

Some consequences of declining housing affordability in the UK

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Abstract:

UK housing policies are currently failing to meet the challenges generated by newly forming households of increasingly diverse income, compositional type and ethnic group. Proper provision of appropriate healthy, safe and affordable housing for these varied needs, in the most cost-effective manner, is vital on grounds of social justice, health, economic efficiency and the avoidance of political tensions.

The paper offers a legally usable definition of 'affordable'. Evidence is presented of the declining affordability of renting. Since 1980 the proportion of average male earnings taken by rent has risen by 93% (public sector), 37% (voluntary sector) and 122% (private sector). In terms of owner-occupancy, the house price index has risen at twice the rate of earnings since 1970 and at five times the rate since 1993. The mortgage cost to average incomes ratio has worsened by 43% over the past decade and is highly differential by region.

This steep worsening of housing affordability is explained by:

- a) the loss of one half of the former public stock to higher rent tenures and sales
- b) the adoption in 2001 of new rent-setting principles for 'social housing'
- c) the highly disproportionate growth of house purchase lending since 1980

The last of these has inflated house prices and had the 'knock-on' effect of rapid land price inflation and volatility which adds to the costs of 'social housing' providers.

Declining affordability partially negates the effects of anti-poverty programmes and has a spread of adverse non-housing outcomes. Research findings will be presented to show that as housing costs rise, spending on food, heating, recreation and other health-protective items is forced down. Demands on the health services are consequently increased. Household debt is increased and capacity to provide for personal pensions is reduced. Labour mobility is impeded and employers face increased recruitment and retention problems. Finally the cost of state-funded housing support programmes has risen from £5bn to £18bn over the past 20 years while investment in housing production has remained stagnant. There are clear lessons from recent UK housing history.

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