 (98,000) was higher than at any point since the mid-2000s, and the number issued during the second quarter of 2021 (113,000) was higher than any point since at least 2005 (when our data series begins).

FIGURE 28: **The number of issued first-time buyer mortgages rose in 2021, but it's not yet clear whether home ownership rates among the young are rising**

Number of first-time buyer mortgages issued: UK



SOURCE: RF analysis of UK Finance Table RL1: First-time buyers, new mortgages and affordability, UK countries and regions.

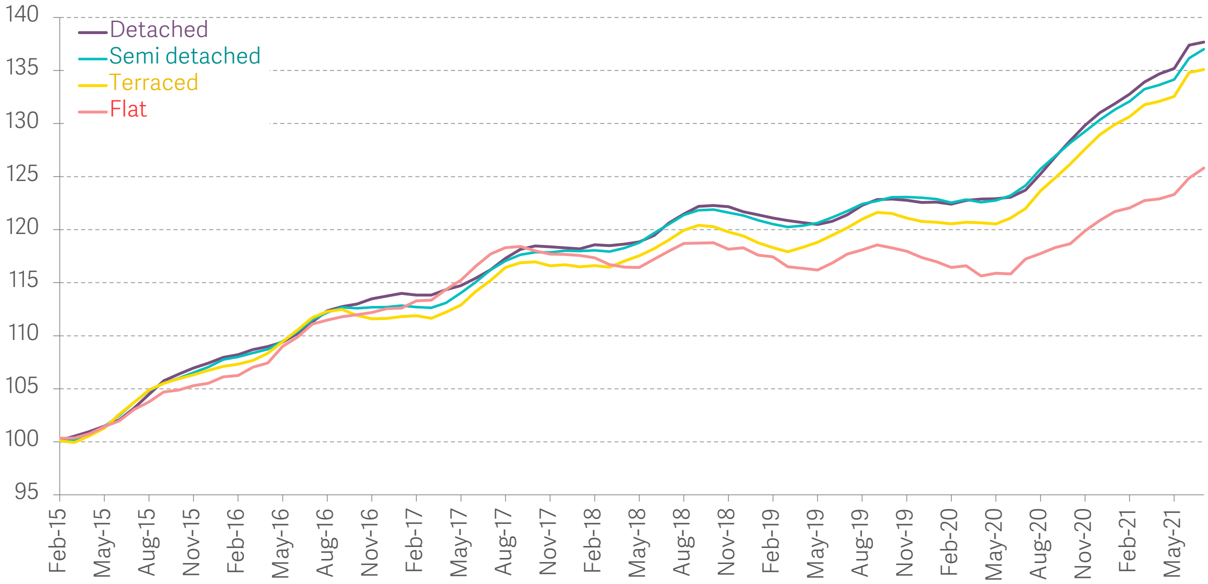
However, it is not yet clear whether these increases presage a rise in home ownership rates among the young. Much of the increase that occurred during the start of 2021 could reflect stored-up sales that couldn't have occurred during the early days of the pandemic. The stamp-duty holiday and enforced savings accrued during the pandemic may have also played a role in increasing the number of FTB mortgages issued.[56] Looking forward, though, sharply rising house prices, which we turn to next, will prove a further headwind to home ownership among young adults.

House prices rose swiftly during the pandemic, with implications for first-time buyers and young families in search of more space

The most striking impact of the Covid-19 crisis on housing is what has happened to house prices. In last year's Intergenerational Audit, we predicted that house prices would likely fall, based upon official forecasts that set out large unemployment rises and a historical pattern for house prices to fall during economic downturns. So far, however, this house price fall has not transpired; in fact, average UK house prices were 10 per cent higher in July 2021 than in July 2019.[57]

FIGURE 29: **Since the onset of Covid-19, house prices among all property types has grown faster than at any point in the past 5 years**

Index of average house price growth, by property type (Jan 2015=100): UK



SOURCE: RF analysis of HM Land Registry, UK House Price Index.

Much media attention has been given to the soaring prices for detached homes with outdoor space: average detached home prices in July 2021 were roughly 13 per cent

56 In England and Northern Ireland, the value of a residential property exempted from the Stamp Duty Land Tax (SDLT) was extended from £125,000 to £500,000 on 8 July 2020, reduced to £250,000 on 1 June 2021, and returned to £125,000 on 1 October 2021. In Scotland, the equivalent threshold was increased from £145,000 to £250,000 on 15 July 2020, with the holiday ending on 31 March 2021. In Wales, the exemption threshold was increased from £180,000 to £250,000 on 27 July 2020, and returned to the original threshold on 1 July 2021. (However, different rates apply to first-time buyers in all nations except Wales.).

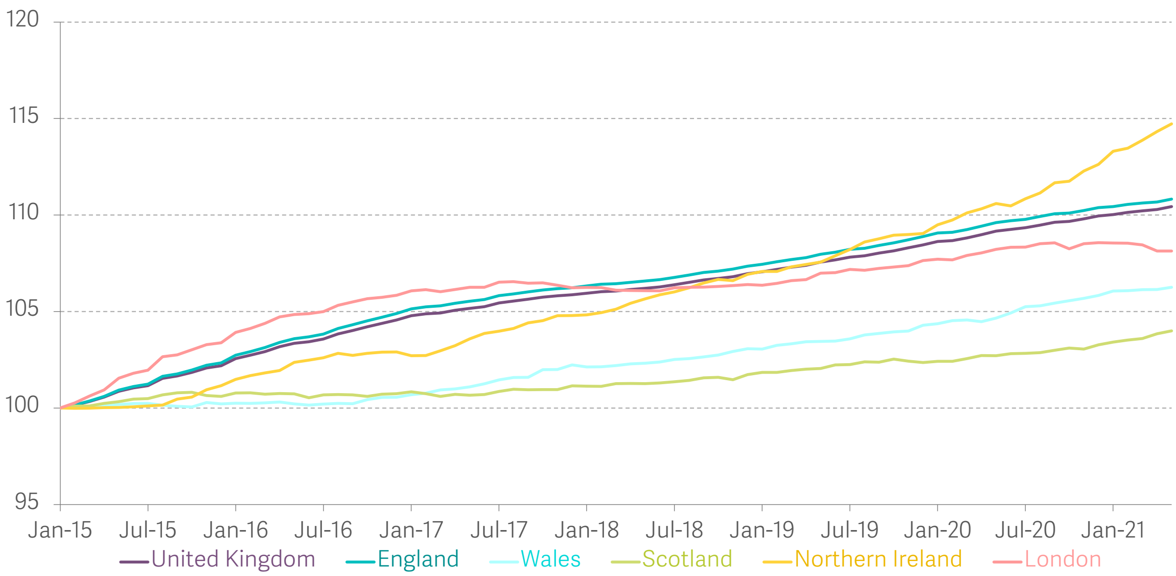
57 Average UK house prices dipped between June and July 2021, driven by the stamp duty holiday (a temporary support measure) which came to an end in July. However, average house prices still remained 8 per cent higher than in July 2020, and 10 per cent higher than in July 2019. For further discussion, see: ONS, UK House Price Index: July 2021.

higher than the same period in 2019. Such properties are normally out of reach for first-time buyers, and so this price change will have little impact on the intergenerational home-ownership gap. However, Figure 29 shows that house prices have risen swiftly among all tenures since March 2020, including among flats (the price rise among flats has been less steep than among houses, but it has been rising faster and for longer than at any point since 2015). For flats, the price grew by 7 per cent in the two years to 2021 and for terraced houses it grew by 12 per cent. The implication is that, although younger families looking for more space may have struggled to move up the ladder during the recent era of price rises, many first-time buyers will have struggled to get onto it at all.[58]

As Figure 30 shows, the steep rise in house prices has not been mirrored in rents, which will offer some relief to those in the PRS. Still, average private rental prices rose by 2.8 per cent between August 2019 and August 2020 (and by another 1.3 per cent in the year to August 2021). Rents dipped in London over recent months, and have risen more slowly than house prices in the rest of England, as well as in Wales and Scotland. However, across the UK they remain significantly higher than before the pandemic.

FIGURE 30: **Rents have grown more slowly than house prices during the Covid-19 crisis, and have fallen slightly in London**

Index of average rental price, by geography (Jan 2015=100): UK



SOURCE: RF analysis of ONS, Index of Private Housing Rental Prices.

58 L Judge & C Pacitti, Housing Outlook Q2 2021: The impact of Covid-19 on housing demand across the UK, Resolution Foundation, May 2021.

Housing arrears have risen among most age groups since the start of the pandemic

A key question relating to the pandemic's impact on housing is whether housing costs relative to incomes have risen over the past year – particularly given the employment and income changes discussed in Section 2 and Section 4 of this report. The Government did put into place a number of housing cost support measures during the pandemic – most notably the relinking of the Local Housing Allowance (LHA) to the 30th percentile of private rents – as well as measures to protect incomes more generally.[59]

But because our main sources for incomes data and for housing costs data is lagged by a year (we do not yet have incomes data for 2020-21), we are unable to get a clear sense of how typical housing costs relative to incomes have shifted for different age groups during the pandemic.[60] But there are several data sources that suggest that arrears rose in the pandemic, a clear indication of where housing costs relative to income have become unmanageable. For example, figures from the Ministry of Housing, Communities & Local Government's (MHCLG) Household Resilience Survey found that housing arrears had increased over the course of the pandemic among mortgagors and private renters. By April-May 2021, the proportion of mortgagors in arrears was 2 per cent, up from 0.5 per cent in 2019-20. 7 per cent of private renters were in arrears, up from 3 per cent in 2019-20 (before the pandemic).[61] (We cannot disaggregate these figures according to age.)

Similarly, our own commissioned surveys have shown that housing arrears rose steadily through the course of the pandemic, and that at least twice as many families experienced more housing stress than we would expect in typical conditions.[62] Figure 31 compares the proportion of adults across age groups and tenure types that reported being behind on their housing costs before the pandemic (February 2020) and in May 2021. Just before the onset of Covid-19, younger people, and especially younger social renters, were most likely to have reported being behind on their housing costs. By May 2021, there was an increase in the share of younger respondents in the PRS who reported arrears (just over 3 per cent of 18-34-year-olds reported arrears in February 2020 compared to 4 per cent in May 2021). However, it was among middle-aged and older private and social renters where the proportions reporting arrears increased most: for example, 2 per cent of 45-54-year-old respondents in the PRS reported that they had arrears in February 2020, and 7 per cent reported having them in May 2021.

59 During the spring of 2020, after the onset of Covid-19 in the UK, the Government linked LHA rates to local rents after having only uprated them minimally in the preceding seven years. See: L Judge & C Pacitti, Housing Outlook Q2 2020: Housing and the coronavirus income shock, Resolution Foundation, April 2020. Support measures which are suggested to have prevented arrears also include the mortgage payment deferral scheme, which was available from March 2020-Mrch 2021. See: UK Finance, Arrears and Possessions, August 2021.

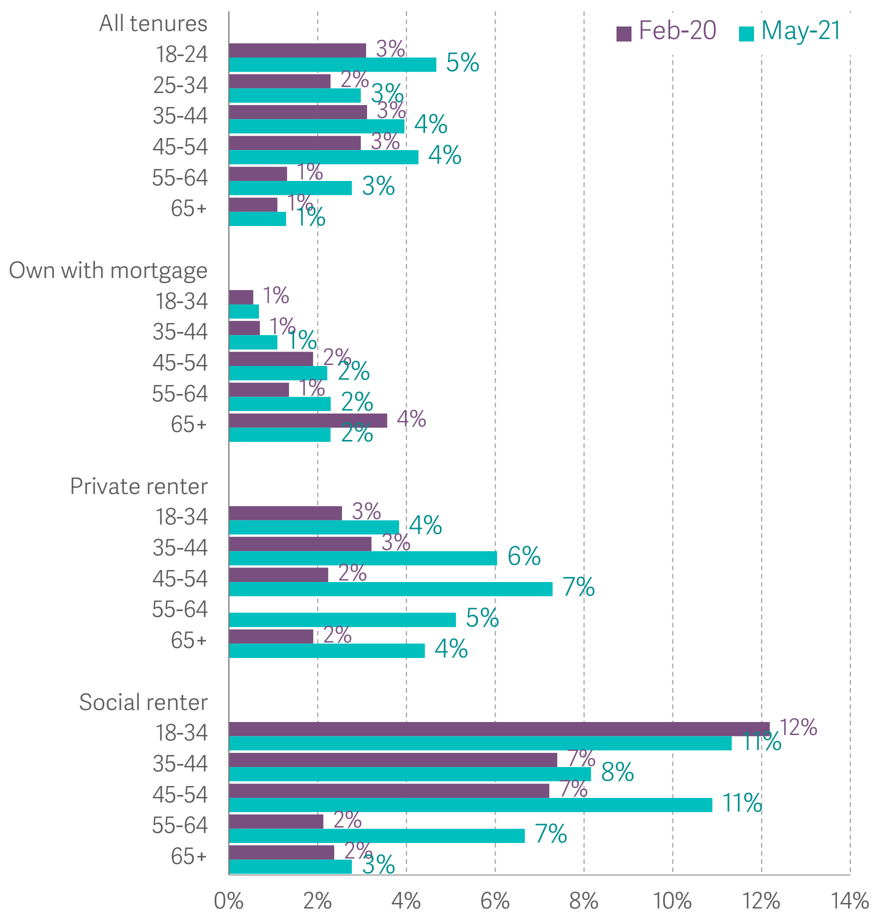
60 These are the DWP's Households Below Average Income (HBAI) data series.

61 For further details, see: Ministry of Housing, Communities & Local Government, Household Resilience Study: Wave 3, October 2021.

62 L Judge, Getting ahead on falling behind: Tackling the UK's building arrears crisis, Resolution Foundation, February 2021.

FIGURE 31: **Housing arrears have grown among all age groups and tenure types since the start of the pandemic**

Proportion of working-age families aged 18+ behind with housing costs in February 2020 and May 2021, by tenure: UK

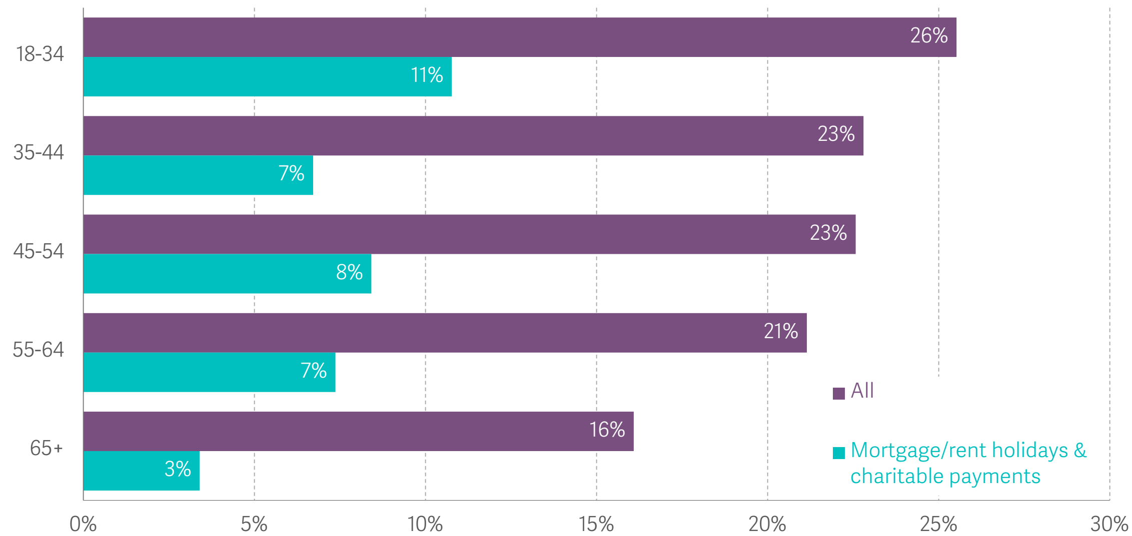


NOTES: Base = all respondents who reported their/their partner's ability to cover housing costs, by age band and tenure type. Sample size for February 2020 is as follows. All tenures: 18-34: 2,079; 35-44: 1,382; 45-54: 1,356; 55-64: 1,188; 65+ 2,025; own with mortgage: 18-34: 545; 35-44: 692; 45-54: 643; 55-64: 281; 65+: 132; social renter: 18-34: 152; 35-44: 157; 45-54: 155; 55-64: 12-; 65+: 255; private renter: 18-34: 592; 35-44: 265; 45-54: 158; 55-64: 92; 65+: 125. Sample size for May 2021 is as follows: All tenures: 18-34: 2,079; 35-44: 1,382; 45-54: 1,356; 55-64: 1,188; 65+: 2,025; own with mortgage: 18-34: 545; 35-44: 692; 45-54: 643; 55-64: 281; 65+: 132; social renters: 18-34: 152; 35-44: 157; 45-54: 155; 55-64: 120; 65+: 255; private renter: 18-34: 592; 35-44: 265; 45-54: 158; 55-64: 92; 65+: 125. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF-YouGov Covid-19 survey - June Wave.

A significant share of respondents reported having taken some action over the course of the pandemic to help with their housing costs, ranging from applying for a mortgage holiday to cutting back spending (Figure 32). Given that the rise in housing arrears appears to have affected respondents of all ages, it's unsurprising that there are few significant age-related differences. For example, 26 per cent of 18-34s reported having taken one of a wide range of actions to help with housing costs (which includes anything from rent holidays, applying for charitable support, taking on a lodger or moving in with others) compared with 23 per cent of 45-54-year-olds. 11 per cent of 18-34-year-olds reported having applied for rent reductions, mortgage holiday or discretionary charitable payments, compared with 8 per cent of 45-54-year-olds.

FIGURE 32: **Younger respondents were only slightly more likely than most to have taken some action to cut housing costs since the pandemic**

Proportion of respondents having reported taking some action to help with their housing costs since February 2020: UK, June 2021



NOTES: Base = all respondents who reported whether or not they took some action to help with housing costs since February 2020. Sample size is as follows: 18-24: 732; 25-34: 1,347; 35-44: 1,382; 45-54: 1,356; 55-64: 1,188; 65+: 2,025. 'All actions' includes respondents who reported having applied for, or received, mortgage holidays, rent reductions or discretionary charitable support payments, or who reported moving home to reduce housing costs, cutting back on spending to afford housing costs; borrowing money in order to pay my housing costs; used savings to pay my housing costs or took other people into my home. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF-YouGov Covid-19 survey - June Wave.

Stepping back, it's clear that the pandemic has added emphasis to longstanding policy challenges relating to intergenerational fairness in housing, particularly when it comes to improving housing affordability and security (especially among younger generations). And the economic challenges brought on by the pandemic have brought new policy pressures, too. For example, now that the support programmes like the JRS and enhanced UC entitlements have stopped, it's vital that Government don't allow growing numbers to fall into further arrears and housing insecurity.[63]

What's less clear is whether the pandemic will have on a longer-term impact on the large, generational changes in tenure set out in this report. This section's Spotlight examines the size and reasons for one trend that has emerged over recent years: the increase in the share of young people living with their parents.

63 The Government has pointed to a new £500m Household Support Fund as something that Local Authorities can use to help those in housing difficulties this winter. See Government launches £500m support for vulnerable households over winter, September 2021.

Spotlight: Boom(erang) Time? An analysis of younger adults living with their parents[64]

There is evidence to suggest that the share of young people living with their parents increased during the pandemic

Since the onset of the Covid-19 pandemic, there have been a number of news stories featuring younger adults, most of whom were professionals newly-able to work remotely, who opted to ride out the pandemic from the relative comfort of their parents' more spacious homes.[65] More recently, the Institute for Fiscal Studies used the ONS Labour Force Survey (LFS) to show that the proportion of young people living with their parents had indeed increased during the crisis.[66] These stories hark back to the experience after financial crisis, when a number of young people, particularly those facing financial difficulties, moved back in with their parents.[67]

Our analysis, also using the LFS, shows a rise in the proportion of 19-34-year-olds living with their parents: from 32 per cent in 2019 (averaged across all four quarters) to 37 per cent in the third quarter of 2020, and down slightly to 36 per cent by the second quarter of 2021. There is a larger rise among those age 19 to 24: some of this will have been driven by students moving home from university as teaching moved online in the 2020/21 academic year.

Evidence from a survey commissioned by the Resolution Foundation and conducted by YouGov in the first week of June 2021 suggested little change:[68] 27 per cent of 18-34-year-old respondents reported that they had lived with their parents in the first week of June 2021, slightly lower than the 29 per cent who reported doing so

64 This is a summary of a longer Spotlight published during June 2021. This summary abbreviates that original publication, which discussed pandemic-era changes in the share of young people living with their parents, potential reasons for the increase in young people living with their parents that occurred before the Covid-19 pandemic, and the characteristics of young people most likely to live with their parents. See: M Gustafsson, Boom(erang) Time? An analysis of younger adults living with their parents, Resolution Foundation, June 2021.

65 See, for example: M Darbyshire, Why it is cool to move back home with your parents, Financial Times, August 2020; R Pohle, Wine rations and board games: meet the adult kids back home for lockdown, The Times, April 2020; H Howard, Rising trend of 'boomerang' young adults returning to live with their parents is here to stay says study, Mail Online, October 2020; H Graham, Meet the young people living with parents for lockdown, The Times, February 2021; J Pinsker, The New Boomerang Kids Could Change American Views of Living at Home, The Atlantic, July 2020; Sky News, Coronavirus: Lockdown 'boomerang kids' add £2,700 to parents' bills, survey finds, August 2020.

66 J Cribb et al, Living standards, poverty and inequality in the UK: 2021, Institute for Fiscal Studies, July 2021.

67 For instance, see: R Fry, Living With Parents Since the Recession, Pew Research Centre, August 2013; E Courtin & M Avendano, Under one roof: the effect of co-residing with adult children on depression in later life, Social Science & Medicine, pp. 140-149, September 2016.

68 The survey undertaken by YouGov from the 3rd – 8th June 2021, has a sample size of 8,030 adults aged 18+. Results are weighted so as to be representative of the population of that age group.

in February 2020, just before the onset of the pandemic.[69] The survey did, however, shed light on the characteristics of young people who moved home during the first 12 months of the pandemic, and we use it for that purpose in the rest of this Spotlight.

Younger people who moved back in with their parents over the course of the crisis were likely to be in a weak employment position

Focusing just on those younger people who are outside of full-time education,[70] we found that, by June 2021, 7 per cent of 18-34-year-olds reported having moved out of their parents' home since the start of the crisis (Figure 33). Some of this movement is to be expected, especially among the groups that typically experience fluctuating living situations, such as the youngest of younger adults (18-24-year-olds), a large share of whom will be finding their feet after recently completing education.[71]

For many, the decision to move out will be based on a variety of factors, including the pay and employment status of their partners, future employment plans and the relationship they have with their parents. Figure 33, however, shows little association between moving out of the parental home and a respondents' labour market status, such as their pre-crisis pay or the types of employment changes they might have experienced over the course of the pandemic.

But when we turn to the 4 per cent of 18-34-year-old respondents who reported having moved back to their parents' home since the onset of the crisis, we find a link both to negative labour market changes since the onset of Covid-19 and to pre-pandemic levels of pay. In particular, those who were in work during February 2020 but have since experienced a period of worklessness (including furlough), are more than 2.5 times as likely to report having moved back to their parents' homes than those who have been working throughout: 8 per cent of the former reported having moved back to their parents' home by June of this year, compared with only 3 per cent of the latter group.

69 Previous Resolution Foundation-commissioned surveys find that the proportion of 18-34-year-olds that reported living with their parents in May 2020 was 27 per cent; in September 2020 it was 26 per cent and in January 2021 it was 25 per cent. These figures are from four waves of online surveys commissioned by Resolution Foundation and conducted by YouGov. Results are weighted so as to be representative of the population of that age group. The January 2021 survey had a total sample size of 6,389 18 to 65-year-olds. Fieldwork was undertaken online during 22 – 26 January 2021. The September 2020 survey wave had a total sample size of 6,061 18-65-year-olds. Fieldwork was undertaken during 17 – 22 September 2020. The May 2020 survey wave had a total sample size of 6,005 adults. Fieldwork was undertaken during 6 – 11 May 2020.

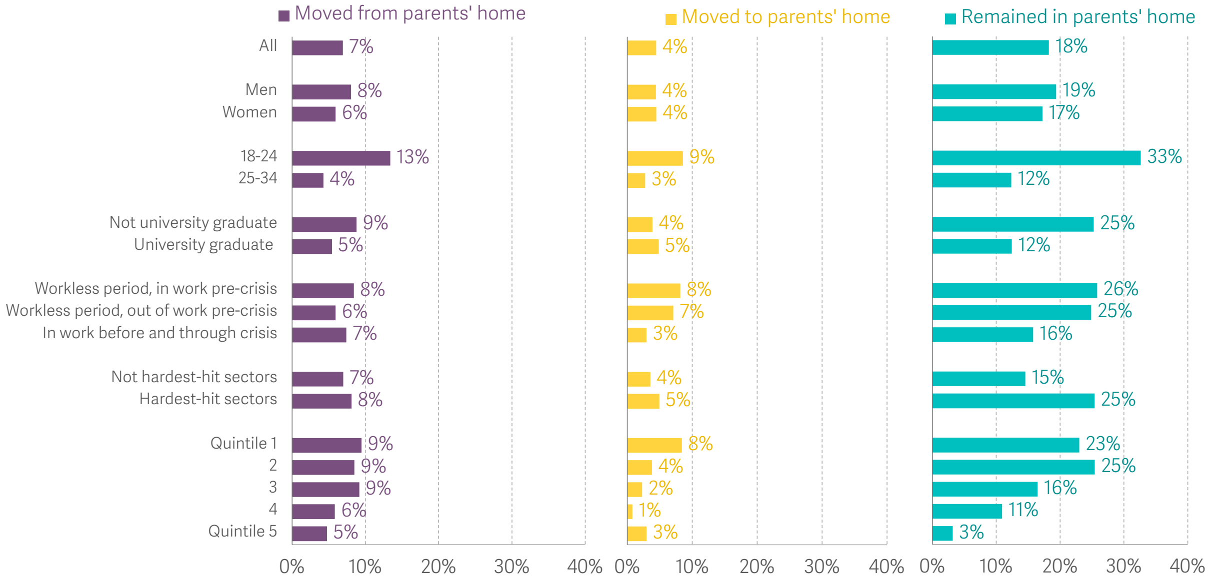
70 In this section of the Spotlight, which focuses on 18-34-year-olds, we exclude full-time students in order to draw a clearer link between Covid-19-related impacts on the labour market and young peoples' housing tenure. Many students' tenure changes will have instead been driven by decisions around halls of residence remaining open and universities moving to online-only teaching in 2020/21.

71 There is evidence that young adults today have a more fluid relationship to the parental home than young adults did in the past, and that fluctuating between living with parents and living independently is becoming more common. For further discussion on this see: K Hill et al, Home Truths: Young adults living with their parents in low to middle income families, Standard Life Foundation, September 2020; S Heath & E Calvert, Gifts, Loans and Intergenerational Support for Young Adults, Sociology, 47(6), February 2013.

Similarly, a larger proportion of respondents in the lowest pre-pandemic weekly pay quintile report having moved back to their parents' home: 8 per cent of those at the bottom of the 18-34-year-old pay distribution did, compared with just 3 per cent of those at the top. In other words, our survey suggests that as in the financial crisis, those who have moved in with their parents since the start of the pandemic were more likely to be in a somewhat precarious financial position.

FIGURE 33: **Younger people who experienced a workless spell during the crisis are more than twice as likely to have moved in with their parents than those who stayed in work**

Proportion of 18-34-year-olds (excluding full-time students) who have moved from parents' home, moved to parents and remained in their parents' homes between February 2020 and June 2021, by personal and work-related characteristics: UK, 3 – 8 June 2021



NOTES: 'Workless period, in-work pre-crisis' include those who were in work pre-crisis and then furloughed out unemployed at some point during the it. The 'hardest-hit sectors' refers to non-food retail, hospitality and arts, entertainment and leisure. Base, by categories: All 18-34-year-olds excluding full-time students: n=1727; Men: n=735; Women: n=992; 18-24: n=427; 25-34: n=1300; Not university graduate: n=696; University graduate: n=937; Workless period, in work pre-crisis: n=114; Workless period, out of work pre-crisis: n=326; In work before and through crisis: n=1120; Not hardest-hit sectors pre-pandemic: n=1172; Hardest-hit sectors pre-pandemic: n=228; Weekly pre-pandemic pay among all 18-34-year-olds: Quintile 1: n=167; Quintile 2: n=199; Quintile 3: n=214; Quintile 4: n=240; Quintile 5: n=229. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18+ and the Coronavirus (COVID-19), May 2021 wave.

Indeed, going into the crisis, there was already a clear skew in the types of younger people most likely to live with their parents, with the youngest adults, non-graduates and those at the lower end of the pay distribution being substantially more likely to do so than their older, higher-qualified and better-paid counterparts. The left-hand panel of Figure 33 shows the proportion of younger people who lived with their parents both during February 2020 and in June of this year, showing that non-graduate respondents were more than twice as likely as graduates to have done so, and those in the lowest pay quintile were more than 7 times as likely to have than their counterparts at the top of the pay distribution to have done so. Similarly, a larger proportion of younger people who worked before the crisis but experienced a period of worklessness during it (26 per cent) were living in their parents' home before and during the crisis, compared to 16 per cent who worked throughout. Relatedly, those who before the crisis were working in the sectors hardest hit by social distancing measures reported living and staying with parents at a higher rate than those who worked in other sectors: 25 and 15 per cent, respectively.

On the eve of the pandemic, young men were almost a third more likely than young women to live with their parents

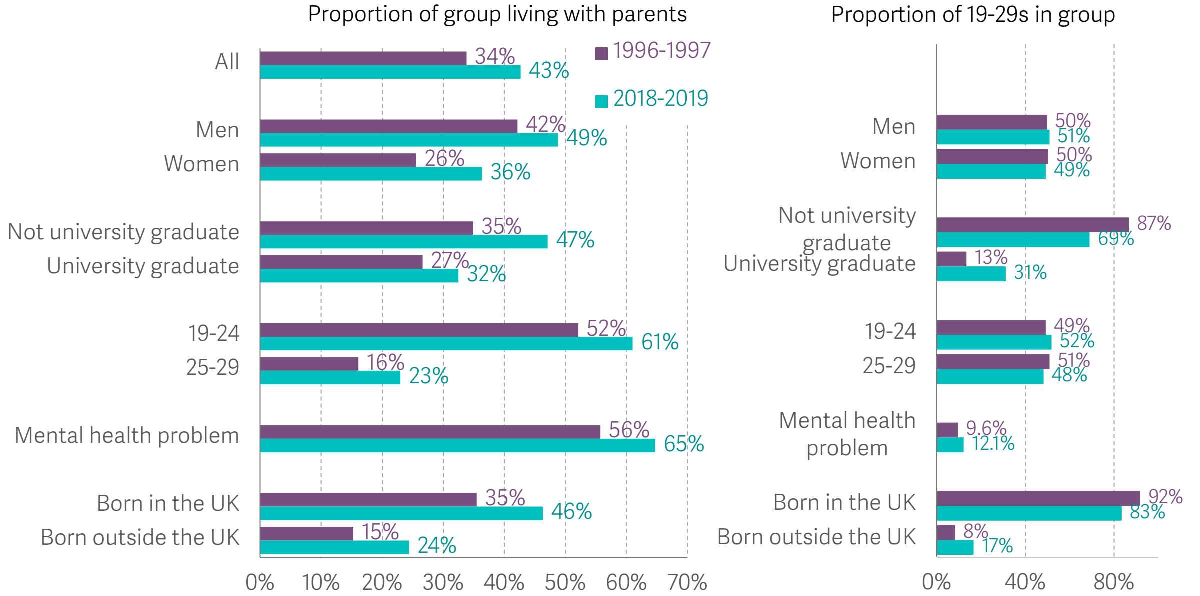
As we show in the longer version of this Spotlight, as well as in the Housing chapter of this report, the share of younger people owning their own home has declined over recent decades, while the share living in the PRS rose. Alongside this has been a substantial increase in the proportion of 19-29-year-olds living in their parents' homes. Some of this of this increase is accounted for by students, but there has also been a 5 percentage point increase in the share of 19-29-year-olds who are not full-time students that live with their parents. However, some groups are more likely to live with their parents than others. For example, Figure 34 shows that one-third more men than women lived with their parents in 2018-2019 (49 and 36 per cent, respectively). Interestingly, though, this actually represents a narrowing of the gender gap since 1996.

There are a number of explanations for these differences: for example, women are more likely than men to form relationships with older adults, meaning that they are likely to fly the nest at earlier ages, and some of the relationship between gender and living with parents has been shown to be channelled through the incidence of having children.[72] Having children can mean both a stronger desire to live independently, and being a parent of young children can make it more likely that a young person is offered social housing.

72 See: ONS, Why are more young people living with their parents? Office for National Statistics, February 2016; J Stone et al, Gender, turning points and boomerangs: Returning home in young adulthood in Great Britain, Demography 51(1), February 2014.

FIGURE 34: **Men, the youngest, and those with mental health problems are among those more likely to live with their parents**

Proportion of 19-29-year-olds who live with their parents by personal characteristics (left-hand panel) and proportion in each group (right-hand panel): UK, 1996-1997 and 2018-2019



NOTES: Mental health figures refer to 1997-1998 rather than 1996-1997.
SOURCE: RF analysis of ONS, Labour Force Survey.

Another group with high (and increasing) rates of living with their parents are those who report mental health problems.[73] Almost two-in-three 19-29-year-olds with mental health problems were living with parents on average in 2018-2019, considerably higher than the two-in-five that lived with their parents overall. It is not possible from this data to work the direction of causality: it could be that young people living with their parents have worse mental health because of their current living situation, but it could also reflect that living with their parents can be a way for those who need it to receive support.[74]

Younger people in part-time, insecure and lower-paid work are increasingly likely to live with their parents

Economic circumstances play a significant role in determining the odds of a young person living with their parents, so an increasingly-unpredictable labour market for younger people will be one of the longer-term drivers of change in the likelihood of living

73 The proportion of people with mental health problems has risen over recent years, although it is unclear whether the increase in the share of young people with mental health problems has any bearing on the proportion of those with mental health problems who live with their parents. For more work on young people, mental health and jobs. See: R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021.
74 See: G Aeby & S Heath, Post break-up housing pathways of young adults in England in light of family and friendship-based support, Journal of Youth Studies 23(1), October 2019.

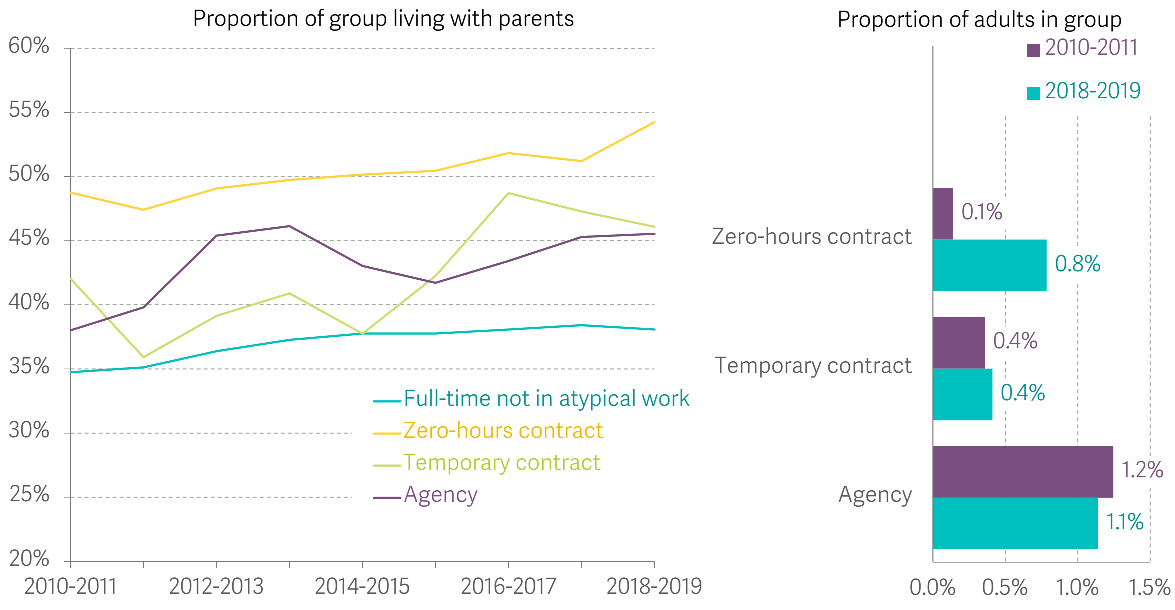
with parents. We start by discussing changes that have happened for young adults in work or in full-time education.

We find only small rises in the incidence of living with parents among those in full-time work or who were full-time students. But there was a 20-point increase – close to a doubling – in the share of part-time workers that live with parents.[75]

Figure 35 looks more closely at the proportion of 19-29-year-olds that live with their parents, according to the type of contract that they work on (data on atypical employment contracts like zero-hours contracts are available only from 2010). Two things are clear: first, that younger people in atypical forms of employment – such as zero-hours contracts or agency working – are much more likely than those on full-time contracts to live with their parents. For example, during 2018-2019, more than half of all 19-29-year-olds on zero-hours contracts lived with their parents (54 per cent), compared with the 38 per cent of full-time workers on standard, full-time contracts who did the same. The rise in the overall proportion of younger people on atypical contracts (see the right-hand panel of Figure 35) means that increasing rates of living with parents among atypical workers will also have played a role in driving up the total share of young people living with mum and dad over recent years.

FIGURE 35: **Workers on zero-hours contracts were a third more likely to live with their parents in 2018-2019 than workers in full-time, typical work**

Proportion of 19-29-year-olds who live with their parents by contract type (left-hand panel) and proportion in each group (right-hand panel): UK, 2010-2019



NOTES: Left-hand panel shows a 2-year rolling average because of the short timelines in this chart.
SOURCE: RF analysis of ONS, Labour Force Survey.

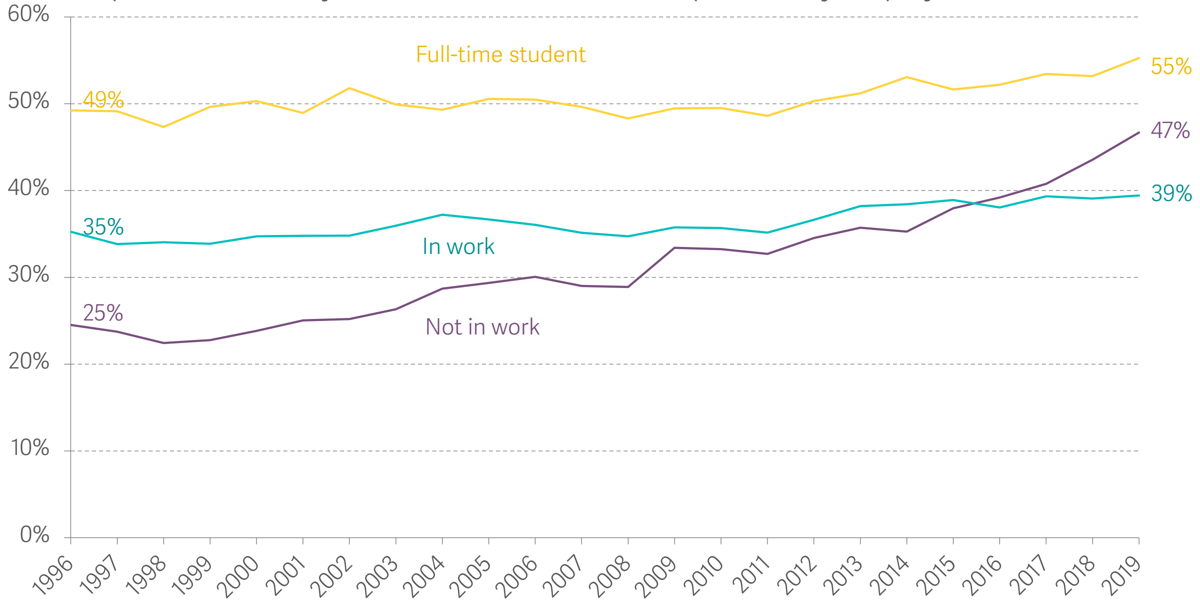
75 For a discussion of why this might have occurred, see Box 3 in: M Gustafsson, Boom(erang) Time? An analysis of younger adults living with their parents, Resolution Foundation, June 2021.

The likelihood that a young person out of work lives with their parents nearly doubled over the two decades before the pandemic

The previous section discussed the 4 percentage point increase (to reach 39 per cent in 2019) in the share of younger workers that lived with their parents, and a similar increase of 6 points (reaching 55 per cent) among full-time students. Although this explains a large portion of the overall increase in the incidence of younger people living with a parent (which rose from 34 per cent in 1996-1997 to 43 per cent in 2018-2019), the final group of younger adults to explain the remaining change is those not in work.[76] As Figure 36 shows, the changes among workless younger adults here have been more dramatic than for students and those in work, with the share living with parents rising from 25 per cent in 1996 to 47 per cent in 2019.

FIGURE 36: **Workless young people have become more likely to live with their parents than their counterparts in work and study**

Proportion of 19-29-year-olds who live with their parents, by employment status: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

Of course, young people out of work are a diverse group: some may be only temporarily out of work, and others may have never worked at all. Through further analysis, which we present in the longer version of this Spotlight, we find that those who left education three to five years ago have seen the largest increases in living with their parents.[77] In particular, those who have never had a job experienced a steep rise in living with parents, with an increase among those who left education three to five years ago (and had never

76 "Not in work" here refers to those who are unemployed, inactive and have never had a paid job.
77 M Gustafsson, Boom(erang) Time? An analysis of younger adults living with their parents, Resolution Foundation, June 2021.

worked) of 26 percentage points, from 40 per cent to 66 per cent between 1996-1997 and 2018-2019. At the same time, the overall proportion of 19-29-year-olds who have never had a job has increased.[78] This suggests that the increasing share living with their parents among those not in work has been boosted by those who left education some time ago and have never had a paid job.

Policy makers should be worried when economic conditions force younger adults to stay with their parents

This Spotlight has considered prevailing narratives around adult children living with parents. The Labour Force Survey suggests that there has been a rise in the incidence of young adults living with parents, but some other sources disagree. What is clear is that those who have moved back to their parents or stayed with parents during the pandemic have been more likely to have been those without jobs, the lowest paid, and those working in the hardest-hit sectors. And these patterns reflect longer-term trends in who is likely to live with their parents: since the 1990s, out-of-work adults, those in atypical jobs and those on lower pay have experienced the largest increases in the proportions living with parents.

78 For an extensive discussion around the reasons for this, see: L Gardiner, Never Ever: Exploring the increase in people who've never had a paid job, Resolution Foundation, January 2020.