



The Resolution Foundation Housing Outlook

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Over the past year, we have seen some of the most challenging conditions for living standards on record. Not only has the price of essentials such as food and fuel soared, but on top of this many households have also faced significant increases in their housing costs – either due to rising rents or increased mortgage payments linked to higher interest rates. In this first Housing Outlook of 2023, we examine how the cost of living crisis is impacting on working-age individuals' ability to cope with their housing costs.

Drawing on our recent YouGov survey of 10,470 adults in the UK, we find that housing stress is being felt much more widely than during the height of Covid-19. Although the effects of the cost of living crisis are broad-based, they are particularly unequal across tenures. Mortgagors are feeling the effects of higher interest rates, but private and social renters are much more likely to report falling behind or struggling with their housing costs than those buying their own home. Moreover, worryingly high numbers of private and social renters report signs of material deprivation and are resorting to sometimes unsustainable strategies to manage their housing costs.

Government support for those struggling with housing costs today is more limited than during the pandemic. Although the levels of forbearance we saw in response to Covid-19 may not be appropriate today, there is still much that policy could do to ease housing stress. For example, private rents have surged in recent years while local housing allowance (LHA) rates have been frozen, suggesting a rebase is urgently required. Likewise, now is the time to make good on the promise of a pre-action protocol for private renters to ensure that tenants and landlords mediate where renters fall into arrears.

Housing cost pressures are currently more severe than during the pandemic

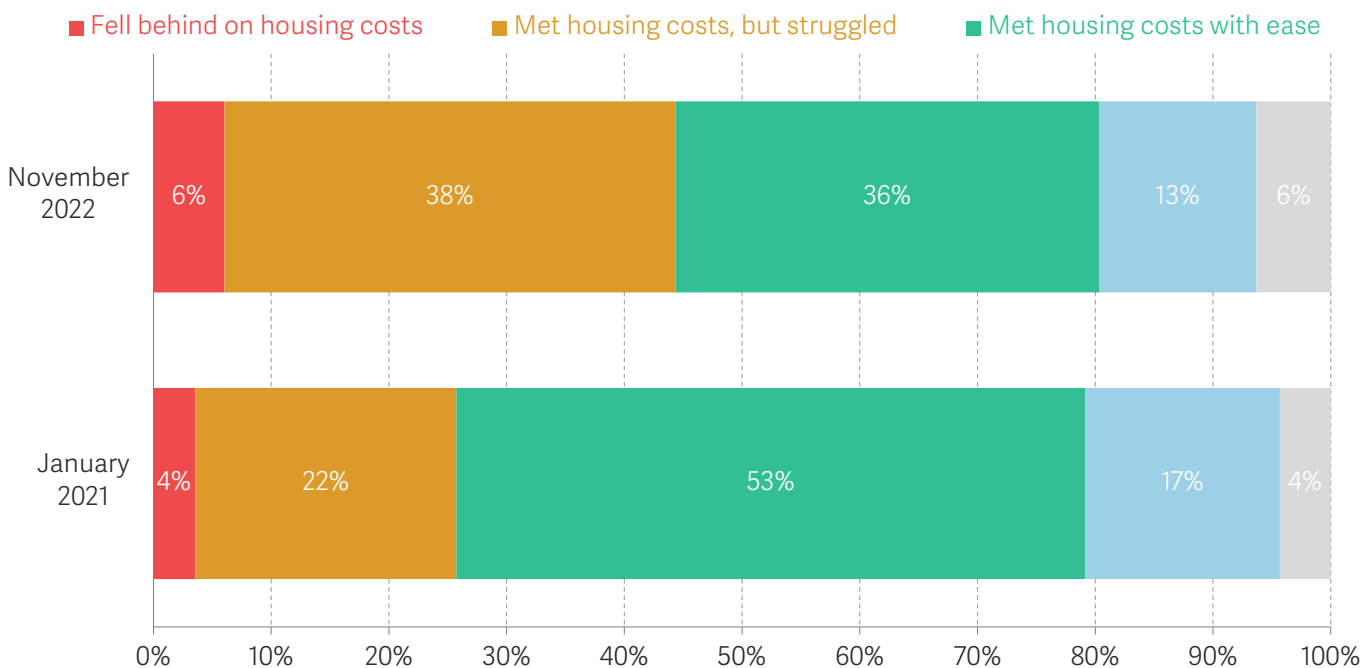
In this first Housing Outlook of 2023, we look at how the painful combination of rising costs and falling real incomes over the past year have affected both homeowners' and tenants' ability to cover their housing costs. For good reasons, much of the focus to date has been on rising energy costs, but over the past year, housing cost increases have hit households too. Private rents have risen at their [fastest pace on record](#) (and new listings have risen by nearly 11 per cent [on some market measures](#)) as the supply of rental [properties is constrained and demand surging](#). Social rents have also experienced their [largest rise in a decade](#) over the past year, with [most housing providers](#) uprating rents by the maximum possible 4.1 per cent. And even homeowners have not been immune: after enjoying decades of rock-bottom interest rates, mortgage rates are also [on the rise](#) as the Bank of England continues to [hike interest rates](#).



In Figure 1, we use data from our recent YouGov survey of 10,470 adults in the UK to show how all these cost pressures collide.¹ Polling conducted in late November shows clear signs of widespread housing stress: across the working-age population, a larger share of adults had either struggled to meet their housing costs or fallen behind on payments (44 per cent) over the previous three months than those who had been able to meet their housing costs with ease (36 per cent).

FIGURE 1: More people reported falling behind or struggling with housing costs in November 2022 than during the second major lockdown of the pandemic

Proportion of working-age adults, by reported ability to cover housing costs over the last three months: UK, 23-30 November 2022 and 22-26 January 2021²



NOTES: Includes only UK working-age adults (ages 18-65). November 2022 All n = 7,915; January 2021 All n = 6,389.

SOURCE: RF analysis of YouGov, UK adults age 18+ Cost of Living Crisis, November 2022 wave; YouGov, UK Adults aged 18-65 and the Coronavirus (Covid-19), January wave, 2021.

To put this into context, the level of housing cost pressure observed in November 2022 was markedly higher than in a wave of our survey conducted at the peak of the second Covid-19 lockdown (January 2021) – despite the fact that a significant portion of the economy was closed at that point. Then, under 4 per cent of working-age adults reported that they had fallen behind on their housing costs over the past three months, a proportion that had increased to 6 per cent in November 2022. But perhaps even more tellingly, a much larger proportion, over one-in-three working-age adults (38 per cent), reported

¹ The authors are grateful to The Health Foundation for supporting this work. This research uses data from an online survey conducted by YouGov in November 2022. The total sample size was 10,470 UK adults aged 18+, filtered in this analysis to 7,915 working-age adults. Fieldwork was undertaken online during 23-30 November 2022. This research also uses data from a survey conducted by YouGov during the pandemic in January 2021. This was undertaken by YouGov from the 22-26 January 2021 and was of 6,389 working-age adults. All figures have been weighted and are representative of all working-age UK adults. The figures presented from the online surveys have been analysed independently by the Resolution Foundation. The views expressed here are not the views of YouGov.

² 'Meeting housing costs with ease' refers to respondents that answered 'I was always able to cover all of my housing costs with ease'; 'Met housing costs, but struggled' includes respondents answering 'I was always able to cover all of my housing costs, but it was sometimes a struggle' and 'I was always able to cover all of my housing costs, but it was always a struggle'; 'Fell behind on housing costs' includes respondents answering 'I occasionally fell behind with part of my housing costs', 'I regularly fell behind with part of my housing costs', 'I occasionally fell behind with all of my housing costs' and 'I regularly fell behind with all of my housing costs'. 'Other' includes 'Don't know' and 'Prefer not to say'.



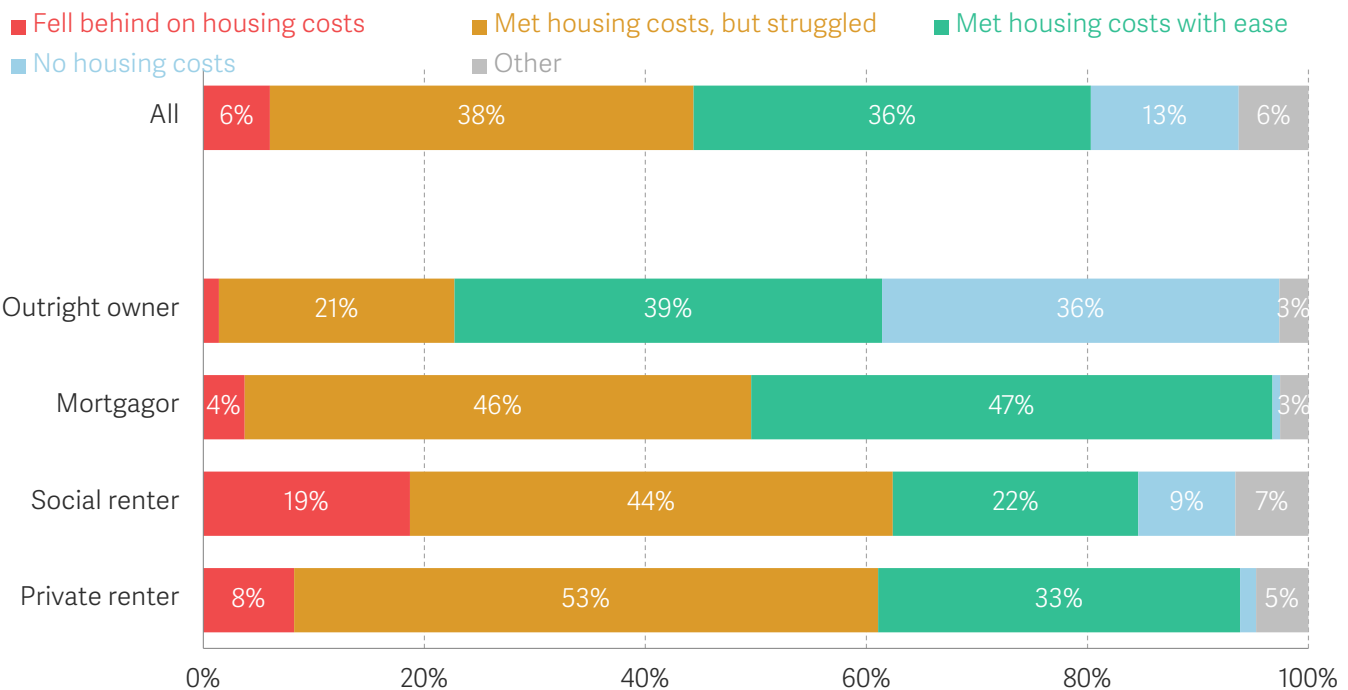
that they had struggled to meet their housing costs over the last three months, a rise of 16 percentage points compared to what we found in January 2021. This is particularly concerning given those reporting that they are currently struggling may be more likely to fall behind with housing payments as the cost of living crisis continues over the coming months.

Renters, single parents and Black and mixed-race adults are most likely to be struggling with housing costs

While the housing cost pressures inflicted by the cost of living crisis are both broad and deep, they are not being felt equally. As shown in Figure 2, renters of both stripes report far higher levels of acute housing stress than their homeowner counterparts.

FIGURE 2: Social and private renters are much more likely to report housing stress than mortgaged home owners

Proportion of working-age adults, by reported ability to cover housing costs over the last three months and tenure: UK, 23-30 November 2022³



NOTES: Includes only UK working-age adults (ages 18-65). All n = 7,915. Own outright (n = 1,701), Mortgagor (n = 2,956) Social renter (n = 878) Privately rent (n = 1,343).

SOURCE: RF analysis of YouGov, UK adults age 18+ Cost of Living Crisis November 2022 wave.

When we look at those facing the most housing cost pressure, one-in-five social renters (19 per cent) and one-in-twelve private renters (8 per cent) reported falling behind on all or part of their housing

³ 'Meeting housing costs with ease' refers to respondents that answered 'I was always able to cover all of my housing costs with ease'; 'Met housing costs, but struggled' includes respondents answering 'I was always able to cover all of my housing costs, but it was sometimes a struggle' and 'I was always able to cover all of my housing costs, but it was always a struggle'; 'Fell behind on housing costs' includes respondents answering 'I occasionally fell behind with part of my housing costs', 'I regularly fell behind with part of my housing costs', 'I occasionally fell behind with all of my housing costs' and 'I regularly fell behind with all of my housing costs'. 'Other' includes 'Don't know' and 'Prefer not to say'.



costs at some point in the last previous three months in November 2022.⁴ Meanwhile, homeowners were much less likely to report falling behind with their housing costs, at just one-in-twenty-five mortgagors (4 per cent) and one per cent of outright owners respectively.

Looking at less acute but much more widespread forms of housing pressure, 44 per cent of social renters reported struggling to meet their housing costs over the past three months. But in the private rental sector this figure is even higher, with over half of working-age adults (53 per cent) struggling, perhaps unsurprising given this group entered the crisis with the highest housing cost to income ratio of all tenure types.⁵ Homeowners have not been completely immune to signs of housing stress, with nearly one-in-two mortgagors (46 per cent) reporting struggling to cover their mortgage payments – a picture that may worsen as nearly two million mortgagors on fixed rates flow onto much higher variable rates over the next year. Mortgagors also experienced the most significant rise in signs of housing stress compared to the pandemic period (from 27 per cent reporting either falling behind or struggling with housing costs in January 2021, compared to 50 per cent in November 2022) – albeit still reporting housing stress at a much lower level to renters overall.⁶

These tenure differences mean that the experience of housing stress during the cost of living crisis is also being felt unequally by different family types and by ethnicity, echoing other research [that touches on the wider impacts](#) of the cost of living crisis on these groups. Single parents (32 per cent of whom live in the private rental sector and 22 per cent in the social rental sector) were much more likely than average to report falling behind on housing costs (12 per cent) in our survey, and nearly half (48 per cent) reported that they had struggled with their housing costs in the previous three months.⁷ Likewise, Black and mixed-race adults (of whom 20 and 18 per cent live in the private sector respectively and 31 and 12 per cent in the social rental sector) were much more likely to report falling behind on housing costs than average (10 per cent and 8 per cent of each group respectively), and to report that they had struggled over the past three months (at 43 and 42 per cent respectively).

Renters are sometimes resorting to unsustainable means to manage their housing costs

These high levels of housing stress, especially among renters, are particularly concerning given the declining financial resilience of households by this point in the cost of living crisis. In Figure 3 we show that private renters were much more likely than other tenure types to report that they had resorted to unsustainable or limited methods of coping with their housing costs such as borrowing money (8 per cent), using savings (17 per cent) or cutting back on spending (31 per cent). This is particularly concerning given these coping mechanisms are likely already depleted by a year of cost of living price rises, coupled with the fact that, for some households, this is the second of two consecutive shocks in the space of two years.

⁴ Falling behind on housing costs' includes those that reported falling behind temporarily on their housing costs – and for social renters is in a similar range to [other surveys](#) conducted in Autumn 2022 (albeit using different population and treatment of arrears).

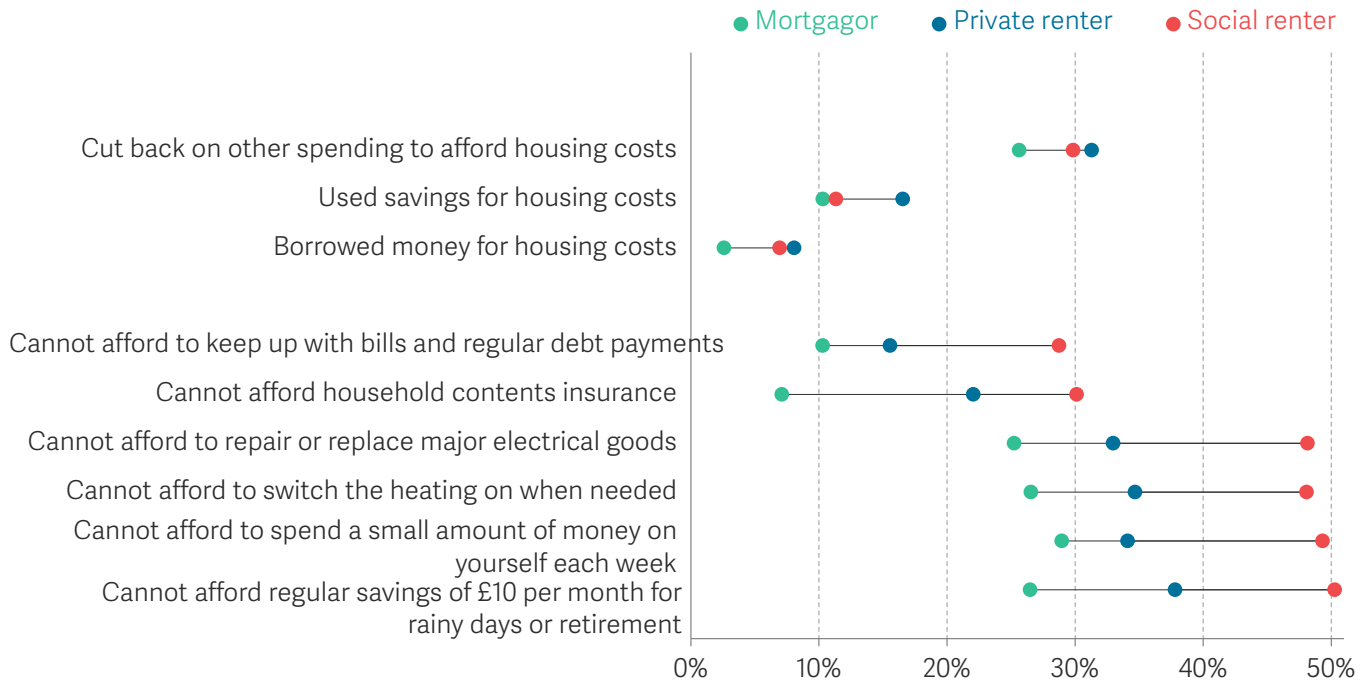
⁵ Housing cost to income ratios (gross of housing benefit) in 2020-21 were 33 per cent for private renters; 29 per cent for social renters and 10 per cent for mortgagors.

⁶ This compares to the 42 and 41 per cent of private and social renters respectively who were struggling or falling behind with housing costs in January 2021, which rose to 61 and 62 per cent respectively in November 2022.

⁷ Tenure ratios are taken from the Labour Force Survey for the year 2021-22 for working-age households, and should be compared against the UK average of 45 per cent of households owning their homes, 12 per cent living in the social rental sector, 20 per cent living in the private rental sector and 24 per cent living in other tenures (e.g. living with parents).

FIGURE 3: Private renters are most likely to be using unsustainable strategies to manage their housing costs

Proportion of working-age adults who have reported various indicators of material deprivation and methods of dealing with housing cost pressures, by tenure: UK, 23-30 November 2022⁸



NOTES: Includes only UK working-age adults (ages 18-65). Mortgagor (n = 2,956) Social renter (n= 878) Privately rent (n = 1,343). SOURCE: RF analysis of YouGov, UK adults age 18+ Cost of Living Crisis November 2022 wave.

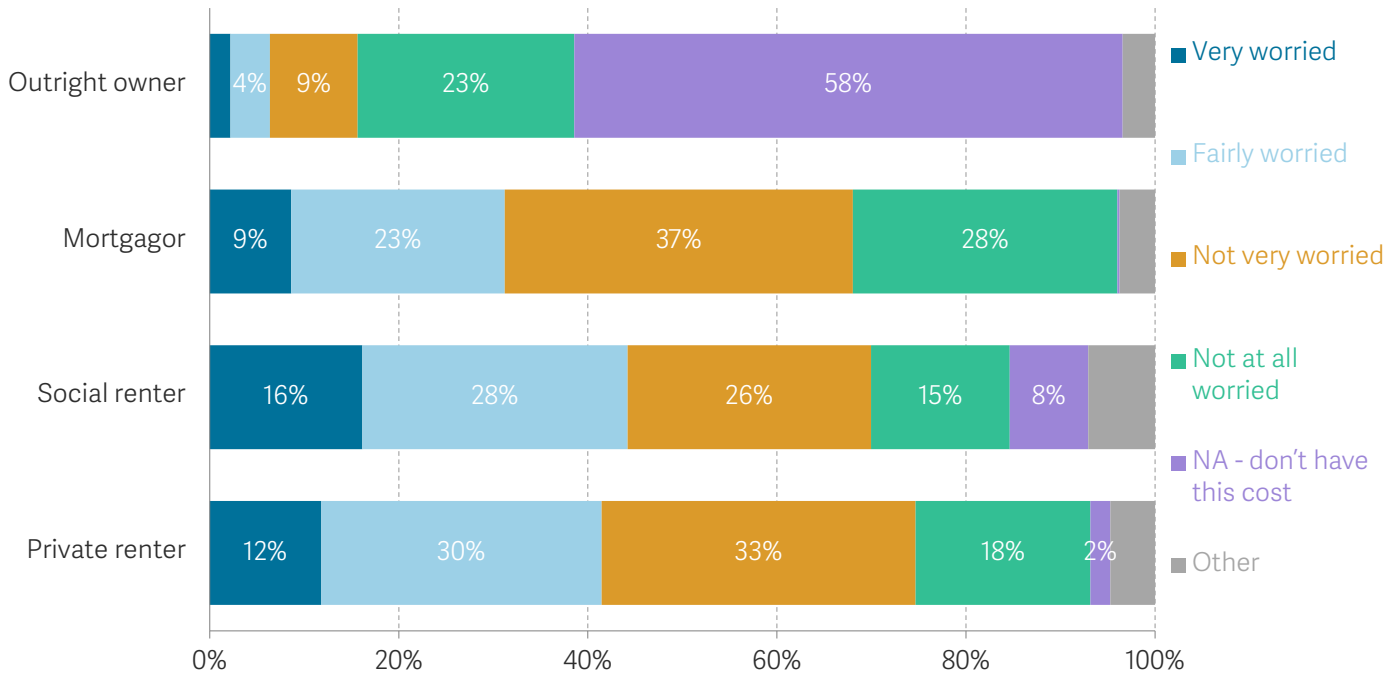
For most households, housing costs are the largest fixed cost in their budget, and one that is heavily prioritised given the significant consequences of falling behind on payments (up to and including eviction). Assuming that falling behind on housing costs is avoided by most households at almost any cost, many households are likely to be cutting back hard, and our survey illustrates what this looks like in practice. Figure 3 also shows the proportion of working adults reporting indicators of material deprivation by tenure. We find that in November 2022, around half of social renters reported that they could not afford to switch the heating on when needed (48 per cent); replace or repair major electrical goods (48 per cent); spend a small amount on themselves each week (49 per cent); or afford regular savings of just £10 a month for rainy days or retirement (50 per cent). Likewise, around one-in-three in the private rental sector reported experiencing these same signs of material deprivation.

Not only are there financial consequences to the cost of living crisis, there are mental health ones too. Analysis from our most recent [Living Standards Outlook](#) showed that increasing financial distress is correlated with higher levels of emotional distress among individuals. Our results here show that rising housing costs are a particular source of worry. As Figure 4 makes clear, more than 40 per cent of social and private renters reported being ‘fairly worried’ or ‘very worried’ about meeting their housing costs in the coming three months, with around one-in-three mortgagors (31 per cent) also reporting some level of worry too.

⁸ Borrowed money for housing costs includes borrowing from friends or family; and borrowing from bank or another lender. Cannot afford refers to respondents who selected ‘We/I would like to have this but cannot afford this at the moment’.

**FIGURE 4: Renters are the most worried about meeting their housing costs over the winter**

Proportion of working-age adults reporting they are worried about meeting their housing costs over the next three months, by tenure: UK, 23-30 November 2022



NOTES: Includes only UK working-age adults (ages 18-65). Own outright (n = 1,701), Mortgagor (n = 2,956) Social renter (n = 878) Privately rent (n = 1,343).

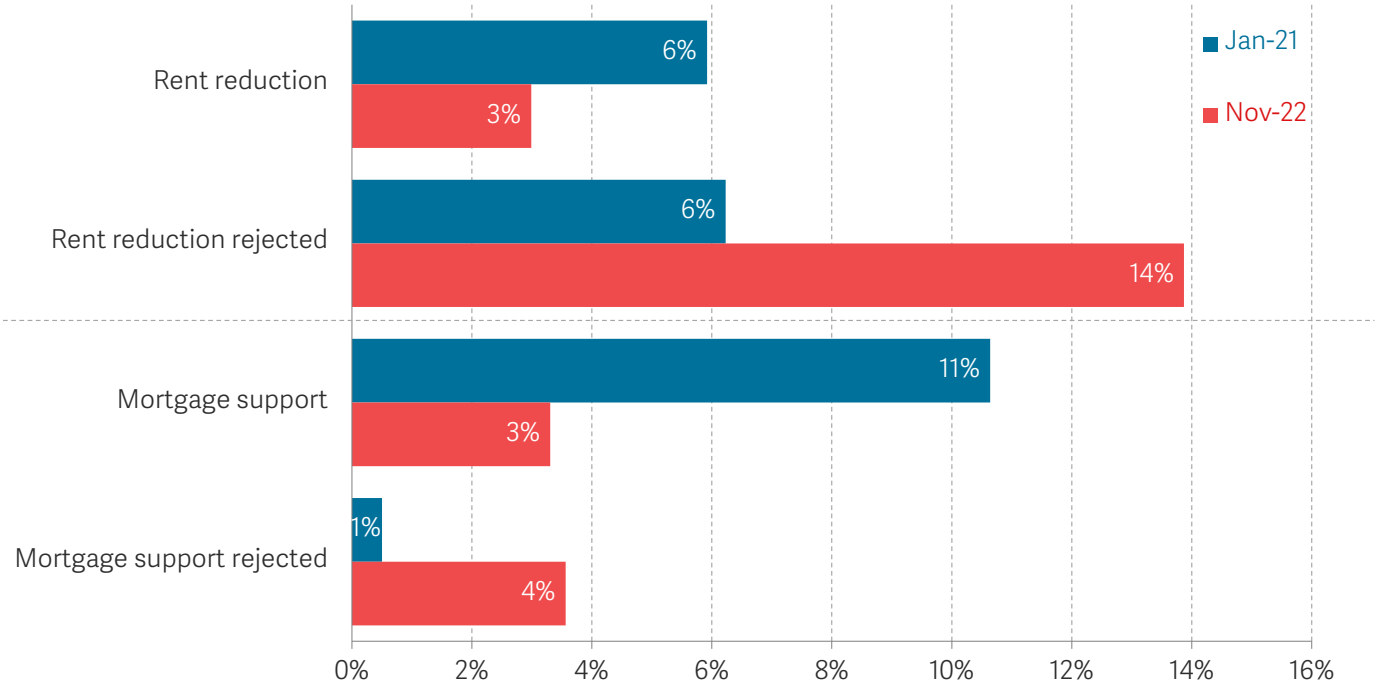
SOURCE: RF analysis of YouGov, UK adults age 18+ Cost of Living Crisis November 2022 wave.

Fewer people are accessing formal support for their housing costs than during the pandemic

This bleak picture is compounded by the fact that more formal methods of dealing with housing cost pressures are being less widely accessed than during the pandemic. Figure 5 compares the proportion of renters and mortgagors reporting the type of housing support they received during the lockdown in January 2021, and more recently in November 2022. While many more people are struggling with their housing costs than during the pandemic, the proportion of mortgagors who had received support from their mortgage provider is less than one-third of the level it was during the Covid-19 period (11 per cent compared to 3 per cent), and the proportion reporting rent reductions has halved (6 per cent to 3 per cent). Both renters and mortgagors were also more likely to have their requests for rent reductions and mortgage support rejected than during the pandemic. This is likely to reflect the wider mandating of mortgage holidays during the pandemic, as well as [lower reported levels](#) of informal support or goodwill from landlords and housing providers, who are also likely to be feeling the effects of rising prices and interest rates.

FIGURE 5: Fewer renters and mortgagors are accessing formal housing cost support than during the pandemic

Proportion of renters and mortgagors who have reported either receiving or being rejected for rent and mortgage support: UK, 23-30 November 2022 and 22-26 January 2021⁹



NOTES: Includes only UK working-age adults (ages 18-65). November 2022 Mortgagor (n = 2,956), Renters (n = 2,221); January 2021 Mortgagor (n = 2,397), Renters (n = 1,686). January 2021 question relates to the start of the Coronavirus outbreak in the UK (i.e. end of February 2020) and November question relates to the last three months.

SOURCE: RF analysis of YouGov, UK adults age 18+ Cost of Living Crisis November 2022 wave; YouGov, UK Adults aged 18-65 and the Coronavirus (Covid-19) - January wave, 2021.

Conclusion

Overall, it is clear that the cost of living crisis is causing significant housing stress on a scale that outstrips the pandemic period, with worryingly high numbers reporting that they are struggling to cover their mortgage or rent. But to date, there has been only a limited policy response to support families with their housing costs.¹⁰ For mortgagors, Support for Mortgage Interest payment [eligibility has been slightly widened](#) (to those who have been claiming benefits for three months rather than nine, and now including those who are earning income from a job) and [lenders have been encouraged](#) to offer flexibility to their customers. Social renters will have maximum rents capped below inflation at

⁹ 'Rent reduction' relates to respondents that answered 'I received a rent reduction from my landlord, but it has now ended' or 'I have a rent reduction from my landlord currently' in January 2021 and 'I have discussed my position with my landlord and my rent payments have been reduced (e.g. temporary rent reduction, payment plan) in November 2022. 'Rent reduction rejected' relates to respondents that answered 'I tried to get a rent reduction from my landlord, but was refused' in January 2021 and 'I have discussed my position with my landlord but my rent payments have not been reduced' in November 2022. 'Mortgage support' relates to respondents that answered 'I had a mortgage holiday from my mortgage provider, but it has now ended' or 'I have a mortgage holiday currently' in January 2021 and 'I have discussed my position with my mortgage lender and my mortgage payments have been reduced (e.g. a payment holiday) in November 2022. 'Mortgage support rejected' relates to respondents that answered 'I applied for a mortgage holiday, but it was refused' in January 2021 and 'I have discussed my position with my mortgage lender but my mortgage payments have not been reduced' in November 2022.

¹⁰ Of course, much of the Government support for households during the cost of living crisis has happened on the income side such as the Energy Price Guarantee and Cost of Living payments. However, this was also the case during the pandemic in the form of the Job Retention Scheme and the £20 uplift for individuals on Universal Credit.



7 per cent from April 2023 in England,¹¹ bringing some relief for those at the sharpest end of housing pressures, and many housing associations have [publicly committed](#) to avoiding evictions in the social rental sector on financial grounds.

But Government support remains thin on the ground to support private renters struggling with their housing costs.¹² This is in stark contrast to the plethora of measures introduced during the pandemic, including the freezing of evictions, the rebasing of Local Housing Allowance (LHA) rates and the formal [provision of mortgage holidays](#). While the policy response suited to a temporary pandemic-related shock is different from that required to mitigate longer-term cost of living pressures, the welcome uprating of LHA rates in March 2020 has been followed by three years of frozen rates at a time when private rents have surged. Policy makers should look to redress this gap, by re-basing LHA rates in April 2023 to reflect current rents rather than the levels in 2019.¹³

Finally, there are other measures the Government could implement to mitigate housing stress. An expansion of the funding pot for Discretionary Housing Payments (which received an [additional £40 million](#) during the pandemic) would also be a welcome means of expanding support for benefit claimants struggling with their housing costs. And given rising housing pressures, policy makers should implement a [pre-action protocol](#) for private renters which would require landlords go to mediation prior to any court action for arrears.¹⁴ Although the cost of living crisis is being felt across the board, the pain inflicted is by no means equal – and the responsibility remains with policy makers to socialise the burden.

¹¹ In Wales, social rent increases in 2023-24 will be capped at 6.5 per cent. While the Scottish government does not set social rents directly, the Scottish government have announced a [below-inflation rent increase](#) for 2023-24. The Northern Ireland Executive announced a [rent freeze for tenants in NIHE homes](#) in February 2022.

¹² An exception is the [Scottish Programme for Government 2022 to 2023](#) which introduced a temporary private rent freeze and an eviction ban for private tenants in Scotland until March 2023.

¹³ This would have the welcome additional effect of expanding housing availability, given [recent research](#) shows that only 8 per cent of new rental listings are advertised at a cost at or below the current LHA rates.

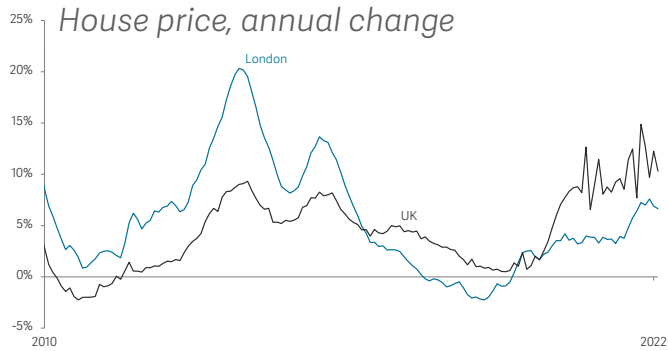
¹⁴ The [Renters' Reform Bill](#) expressed some welcome intentions to improve mediation between landlords and tenants, but is unlikely to come into force until later this year.



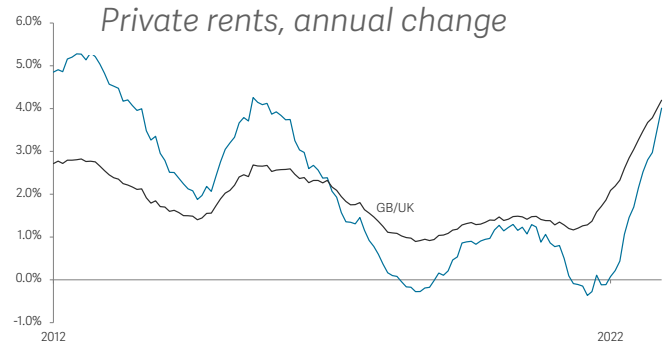
Housing indicators | Exploring key trends in the UK housing market, and what this means for households and policy makers

The charts below look at key trends in the UK housing market as a whole, as well as among regions, tenures and age groups where these trends have differed or been more pronounced.

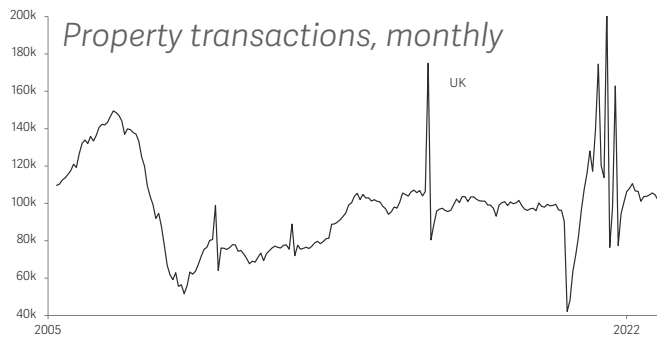
Housing market indicators:



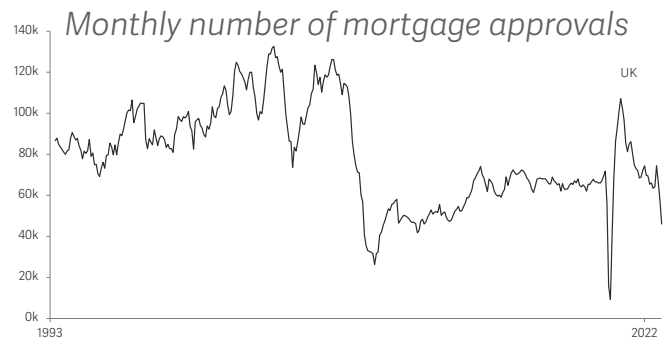
UK house price growth increased during the pandemic, but is beginning to slightly slow.



Growth in private rents has continued to accelerate in the first half of 2022

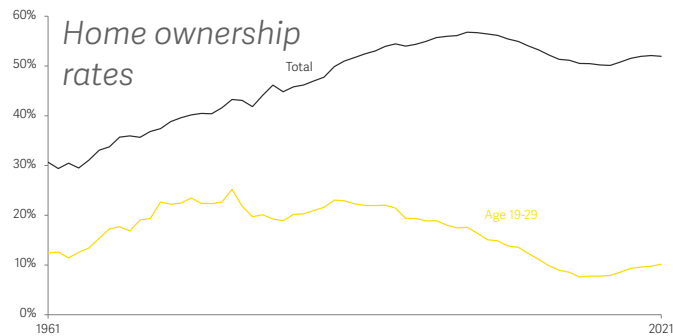


Transactions were highly volatile during the pandemic, and remain largely stable

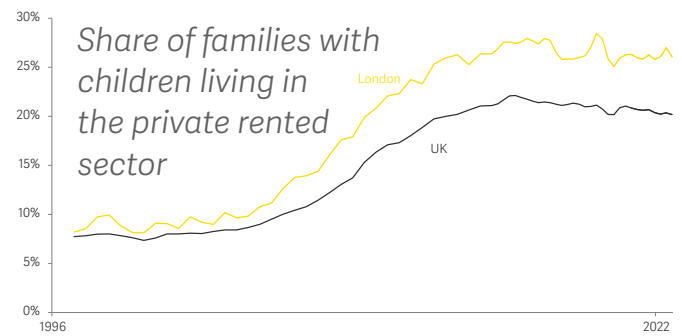


After recent pandemic-related volatility, mortgage approvals have fallen dramatically

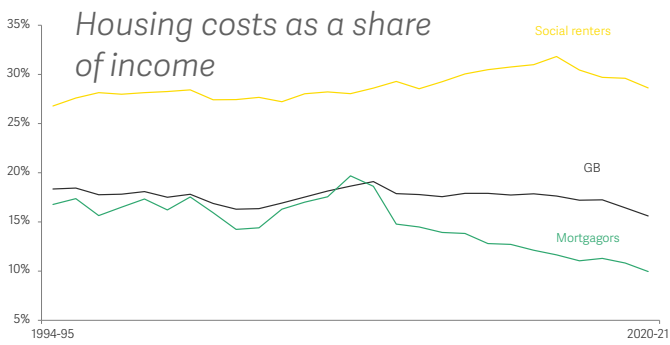
Housing living standards indicators:



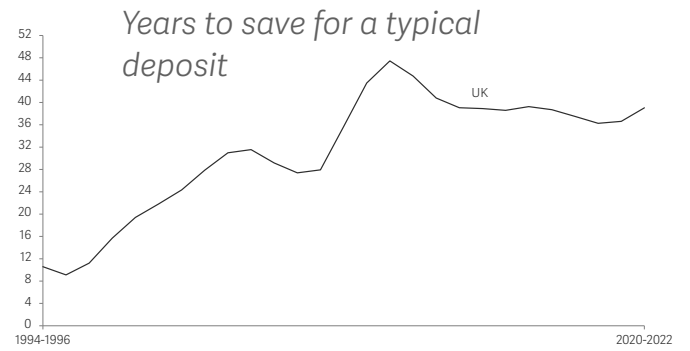
Home ownership rates increased slightly between 2016 and 2019, but after this point trends are affected by pandemic-related data issues



The share of families with children that live in the PRS has increased almost three-fold since the 1990s.

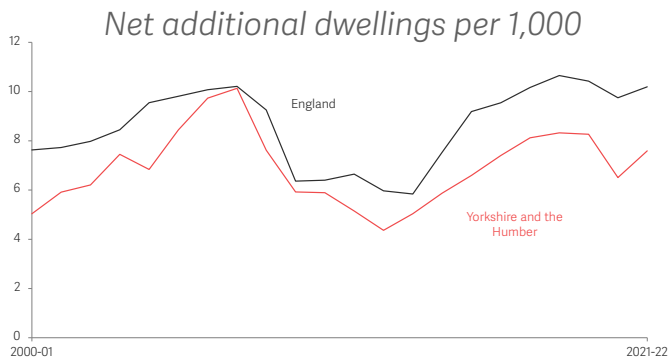


Housing costs as a share of income fell for mortgagors after the financial crisis, but have increased rapidly for social renters in more recent years.

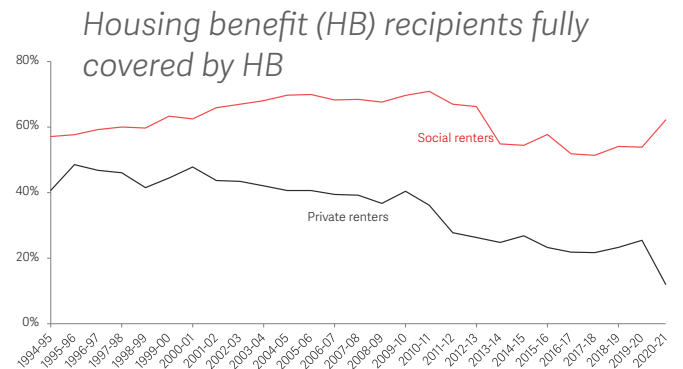


It would take 39 years for a typical young family to save for a deposit assuming saving rate of 5%.

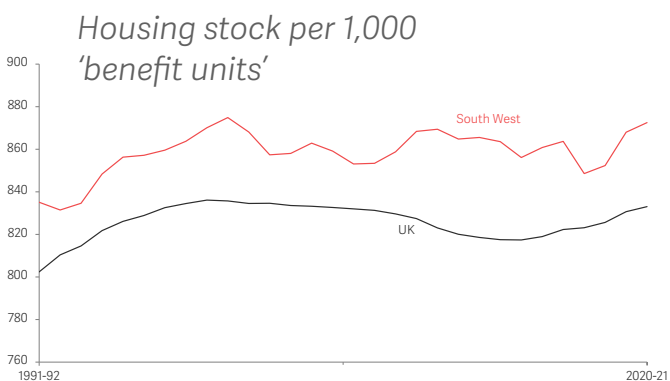
Housing policy indicators:



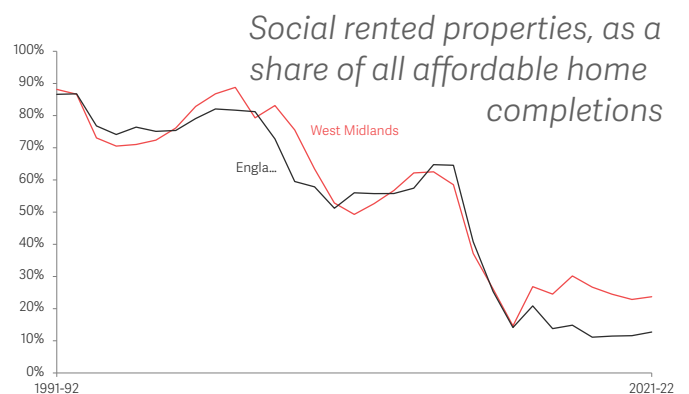
Net additions fell in 2020-21, after having increased for a number of years back towards pre-financial crisis highs.



The share of families in receipt of housing benefit whose housing costs are fully covered fell throughout the 2010s - this data only includes Housing Benefit (and not the housing element in UC).



Relative to the number of families, the UK's housing stock has declined since the turn of the century, but has been gradually increasing in recent years.



Social rental properties have fallen significantly as a proportion of the affordable housing built in England through the 2010s.

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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