

Public consultation response:

“Call for Evidence - Meeting the UK’s housing demand:”

To: Built Environment Committee

By: The Intergenerational Foundation

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The Intergenerational Foundation (www.if.org.uk) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

Introduction

The Intergenerational Foundation (IF) is pleased to have the opportunity to respond to the public consultation on meeting the UK’s housing demand.

Since it was formed in 2011, IF has played an important role in leading the debate about intergenerational fairness in the UK – particularly with regard to the housing crisis, which has been one of our major areas of work – and we are regularly consulted by the media and policymakers on this issue.

The UK’s housing crisis is fundamentally an issue of intergenerational fairness, as it has disproportionately negatively affected younger people. Huge house price inflation over the last few decades has created a widening wealth gap between older homeowners and younger renters, making homeownership an increasingly unachievable goal for most young people. Low housebuilding rates over the last few decades have further contributed to house price inflation, as demand has failed to keep up with supply.

IF therefore welcomes this consultation on how best to meet the UK’s housing demand, and particularly agrees with the notion that we should not just be concentrating on the number of homes, but also the type, tenure and quality of new builds, to ensure that younger and future generations can have access to safe, good-quality and affordable housing that previous generations have enjoyed.

Our key recommendations for this consultation are to focus on delivering more retirement homes to encourage downsizing, commit to a programme of building 100,000 social rent homes per year, reverse the changes to Permitted Development Rights which have resulted in poor quality housing, and focus on ways to increase engagement of younger generations with planning consultations.

Background

IF’s previous research into the composition of the UK’s housing sector has confirmed that older people are significantly more likely to be homeowners,

while younger people are more likely to be renting. In 2019/2020, owner occupiers in England had an average age of 58, compared to private renters (41) and social renters (53).¹ The mean age of first-time buyers in 2019/2020 was 32.2 years, up from 31.4 in 2003/2004.²

The amount of space that people have in their home is also very unevenly distributed between homeowners and renters, and thus between older and younger people. Homeowners are more likely to be under-occupying, as in 2019/2020, over half (52%) of owner-occupiers were under-occupying their homes.³ One in 10 people also now own a second home and these are mainly older owners.⁴

At the other end of the spectrum, there is also the issue of overcrowding, which is much more prevalent in rented housing than in owner-occupied housing. In 2019/2020, 7% of private rented and 9% of social rented households were overcrowded, compared with only 1% of owner-occupied households.⁵ This overcrowding in the private rented sector also increased significantly during the COVID-19 pandemic due to increases in household size, as in November to December 2020, the percentage of households that were overcrowded had risen to 15%.⁶

Demographic trends

One of the most important demographic factors influencing housing demand is that the UK has an ageing population, as it is projected that by 2050, “one in four people in the UK will be aged 65 years and over – an increase from approximately one in five in 2019.”⁷ By 2069, it is predicted that there will be an additional 7.5 million people aged 65 and over in the UK, in comparison to 2019 figures.⁸ This will subsequently result in increasing demand for retirement housing and housing that is suitable for the needs of older people.

The UK is already struggling with a lack of retirement housing options. Currently, there are an estimated 725,000 retirement properties in the UK, out of a total housing stock of approximately 28 million.⁹ “That means less than 3% of the nation’s housing stock is geared exclusively to retired people”¹⁰, despite the fact that approximately 18.5% of the UK population were aged 65 or over

¹ Office for National Statistics. (2021). English Housing Survey.

² Ibid.

³ Wiles, C. (2021). Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations. London: IF.

⁴ Ibid.

⁵ Office for National Statistics. (2021). English Housing Survey.

⁶ Ibid.

⁷ Office for National Statistics (ONS). (2021). Overview of the UK population: January 2021: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/january2021#the-uks-population-is-ageing>

⁸ Ibid.

⁹ Wiles, C. (2021). Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations. London: IF. (page 44).

¹⁰ Ibid.

in 2019.¹¹

This lack of retirement housing is one of the key factors contributing towards older people staying in large, unsuitable houses for longer instead of downsizing. This is causing stagnation in the housing market, as it prevents younger buyers from trading up to larger houses, which in turn prevents first-time buyers from entering the housing market at all. It can also result in older people needing to spend more time in hospitals and care homes as their homes do not meet their needs.¹² For example, if older people become unable to use stairs, this may result in increased falls and accidents.

At the other end of the age spectrum, there are increasing numbers of young people who cannot afford to move out of their family homes due to a lack of affordable housing options. In 1997, the average full-time worker could expect to pay about 3.5 times their annual earnings to buy a home. In 2020, this median house price to affordability ratio had increased to 7.7 for England and Wales, 7.8 for England and a staggering 11.8 for London.¹³ This housing unaffordability has led many young people to stay in their family homes for longer than they would prefer – in 2020, 28% of adults aged 20-34 were living with their parents.¹⁴

To address these demographic trends, we recommend that the government should focus on providing support to the retirement housing development sector to help it develop and increase its output of new affordable homes. This would provide more options for older generations to downsize, which will in turn free up larger houses for younger families to move into. We also recommend that the National Planning Policy Framework (NPPF) should be updated to include a new requirement for local authorities to assess the level of under occupation in their housing stock and act accordingly to provide retirement housing and other measures to incentivise downsizing.¹⁵ While bungalows are often in high demand from older generations, these are frequently a less environmentally friendly option as they take up more land space and are also more expensive, therefore we instead advocate for the development of alternative housing options such as retirement communities.

To further encourage downsizing, we also recommend a revaluation of our current council tax system in order to create a more progressive system where those in larger properties pay proportionally more council tax. Furthermore, abolishing the single person discount for those who live in properties in the

¹¹ Office for National Statistics (ONS). (2021). Overview of the UK population: January 2021: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/january2021#the-uks-population-is-ageing>

¹² Wiles, C. (2021). Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations. London: IF. P.46

¹³ Ibid.

¹⁴ Office for National Statistics (ONS). (2021). Young adults living with their parents: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents>

¹⁵ Wiles, C. (2021). Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations. London: IF.

highest council tax bands is recommended.¹⁶ By incentivising older people to downsize where possible, this will reduce under-occupation rates and free up larger homes for younger families to move into.

Housing demand

The official target of building 300,000 homes per year was first stated in the 2017 Housing White Paper¹⁷, but similar targets have been around in some shape or form for nearly 2 decades – since the release of the Barker review in 2004.¹⁸ However, these targets have never been met. We therefore emphasise the recommendation from our previous research¹⁹ that the Government should reconfirm the target of building 300,000 new homes a year and use all available policy levers to ensure this target is met.

While this target is important, it is also crucial that focusing on this numerical target does not overshadow the issue of the *types* of housing that are needed. It is also essential that houses are of a decent quality, are affordable, are the right kinds of tenures and are built in the right places.

In particular, the UK has been suffering from a considerable shortage of affordable housing and social housing. In recent years, the government has redirected funding away from programmes of social rent housing towards less affordable schemes such as shared ownership and “affordable rent” housing, wherein affordable is defined as 80 percent of market rents. In 2020, the Communities and Local Government parliamentary committee concluded that “There is compelling evidence that England needs at least 90,000 net additional social rent homes a year.”²⁰ However, in 2019/2020, only 6,644 social rent homes were provided, down from a peak of 57,000 in 1995/1996.²¹

In addition, many of the government’s recent housing policies which have been implemented with the aim to increase homeownership, such as Help to Buy and the 2020 Stamp Duty Holiday, have actually contributed to increasing unaffordability, by increasing the demand for housing without this being accompanied by a significant increase in supply, resulting in house price inflation.

We therefore recommend that the government should divert funds from policies which have an inflationary effect on the housing market, such as Help to Buy, and instead commit to a programme of providing 100,000 social rent homes

¹⁶ Ibid.

¹⁷ Department for Communities and Local Government (DCLG). (2017). Fixing our broken housing market: <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

¹⁸ Barker, K. (2004). Review of Housing Supply: Delivering Stability – Securing our future housing needs, Final Report – Recommendations. London: The Stationary Office.

¹⁹ Wiles, C. (2021). Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations. London: IF.

²⁰ Parliament.UK (2020): Building more social housing: <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17303.htm>

²¹ Office for National Statistics. (2021). Live tables on affordable housing supply: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

each year.²² Building more social housing would provide a secure and affordable housing option for the many people who are struggling to afford housing in the private rented sector or have precarious tenancy contracts. An influx of new affordable social housing would also be likely to have a deflationary impact on private sector rents and house prices, which would help overall affordability.

Planning system

Permitted Development Rights

In 2013, the government extended Permitted Development Rights (PDR) to allow the conversion of commercial and office buildings to residential properties without the need to apply for planning permission.²³ These conversions are exempt from the need to adhere to national space standards and the requirement to provide affordable homes.

IF's previous research on this subject found that the number of "micro-homes" has increased significantly since these PDR were introduced, as the number of homes smaller than 37 square metres (the minimum size permitted under the Nationally Described Space Standard (NDSS)) increased fivefold between 2013 and 2018.²⁴ The UK now has the smallest rooms and second smallest homes on average in the whole of Europe.²⁵

As well as being small, many of the homes created through these PDR are often in unsuitable locations such as on industrial sites, or on noisy and polluted streets. In one of the more extreme cases, an industrial building in Watford was converted into 15 flats without any parking or means of escape from fire, with 7 of the flats not even containing any windows.²⁶ These types of developments are likely to have a very negative impact on people's mental health and well-being, and are in direct contradiction to the NPPF requirements for developments to "create places that are safe, inclusive and accessible and which promote health and well-being".²⁷

This is also distinctly an issue of intergenerational fairness, as younger people are increasingly being priced out of the housing market and are less likely to have existing housing equity. Therefore, the choice of housing they can afford is limited and they are more likely to be forced to reside in lower quality housing such as homes created from PDR.

Despite the overwhelming research evidence showing the negative impacts

²² Wiles, C. (2021). Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations. London: IF.

²³ Wiles, C. (2020). Rabbit Hutch Homes: the growth of Micro Homes. London: IF.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ministry of Housing, Communities and Local Government. (2021). National Planning Policy Framework.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005759/NPPF_July_2021.pdf

that these PDR have had, on 1 August 2021 the government introduced an expansion to existing PDR. These new rights allow for a wider range of commercial, business, and financial and professional service buildings to be converted to residential use without requiring planning permission, as well as increasing the size limit of what can be converted by up to ten times.²⁸

While these PDR may technically produce more homes, this cannot be viewed as a success if these homes are not fit for habitation. Rather than being a solution to the housing crisis, the expansion of permitted development rights has the potential to create a crisis of a different kind – of people being forced to live in tiny, low-quality housing. We therefore reiterate the recommendation from our Stockpiling Space and Micro Homes reports that these permitted development rights should be scrapped, and that all planning proposals for a change of use to residential should have to undergo normal democratic planning procedures.

Community engagement

IF's research has found that planning consultations are often dominated by people who are older, are homeowners, and are more likely to oppose new housing developments in their local area. Older homeowners are more likely to be politically engaged and vote in local elections, as only 58% of private renters are registered to vote compared to 91% of homeowners.²⁹ They are also more likely to believe that too many homes are being built in their area compared to renters and younger people.³⁰ This demographic are also more likely to have more time, money and expertise to dedicate towards blocking new developments, which contributes to shortages of affordable housing. It is of crucial importance, therefore, that as part of the government's strategy to meet housing demand in the UK, it focuses on how to increase engagement with younger people and marginalised groups in the planning process.

One of the key stated aims of the Planning White Paper is the government's desire to make the planning process more democratic; giving communities more of a voice throughout the planning process, making it easier to find and understand planning documents, increasing community engagement with Local Plans and utilising digital technology to make planning proposals more accessible.³¹

We support these aims and recommend that the government follow through on these proposals. However, this may not be enough to rebalance the

²⁸ Clifford, B., Dennett, A. & Chi, B. (2021). Mapping Class E: Understanding the expansion of permitted development. London: TCPA.

<https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=fa299c5c-5424-41d6-b9ef-e699cd3516ff>

²⁹ Wiles, C. (2021). Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations. London: IF.

³⁰ Ibid.

³¹ Ministry of Housing, Communities and Local Government (MHCLG). (2020). Planning for the Future: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872091/Planning_for_the_Future.pdf

demographics of planning consultations away from older groups who have historically held more power in blocking new developments. We recommend that as part of government attempts to make the planning system more accessible, there should also be a targeted effort made to reach out to underrepresented groups, especially younger people, rather than assuming that they will take action of their own accord.

This could include using technology to assess the demographics of a local area and use this data to monitor whether attendees of planning consultations are representative of this wider community. This could also involve introducing diversity requirements for planning consultations to ensure that a wider range of opinions are included, particularly with regard to different age groups, when making planning decisions. In addition, the proposals to utilise digital technology to make planning documents more accessible presents an excellent opportunity to engage younger people in the planning process, and we recommend that the government follows through with this proposal.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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