

# Dwelling on it

Housing crises in the English-speaking world

Jamie Gollings

Kindly funded by



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Jamie has also worked for OC&C Strategy Consultants in their London and Istanbul offices, leading teams advising firms in sectors ranging from tech to retail. During the pandemic he led on the development of the 'UK Year of Service' youth employment programme on behalf of UK Year CIC and in partnership with NCS Trust. Jamie studied Physics with Theoretical Physics at Imperial College London.

## ABOUT THIS REPORT

This report is part of a series on solving the housing crisis by the Social Market Foundation, generously funded by the Nuffield Foundation.

The Nuffield Foundation is an independent charitable trust with a mission to advance social well-being. It funds research that informs social policy, primarily in Education, Welfare, and Justice. The Nuffield Foundation is the founder and co-funder of the Nuffield Council on Bioethics, the Ada Lovelace Institute and the Nuffield Family Justice Observatory. The Foundation has funded this project, but the views expressed are those of the authors and not necessarily the Foundation. Website: [www.nuffieldfoundation.org](http://www.nuffieldfoundation.org) Twitter: @NuffieldFound

Each of the reports is a comparative study of housing policy internationally, drawing on a combination of over 20 expert interviews and a literature review. There is a particular focus on Australia, Canada, Ireland and New Zealand in this study, although other case studies are used where relevant. As English speaking, liberal market democracies, they share many of the same challenges that the UK faces in its housing sector, and so solutions found there are especially instructive.

This series of reports covers the following topics:

- An introduction to housing
- Planning reform
- Affordable housing (social housing and co-operative housing)
- Homeownership policies
- Renting

## EXECUTIVE SUMMARY

The anglosphere is wracked by a ‘housing crisis’ that is pushing the matter firmly up politicians’ agendas.

- English speaking countries share more than just a language, with similar political, legal, and financial structures
- People in the English-speaking countries, or the ‘Anglosphere’, also want the same thing from their housing market – a home to call their own
  - 86% of Brits want to own a home
  - Three-quarters of renters in Canada and New Zealand would rather not be renting
- In each of these countries, prevailing talk of a ‘housing crisis’ has made it increasingly politically salient – though the UK is slightly behind the others
  - It is a top 4 political issue in each focus country, and 7th in the UK
  - It was 1st in New Zealand from 2019 to 2021

This is the first in a series of papers on housing by the SMF.

- This paper will ask what the ‘housing crisis’ means across each of the focus countries, and how the UK compares
- Subsequent reports will go into detail on
  - Planning reform
  - Homeownership
  - Affordable housing, including social housing and co-operatives
  - Renting

### Homeownership

There is a tension between the dream of homeownership and the challenge of making it a reality

- The UK has a lower rate of homeownership than its comparators, at 62% of households compared to New Zealand on 65%
- Ownership rates in the Anglosphere are relatively low compared to most parts of Europe
- Homeownership rates in Britain have fallen furthest since the start of the 2010s, but the trend bottomed out in 2017/18

Pricier houses, and tougher credit conditions following the global financial crisis (GFC) are making it harder to get onto the property ladder.

- The price of a house has risen much faster than incomes, especially since the 1990s, and especially in New Zealand
  - The average house in the UK is now equivalent to 9 times average earnings, up from 4 in 1992; the biggest jump in the ratio was from around 1995 to just before the financial crisis
  - It is even worse in New Zealand, where that figure is 10.5

- Mortgage costs and their accessibility are also a big determinant of the ability to get onto the property ladder
  - The sharpest fall in UK homeownership coincided with the tightening of lending restrictions after the GFC
  - The wider return of 95% mortgages in the mid-2010s, jumping from 2% to over 4% of mortgages between late 2013 and the pandemic, coincided with a bottoming out and then a rise in the homeownership share
  - The impact of mortgage accessibility therefore overwhelmed the impact of rising house prices

The role of supply in falling homeownership and rising house prices is debated.

- Housing supply has outpaced population and household growth in the UK
  - Housing stocks have grown at least as quickly as the population over the last 30 years
  - Dwelling stocks have also consistently increased at a faster rate than population
- However, due to changes in life expectancy, immigration, later coupling and growing rates of separation, there are now more families per household, and under 830 dwellings for every 1,000 families
  - This is down from a post-1991 peak of 861 dwellings per 1,000 families in 1998
- The worsening in the level of stock relative to families continued, however, through a period of stability (at a high level) of the ratio of house prices to income, suggesting that this differential in supply is not a significant driver of the price-to-income ratio
- Politicians should therefore be cautious about the extent of the impact that supply can have on house prices
  - Any impact on house prices of achieving the target of 300,000 homes a year over the coming period may well be cancelled out by cuts to interest rates, income growth and growth in the number of households

## Private renting

- Renters have experienced increasing costs since a big jump in the 1980s
  - Average private rents leapt from around 10% of renters' incomes in 1979 to 30% by 1990
  - This was driven by the loss of social housing stock and the ending of rent controls, which housing benefits have been insufficiently generous to mitigate for
  - They dipped back to 25% by 2000 but the last decade saw private rents hover around 30% of income in the UK
  - Over the last 10 years, the UK's rental costs relative to incomes were more favourable than Ireland, which saw real rent increase by 31% against 1% for income between 2012 and 2022, or 30% and 12% in New Zealand

- Property shrinkage is also hitting the rental sector
  - Average floor space per private renter fell by 16% in the UK over the last 20 years
  - New properties are becoming smaller in Australia and New Zealand
- Rental stock is becoming overcrowded, a symptom of unaffordability
  - Real terms cuts to housing benefits as well as the limited supply of social housing means that people are having to live together in smaller places
  - England's overcrowding rate, at 5.3%, is worse than Ireland's (3.4%) but better than the other focus countries, where it is over 7.5%
- Instability is greater in the private rented sector than other tenures
  - 814,000 UK renters face the threat of being evicted in winter 2023, according to Shelter
  - Those in the private rental sector experience faster biological ageing than other housing tenures, according to a study of DNA methylation
  - In New Zealand, half of children in rentals had moved in their first 9 months, compared to 20% of those in owned homes
- Even so, dissatisfaction is more with renting itself, than a problem with their specific property
  - SMF research found that 81% of renters in the UK are satisfied with their current property, and 85% are happy with their landlord
  - 70% of private renters are satisfied with their tenure, though this is lower than 98% of owners and 80% of those in social housing
- Alternative forms of housing, such as co-operatives, may be able to provide greater stability and build stronger communities
  - In Canada, around 0.6% of households live in co-operatives, and 1% of those in the US, compared to 0.2% in the UK
  - There are countries where the co-operative tenure is much more prominent – they make up 23% of Swedish homes, 10% in Germany and 7% in Denmark

## Social housing

- A dearth of social houses is driving up housing benefit bills, and some people into homelessness
- Britain has one of the highest levels of social rental stock in the developed world
  - It is fourth behind the Netherlands, Australia and Denmark, with 16.7% of housing stock in government or housing authority hands
  - This compares to 12.7% in Ireland, and under 5% in Australia, Canada and New Zealand
  - This nevertheless represents a decline for the UK since the Thatcher government introduced the 'right to buy' policy: there was a peak of 5.5 million social homes in 1979, 27% of households

- Sell-offs have happened elsewhere too – Ireland sold off social housing equivalent to 43% of that built between 1990 and 2016, and New Zealand had 61,000 social homes in 2017, a cut from 70,000 in 1991, although ‘community housing’ has started to make up the shortfall
- Waiting lists for social housing are long, and in some places growing
  - Over 1.2 million people are waiting for social housing in Britain –4% of the households
  - This is higher than elsewhere, with Ireland’s the next longest at 3.2% of households and the others under 2%

## Homelessness

- Homelessness may be higher in the English speaking world than elsewhere...
  - New Zealand has the highest homelessness rate of countries for which the OECD had post-2016 data, at 0.86%
  - The UK is third highest, with double the rate of the Netherlands and the US
  - However the OECD caution on the comparability of the data across countries
- ...and more people are experiencing homelessness whilst they wait for social housing
- Homelessness is not purely a housing related challenge – social care, mental health, addiction and a range of other factors play a role

## Conclusion

- The UK’s housing problems are bad, but probably not as bad as New Zealand’s, and on a par with those in Canada and Australia
- The social housing waiting list, level of homelessness and general housing costs are, however, bad, both within the anglosphere and more widely
- With similar problems but different approaches, there is much to learn from the anglosphere and beyond on housing policy
  - Although many of the challenges faced have been similar, the policy approach has been wildly different between countries and even layers of government within them
  - This means that the UK stands to learn a lot from the housing policy successes and failures across this region



**Table 1: Comparison of housing system of English-speaking countries**

		UK	Ireland	Australia	Canada	New Zealand
<b>Housing Costs</b>	% of disposable income	25.7%	25.4%	23.9%	24.3%	24.4%
<b>Homeownership</b>	Latest Rate	61.9%	68.9%	66.3%	66.5%	64.5%
	Change in decade	-2.4%	-1.8%	-2.5%	-2.5%	-2.4%
<b>House Prices</b>	Real Change 92-22	3.6%	3.7%	3.9%	3.7%	5.3%
	Price:Income Rate	9	5	8.5	10	10.5
	Change in Price:Income Ratio 92-22	190%	150%	181%	198%	254%
<b>Private Renting</b>	Delta of rent and income growth 2012-22	1.8%	1.5%	2.5%	2.2%	1.9%
	PRS Overcrowding	5.3%	3.2%	7.5%	10.6%	7.8%
<b>Social Housing</b>	Social Housing Share of Stock	16.7%	12.7%	4.4%	3.5%	3.8%
	Waiting List as % population	4.0%	3.2%	1.9%	1.5%	1.3%
	Waiting List of % stock	24.0%	24.8%	42.9%	42.9%	33.9%
<b>Homelessness</b>	% of population	0.4%	0.1%	0.5%	0.4%	0.9%
<b>Average Ranking (1 is worst, 5 is best)</b>		3.3	4.3	2.7	2.6	2.3

Source: SMF analysis

## CHAPTER ONE – HOUSING IN THE ANGLOSPHERE

### **English speaking countries share more than just a language, with similar political, legal and financial structures**

It is not just the English language that ties together the Anglosphere. Britain exported its culture, religion, educational practices, method of law and attitude to property to its colonies. Ireland, ruled from England for centuries also experienced this.

Their political scene often treads in lockstep, from social democracy post war, to turn towards neoliberalism from the 1980s or 1990s, and a greater appetite for intervention in recent years – especially since the pandemic. The recent election in New Zealand and forthcoming ones in Canada may, however, stall that trend.

Anglosphere political economies are similarly liberal, financialised and market-driven. The legal systems are comparable, with a common law basis. Attitudes to property are Lockian, allowing people to claim ownership of things and land. The desire to call a plot of land, and a house, one's own therefore runs deep.

This series of reports by the Social Market Foundation focuses on Canada, Ireland, Australia and New Zealand because of these similarities. Approaches that work for our nearest peers are most instructive for UK policymaking. These reports rely on 20 interviews with policymakers, academics and housing advocates from those countries, along with many more with experts from across the UK. An extensive literature review has also been conducted. This first report looks at the nature of the 'housing crisis' in the UK, and its similarities to what is happening in the rest of the English speaking world.

### **People in the anglosphere also want the same thing from their housing market – a home to call their own**

The story of housing has similar beats across rich, English-speaking countries (which we refer to as the 'anglosphere'). At some point, the idea of homeownership became part of the national psyche. Only men who owned property could vote up until 1918 in the UK. Scottish Unionist MP Noel Skelton coined the term "property owning democracy" in 1923, which became a recurring theme in British politics, most notably during Margaret Thatcher's premiership.<sup>1</sup> The 'Great Australian Dream' celebrates the "desire for every Australian family to own their own home", specifically a quarter acre plot.<sup>2</sup> The 'Kiwi Dream' is the same.<sup>3</sup> 86% of Brits tell pollsters that they want to own their own home, and three-quarters of renters in New Zealand and Canada would rather not be renting. In Ireland, only 14% of people are renting by choice.<sup>4</sup>

Part of this is historical. British settlers took their ideals with them. One of the motivations for emigration was to go to places where land was cheaper and, whilst a family might be squeezed in a flat in the UK, they could enjoy a detached property and a garden abroad.

These countries also share similar liberal political, economic and financial systems. This means that movements in capital have been historically unrestricted, and that the property market doesn't exist in a vacuum. They must interact with, and be buffeted by, what is happening in financial markets, incentives in the pension system, and what is happening overseas.

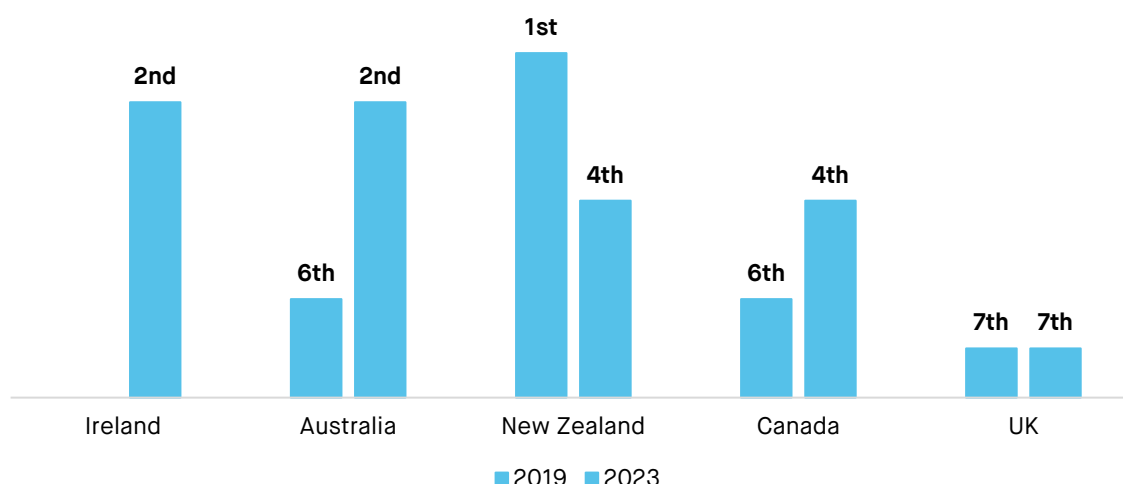
Houses, from one perspective, are just another asset class. As such, they are seen as an investment as much as a place to live, and have been subject to bubbles. A 2019 survey by Santander bank found that over half of first time buyers aged 18-40 are doing it because of the 'sense of security' it provides, and 56% of renters worry their tenure is financially worse for them the long term according to previous SMF research.<sup>5 6</sup>

Successive policy changes have driven the financialisation of property. Mortgages were deregulated in the 1980s, allowing banks and not just building societies to lend against property. Securitisation and other financial innovations enabled the expansion of credit, allowing more money to flow into the sector. The expectation of value increases kept the cycle going.<sup>7</sup>

**In each of these countries, prevailing talk of a 'housing crisis' has made it increasingly politically salient**

Housing is said to be in crisis across the English-speaking world. Its political resonance is at a level not seen in years in the UK, with a 300,000 homes a year building target in the 2019 Conservative manifesto, and Leader of the Opposition Keir Starmer making it the centrepiece of his party conference speech in autumn 2023. But we see that it is has been an even more critical issue in Australia, Ireland, where it is second only to the cost of living for voters, and in New Zealand, where it was the most important issue from 2019 to 2021.<sup>8 9 10</sup>

**Figure 1: Housing importance ranking for voters by country, 2019 vs 2023<sup>1</sup>**



Source: Ipsos, SMF analysis

<sup>1</sup> Ireland figure is for 2020

In Canada, it has risen from 6<sup>th</sup> to 4<sup>th</sup> in importance since 2019<sup>11</sup> <sup>12</sup> and looks set to be a crucial topic at the next election, due by October 2025. Pierre Poilievre, the leader of the opposition, has made it central to his critique of Trudeau's government. In August, the Prime Minister described housing as "not a primary federal responsibility, it's not something that we have direct carriage of",<sup>13</sup> arguing that the problems of the housing market are driven by provincial governments, though he has since announced a plan to increase federal housing funds. Poilievre's party has responded with a plan on "Building Homes, Not Bureaucracy", which open with the lines: "After 8 years of Justin Trudeau, housing costs have doubled. Before Trudeau, it took 25 years to pay off a mortgage – now, it takes 25 years just to save for a downpayment."<sup>14</sup>

Sinn Féin are similarly benefiting in Ireland by making housing policy core to their electoral offer, with it "driv[ing] record popularity".<sup>15</sup> Their plans include the "biggest council-led house building programme the state has ever seen"<sup>16</sup>, cuts to rent, ending the selling off public land and more. When challenged over whether their measures are anti-business, Sinn Féin leader Mary-Lou McDonald responded that businesses are citing housing as their major challenge, with it limiting their ability to attract and retain talent.<sup>17</sup>

A housing bill nearly forced the dissolution of the Australian parliament last year. The bill was to create the Housing Australia Future Fund, which will invest \$10bn in the stock market, and use the proceeds to fund affordable and social housing at a minimum of \$500 million a year. The Greens withheld support for months in an attempt to include rent freezes in the bill, among other measures, but a compromise was eventually reached.<sup>18</sup>

New Zealand's Labour party entered government with landslide wins in 2017 and 2020, and brokered a cross-party consensus on upzoning reforms with the opposition Nationals, which enabled the two major parties to force local governments to permit three-storey townhouses in the country's five major cities in 2021. But by the next general election, the agreement had broken down. Housing was central to the campaign, and ranked fourth for voters on key issues just behind the cost of living, health and crime.<sup>19</sup> The National party campaigned against what it called Labour's failed housing policies, including the foreign buyers ban, planning reforms, public housing structures, and rental regulations, and ultimately ended up ousting them from office.<sup>20</sup>

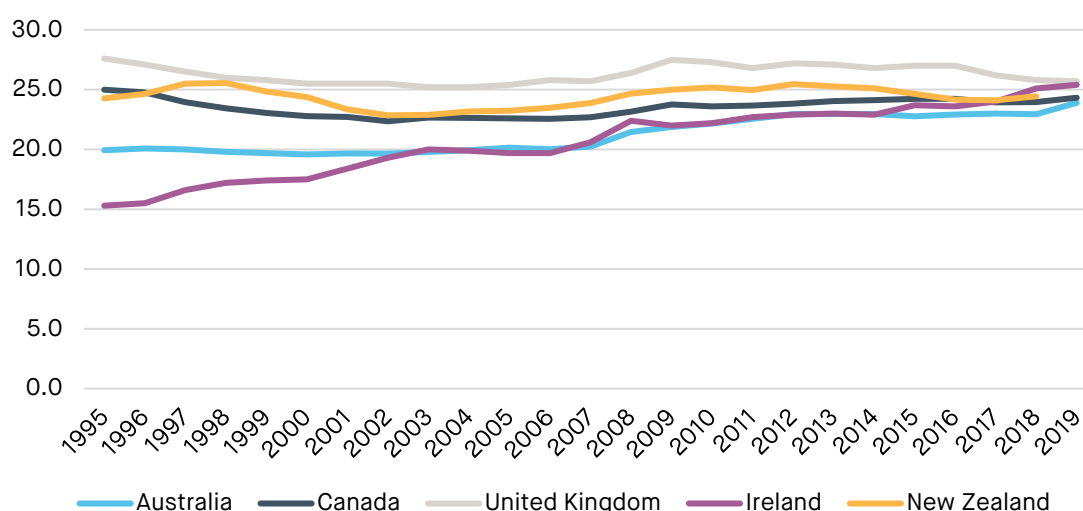
The recent rise in interest rates, and the knock-on impact onto rents means that housing is likely to be an equally important feature of the next UK general election. All major parties are sharpening their policies in this area for their manifestos, and will benefit from learning from the experience of politicians overseas.

## This paper will ask what the ‘housing crisis’ means across each of the focus countries, and how the UK compares

The Social Market Foundation is being supported by the Nuffield Foundation to look for answers to the UK’s housing woes through an analysis of efforts made internationally. This series of reports will focus on the anglophone countries, in particular Ireland, Canada, Australia and New Zealand. As we have seen, they all celebrate homeownership but have seen that status become further out of reach in recent decades. This, and other concerns around general housing affordability have made housing a major political priority, driving policy innovation both at the national and local level.

Discussion of a ‘housing crisis’ bleeds across front pages. But what is at the heart of the crisis? If you take a look at average housing costs relative to incomes at a national level in Figure 2, things actually look better now in the UK than they did in 2016, and certainly compared to 1995. Things are certainly worse in Ireland and New Zealand, whilst in Canada and Australia, housing is more expensive than it was in the 2000s, but not than the 1990s.

**Figure 2: Percentage of disposable income spent on housing costs, by country**



Source: OECD

This is, however, a simplistic view. The share of people owning their homes outright increased from 31% in 2011 to 33% by 2021 in England and Wales – this group pay next to nothing for their housing (although, economically speaking, they face an opportunity cost as their investment could be generating income elsewhere). Those still paying their mortgages have also fared relatively well, at least up until 2022 when interest rates started jumping up. As we will see over the following sections, the housing crisis is more being felt by those in the rental sector, those seeking social housing, families saving to buy a home, and those finding themselves unhoused. In this introductory report to our series on housing, we will look at what is really causing the sense that housing is in crisis, and how there are echoes of similarity across the anglosphere.

It will compare these countries across 4 themes:

- A homeownership crisis?
- A private rental crisis?
- A social renting crisis?
- A homelessness crisis?

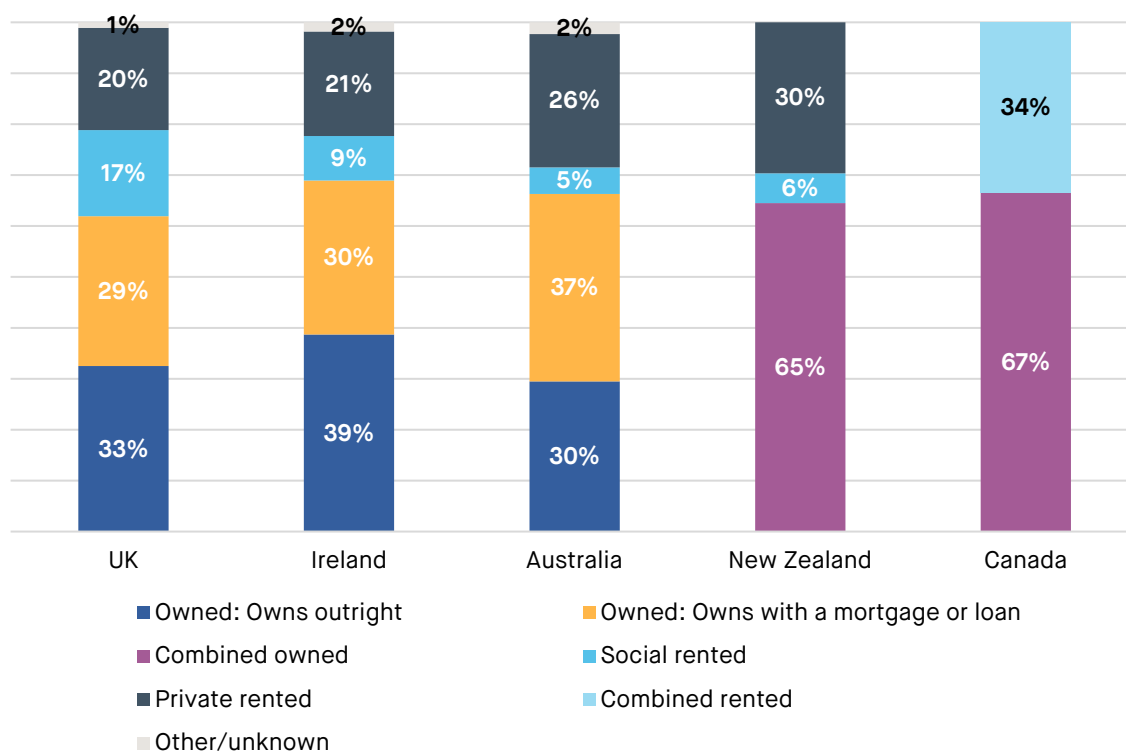
## CHAPTER TWO – A HOMEOWNERSHIP CRISIS?

### There is a tension between the dream of homeownership and the challenge of making it a reality

The UK has a lower share of homeownership than its comparators, at 62% of households compared to New Zealand on 65%

The anglophone countries have a fairly similar breakdown between the share of households who own (about two-thirds) and who rent (around one-third). Within that, there are some differences. The UK is at the bottom of the pack, with 62% of households either owning outright, or paying off a mortgage. It has greater numbers in social housing: 17%, compared to single digit percentages elsewhere. The balance between those who have paid off versus those who are still paying off their mortgages also varies, with more mortgage-free homeowners in Ireland, and fewer in Australia.

Figure 3: Share of households by housing tenure, most recent<sup>ii</sup>

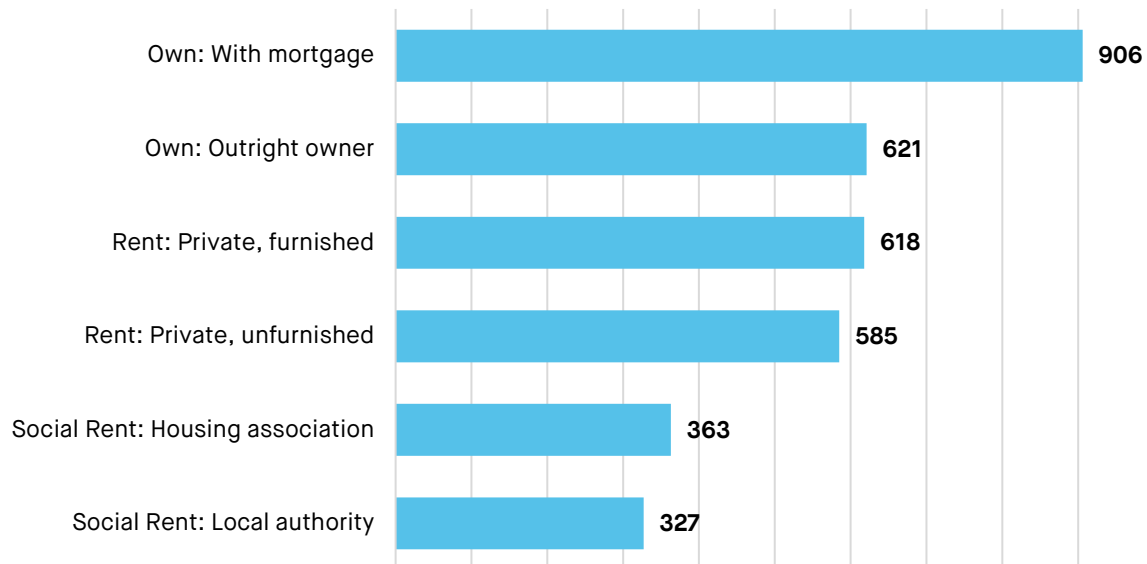


Source: ONS, Stats NZ, Australia Bureau of Statistics, Statistics Canada, Ireland CSO, SMF analysis

<sup>ii</sup> UK is for 2021 and England and Wales only, Australia 2019/20, New Zealand 2018, Canada 2021, Ireland 2022. Note that ‘Social rented’ for Australia includes rentals from the ‘other landlord type’. In Figure 5, the homeownership figures from the EU-wide survey were used for comparability, but they do not provide the breakdown shown here.

There is a strong relationship between housing tenure and income, as shown in Figure 4. Higher income families attain mortgages, whilst those who have paid off their properties tend to be older and living off their pensions or savings. Households in the middle are more likely to rent whilst they try to save for a house, and those at the bottom of the income spectrum are in the state-backed housing system. This picture maps onto the rest of the Anglophone world.

**Figure 4: Average weekly household income by housing tenure (£, UK)**



Source: ONS, SMF analysis

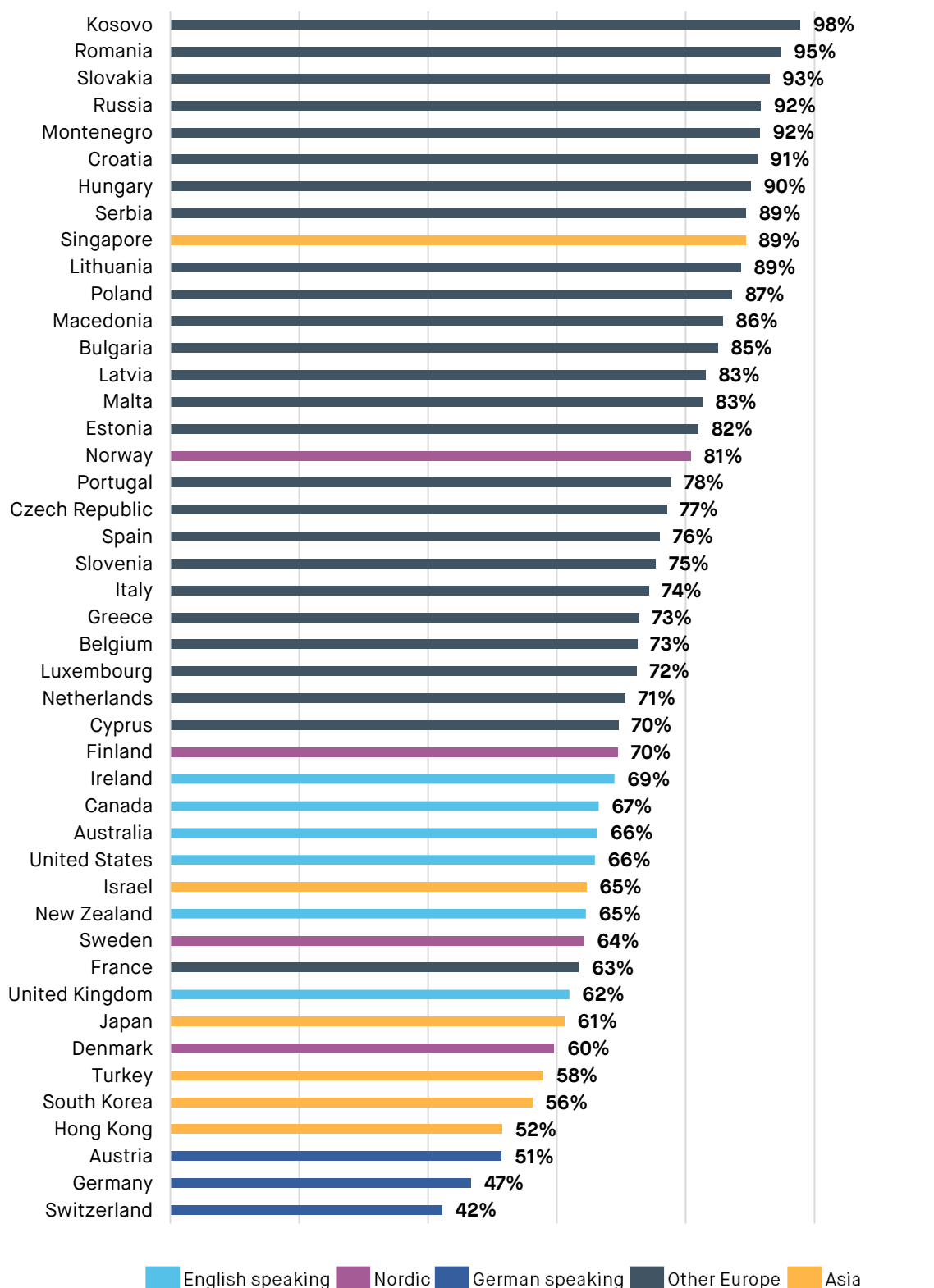
### Ownership rates in the anglosphere are relatively low compared to most parts of Europe

Despite the story the anglophone countries tell themselves, their rates of homeownership are middling when compared to many other developed countries, as we can see in Figure 5. Ranging from around 65% to 70%, a higher share of those in the anglophone world own property than in the Germanic, Scandinavian and rich East Asian countries.

But rates are lower than in southern and eastern Europe, where they can reach over 90%.<sup>21</sup> In the old Eastern block, when communist regimes fell, the subsequent governments opted to sell state-owned properties to their residents for cheap, to avoid paying for the maintenance. This has resulted in very high rates of property ownership.<sup>22</sup>



Figure 5: Homeownership rate (latest data, from Dec 2018-Dec 2022)

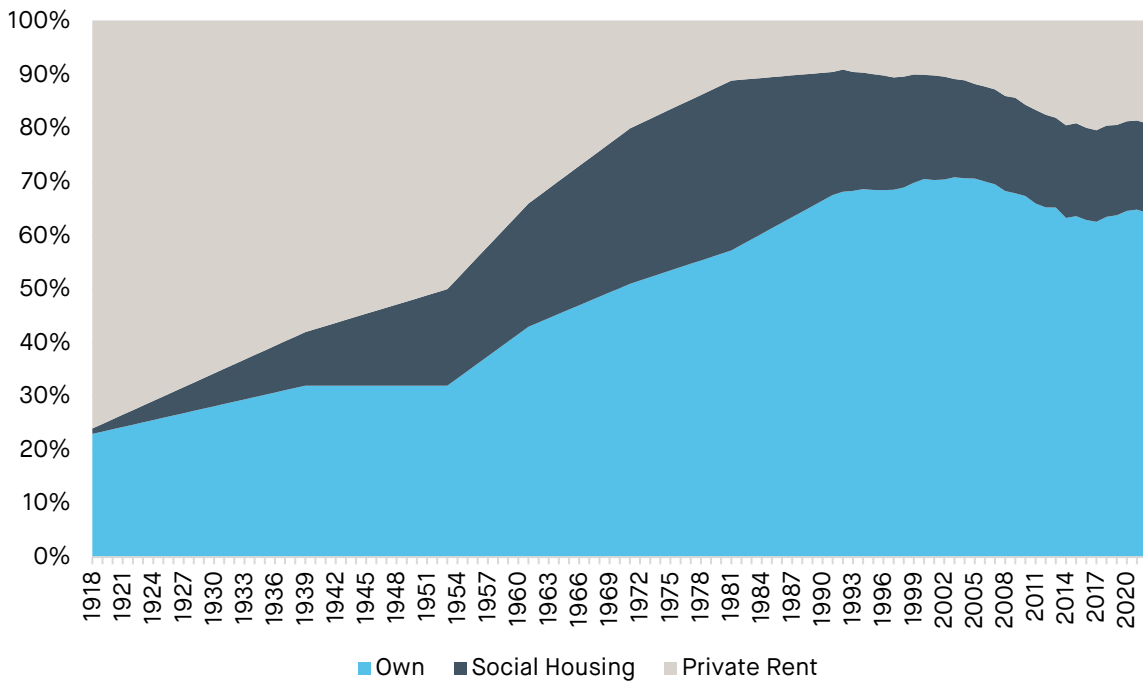


Source: Trading Economics, ONS, Stats NZ, Australia Bureau of Statistics, Statistics Canada, Ireland CSO, SMF analysis

**Homeownership rates fell in Britain have fallen furthest since the start of the 2010s, but the trend bottomed out in 2016/17**

We can see long term trends in the English property market. A century ago, Britain was a country of private renters. After World War II, the stock of social housing swelled. From the 1950s, homeownership grew inexorably, through to a peak in the 2000s, and then declined after the GFC. In the last 5 years, the trend has been more uncertain. Ownership started creeping back up from 2016/17, but this reversed slightly in 2021/22.

**Figure 6: Long term changes in English housing tenure<sup>iii</sup>**



Source: Department for Levelling Up, Housing and Communities, SMF analysis

Across our countries of focus, there have also been falls in the rate of homeownership over the last decade of 1.8-2.7%, with the private rental market often taking up the slack. The fall was greatest in England and Wales (data at the UK level not available). It was driven by a stark fall in the share of people holding mortgages, whilst the share of the population who have paid off their homes has increased.

<sup>iii</sup> Where data for a given year is unavailable, a straight line is drawn between available data points. Data from 2009 onwards is for 2008/09 etc.

**Table 2: Change in housing tenures over 10 year period<sup>iv</sup>**

	ENG & WAL	AUS	CAN	NZD	IRL
Homeowners	-2.7%	-2.5%	-2.5%	-2.4%	-1.8%
Of which owned outright	1.7%	-3.1%	NA	NA	3.8%
Of which mortgaged	-4.1%	0.6%	NA	NA	-5.6%
Private renters	3.4%	2.5%	2.5%	2.6%	0.8%
Social renters	-0.8%	-1.0%	(incl above)	-0.2%	0.8%

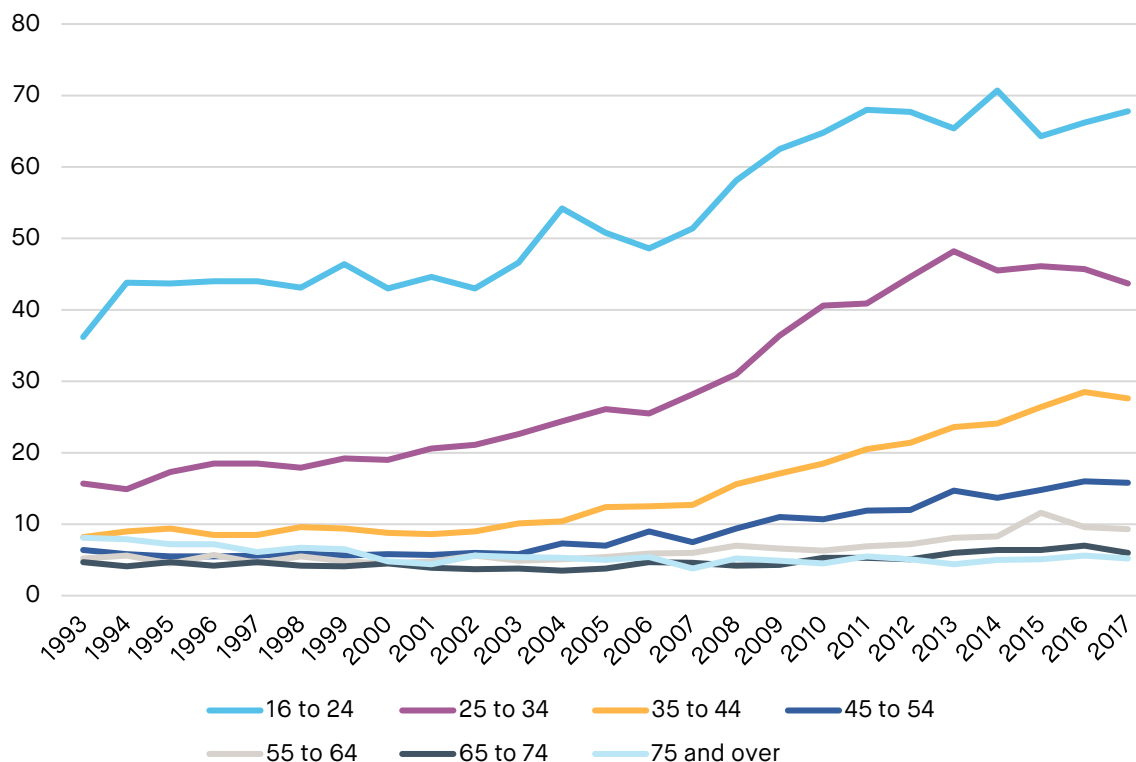
Source: ONS, Stats NZ, Australia Bureau of Statistics, Statistics Canada, Ireland CSO

Households are pushing purchases to later in life, driving changes in the way that people structure their lives, although part of that may be due to longer life spans. In the UK, the average first-time buyer is now 34, up from 31 in 2002 and 29 in the 1990s.<sup>23</sup> It is a similar story in Canada, where it has gone from 29 being the typical age of someone making their first steps on the housing ladder in the 1980s, to 33 years old now.<sup>24</sup> Elsewhere the change is far more drastic. In Australia it was just 24 in 2000, and is now over 34.<sup>25</sup> In Ireland the median home buyer has risen to 39 years in 2021 from 35 in 2010 (it itself a rise from the early 2000s).<sup>26</sup>

The picture looks even more stark when you examine the data by age cohort, as in Figure 7. The youngest cohorts have seen rates of renting jump sharply, tripling from 15% in 1994 to 44% now. Meanwhile, the share has fallen among the 75+, from 8% to 5%.

<sup>iv</sup> Ireland, UK and Canada show 2011 to 2021 data. Australia is 2009/10 to 2019/20. New Zealand is 2006 to 2018. Canada does not provide a breakdown of private and social renters, so the total change to renting is shown in 'private renters'. There was a 4%pt increase in the 'other/unknown' category

**Figure 7: UK share of households in private rental accommodation by age group, %**



Higher life expectancy also has an impact. Wealth transfers happen between parents and their children when they pass away. As people live longer, there is a greater chance of them drawing on the equity in their homes to fund their lifestyle and the costs of ill health, leaving less for the next generation.<sup>27</sup> A longer life also postpones the transfer of that wealth, which may be a factor in the later average age of first purchase. The ‘Bank of Mum and Dad’ is still providing capital during parents’ life spans though, helping some lucky offspring onto the property ladder.

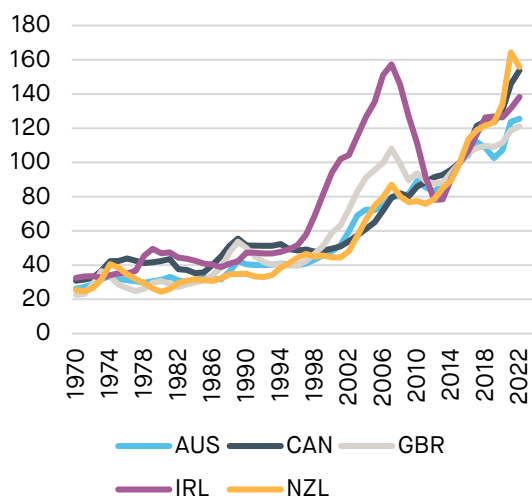
Life structures, and people’s expectations of how they will house themselves, are therefore changing across the anglosphere. What has caused this stark shift between the generations? A sharp rise in house prices is the most likely culprit.

**Pricier houses, and tougher credit conditions post-GFC, are making it harder to get onto the property ladder**

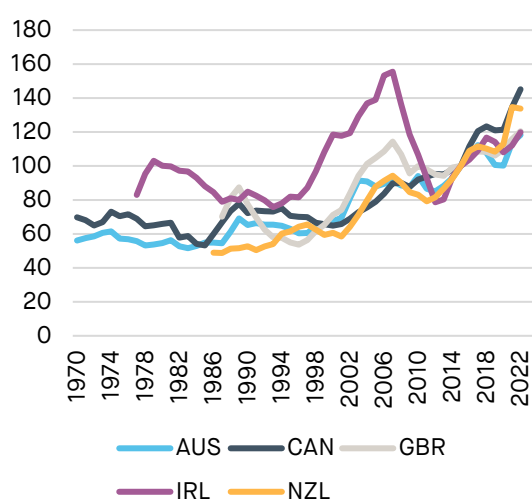
**The price of a house has risen much faster than incomes, especially since the 1990s**

Between 1970 and the mid-1990s, prices increased by 1.5-2.5% a year in real terms, with overall growth of 50-75% in the value of houses sold. Prices then boomed from the mid-1990s, especially in Ireland, and to a lesser extent Britain until the GFC. They recovered such that, by the pandemic, properties were worth 2.5x to 3.3x as much as they had in the 1995 by 2020 in real terms; annual growth was 4-5%, over double that seen in the previous 25 year period. With the pandemic, prices accelerated further, with growth rates doubling again in Australia, Canada and New Zealand to 8-9% per year from 2020 to 2022. In the UK, meanwhile, prices continued to grow at 4%.

**Figure 8: Real house prices index, 2015=100**



**Figure 9: Price to income ratio index, 2015=100**

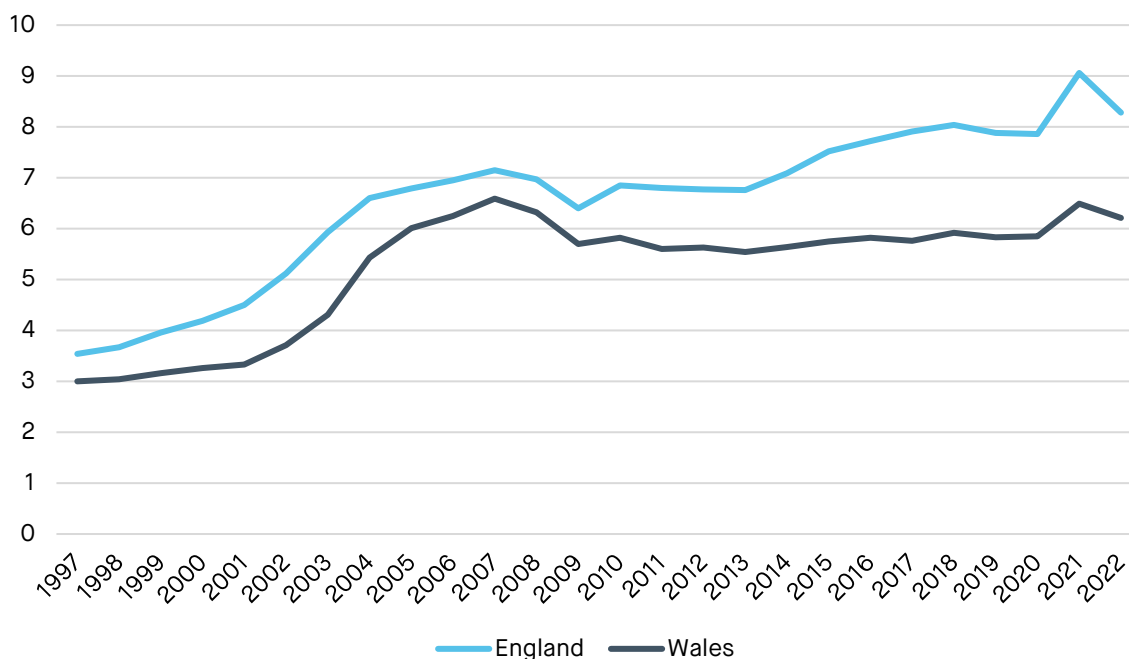


Source: OECD

Comparing the countries, the UK experienced marginally less hair-raising growth in real house prices over the last 32 years, at 3.6% per year on average. New Zealand’s was by some margin the steepest, at 5.3%. Canada and Ireland both saw average annual increases of 3.7%, and 3.9% in Australia, a whisker ahead of Britain.

With such breakneck increases in the real value of properties, the ratio of house prices to income has grown correspondingly quickly. Figure 10 shows the steady increase since the 1990s, and erratic behaviour of the ratio in Ireland during its housing bubble.

**Figure 10: Ratio of house prices to income, England and Wales 1997-2022**



Source: ONS

The ratio of house prices to incomes in the UK is at a level not seen for 150 years. Schroders, the asset management firm, carried out analysis of long term trends in the ratio. It showed a steady, long term decline from the mid-1800s, when a house was 12 times incomes, down to as low as 2 in World War One. It had recovered to around four times income in the 1920s, where it stayed for most of the period through to the late 1990s. During this period, there were spikes in the ratio, such as after World War Two, where it hit seven, and in the early 1970s and late 1980s where it reached six. Things then changed in the 21st Century.

As Figure 10 shows, the sharpest increase was from around 2000 to 2005, when the ratio rose from 4.2 to 6.8 in England and 3.3 to 6.0 in Wales. By 2021, the average house cost over nine times average earnings, and 12 times incomes in London, well above even the pre-Global Financial Crisis peak.<sup>28</sup>

The story is the same across the anglosphere. Australia's ratio has grown from under five times earnings in 2001 to 8.5 in 2022.<sup>29</sup> Before interest rates started to rise, house prices were 12 times income in New Zealand, before falling back to 10.5 at the end of 2022. That compares to around six in 2000.<sup>30</sup> In Canada it hit ten in 2022, compared to a ratio of four at the turn of the millennium.<sup>31</sup> The level is lower in Ireland, but the scale of growth is still there, rising from two to three in the 1990s to five times income now.<sup>32</sup>

**Table 3: Change in ratio of house prices to income, 1992-2022**

	UK	Ireland	Australia	Canada	New Zealand
% Change	190%	150%	181%	198%	254%

Source: OECD

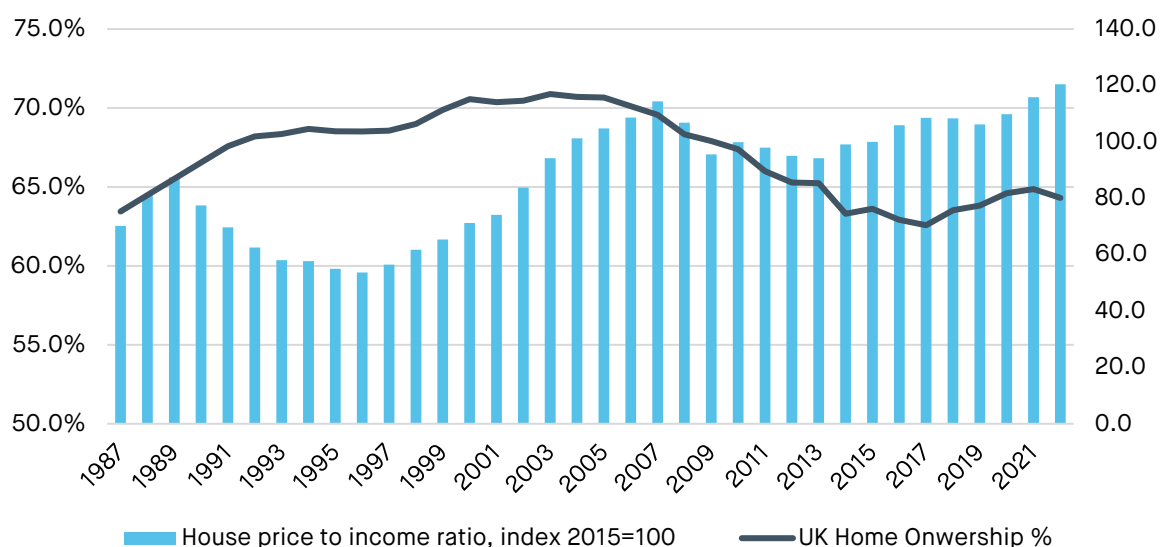
### **Mortgage costs and accessibility are also a big determinant of the ability of people to get onto the property ladder**

Economist (and former SMF Director) Ian Mulheirn argued in a 2019 blog for the LSE and a series of papers for the Tony Blair Institute that the “mortgage market is a more important factor” in the drop in homeownership rates in the UK than the high price of houses.<sup>33</sup> He identifies three phases of change. There was a rapid increase in homeownership in the 1980s (see Figure 11) as foreign-exchange controls were lifted, liquidity rules were softened, and banks were let into the mortgage market. Mortgage-indemnity insurance was common, easing lending, and mortgage interest relief at source (MIRAS) further increased the appeal of ownership. Council properties were sold to owner-occupiers through the ‘Right to Buy’ scheme.<sup>34</sup>

The second phase from 1990 to 2007 was bookended by two recessions, with the first discrediting mortgage insurance. Right to Buy purchases slowed, and MIRAS was thinned then cut in 2000. Over this period, growth in homeownership tapered off and peaked in 2003 at 70.9%.<sup>35</sup>

The fall in ownership after the 2008 financial crisis coincided with falling house prices, but was a time when banks were tightening restrictions on lending. The number of loans to first time buyers, for instance, fell by half between 2006 and 2008.

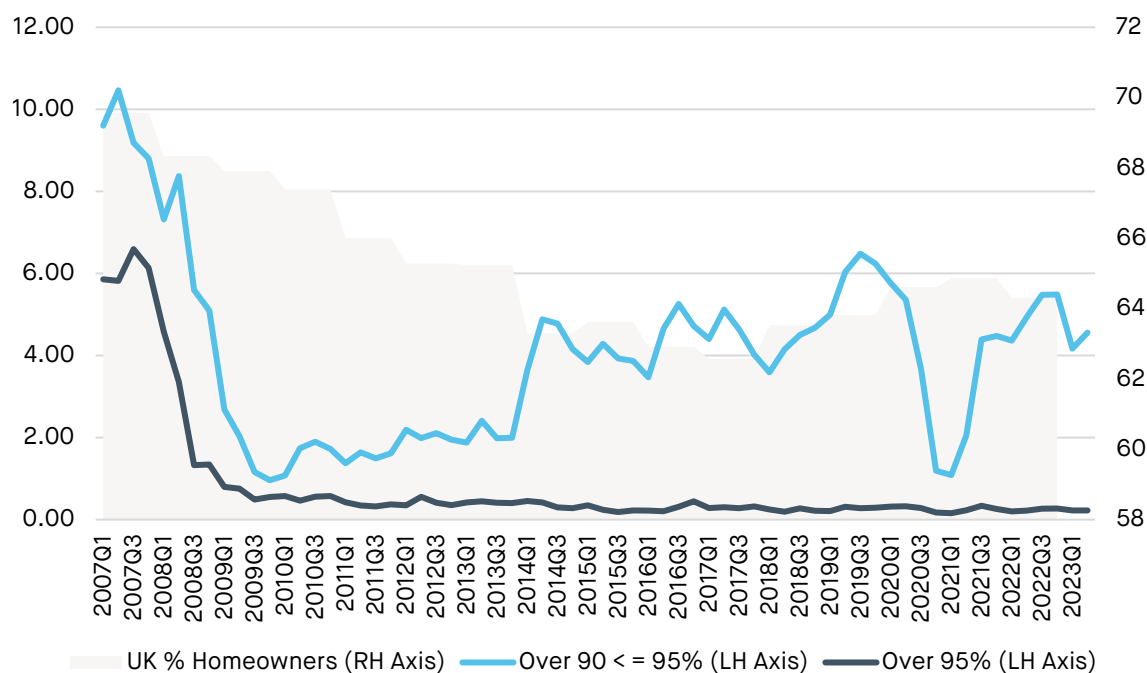
**Figure 11: Comparison of house price to income ratio and homeownership rates, 1987 to 2022**



Source: OECD, ONS

Figure 12 shows how high loan to value mortgages disappeared from the market after the financial crisis. In October 2013, the government launched a mortgage guarantee scheme for borrowers with a deposit ranging from 20% to 5%, which successfully made those kinds of mortgage products more accessible, as the graph shows. This move, alongside other policies (and a continued low interest rate environment) coincided with the stabilisation and reversal of the trend away from homeownership.

**Figure 12: Share of residential, regulated loans by LTV**



Source: Financial Conduct Authority

Those mortgage products help people onto the ladder with smaller deposits. Meanwhile, other developments in the mortgage market helped to keep repayments manageable. There has been a clear trend towards longer term mortgages, with 35 and 40 year products now widespread. It may be possible that, with low deposits and predictable, affordable mortgage payments, through long fixed term details and amortisation periods, that homeownership can be kept accessible irrespective of house prices. Both are likely to remain important and intertwined factors.

**The question of how to help their citizens fulfil their dream of climbing onto the property ladder, without risking financial stability has challenged governments in anglophone countries for years. They have differing practices around mortgage guarantees and insurance, as well as longer term fixed rate loans. Support has been offered to help savers build a deposit. These and other interventions are explored in more detail in the forthcoming report on homeownership.**

### **There are debates over whether supply is the main cause of the problem**

The previous section showed that house prices, along with mortgage market conditions, have pushed homeownership out of reach for some families. What, then, has been driving higher house prices?

Much of the rhetoric of the press and politicians suggests that Britain's housing crisis is driven by a lack of supply. The 2019 Conservative manifesto featured a pledge to increase the rate of housebuilding to 300,000 units a year, and if Labour wins the next election, Keir Starmer is pledging to build 1.5m homes over its first five years. The argument here is that Britain has been building houses far below requirements for decades, and there is a significant housing shortage. Others argue that the decline of interest rates, international capital, or changes in the mortgage market have been a bigger influence on house prices.

This section looks at some of the evidence for each argument .

#### **Rates of homebuilding in England and Wales have declined over the last century**

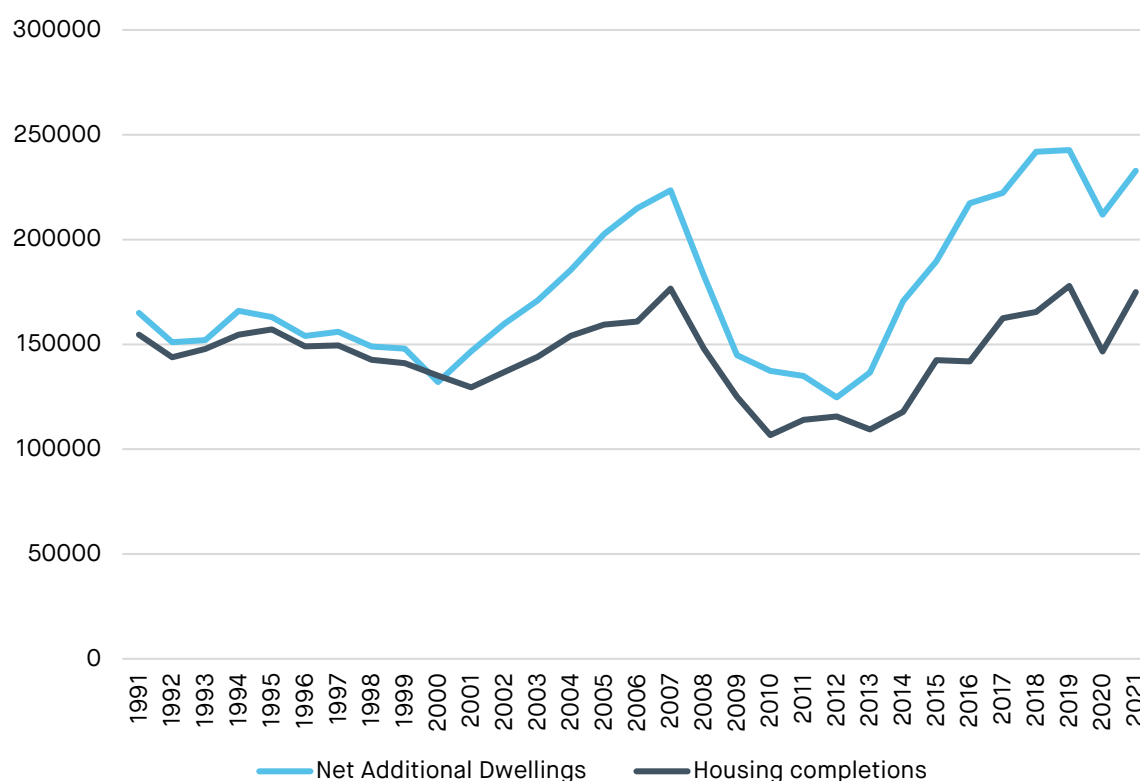
Analysis by Centre for Cities presents gross housebuilding in the UK since 1856. It shows annual growth in housing stock of between 1-3% up to the dawn of World War One. There was a large amount of construction between the wars, with mostly 2-3% annual stock growth and a peak of 3.3% in 1933. Following the war, growth of around 2% a year, peaking at 2.2% in 1968, had fallen to 1.2% by 1979. The 1955 to 1979 average was 1.9% a year. From 1980 to 2015, this had more than halved to 0.8% a year.<sup>36</sup>

Since the 2000s, there has been an increased reliance on conversions and changes of use to add to the residential housing stock. On Figure 13, the divergence between the number of housing completions, which is for new homes, and that of net additional dwellings is clear. Net additional dwellings includes the newly built homes, as well as conversions (from say a house to flats) and changes of use (e.g. from office to residential) and nets off any demolitions.



There is debate as to which is the most appropriate measure to use when considering the question of housing supply. Liam Halligan argues in his book *Home Truths* that housing completions is the figure that really matters, as conversions and changes of use are likely to be a temporary spurt of growth that will play out. He quotes Nationwide saying that “the growth in change of use may well slow in future years” as the most suitable and readily convertible sites will have been done already.<sup>37</sup>

**Figure 13: Net additional dwellings and housing completions in England, 1991-2021<sup>v</sup>**



Source: FullFact analysis of DLUHC data

Perhaps, though, there are strengths to each measure. Housing completions are a better measure of the country’s ability over the longer term to boost housing supply, given that conversions and changes of use will indeed drop off. However, when considering the relationship between housing supply and whether it has been a driver of homeownership rates or price growth, new dwellings plus changes of use less demolitions seems like a better measure, as this gives a better read of the boost to what can be lived in during a given year. It is debatable whether conversions truly represent new stock. If a 6-bed house is converted into three 2-bed flats, that would add two units to total stock, but may not house more people.

<sup>v</sup> Data for Net Additional dwelling is given for April to March years, and has been shown here based upon the year at the end of the period.

### Housing stocks have grown at least as quickly as populations and household numbers, but slower than family numbers over the last 30 years

The other side of the equation is the demand for housing. Our purpose here is to look at the impact of supply and demand on housing prices. If we assume that the large majority of Brits would buy a home if they could, rather than renting socially or privately, then we can consider the whole country as the market. But what is the most appropriate way to measure demand, and changes in it? It can also be argued that rents, rather than house prices are the more appropriate signal for supply and demand, but this section of the report will nevertheless look at house prices through the lens of supply.

The household is a commonly used unit for such studies. The ONS defines a household as one or a group of people living at the same address, if they share a kitchen and a dining area<sup>vi</sup>. A nuclear family would fit that description, as would a flat share of friends or strangers, or two families squeezing into the same apartment. This figure suggests that there are more dwellings than households (a ratio of over 1,040 dwellings per 1,000 households in 2016). The ratio peaked in 2008, suggesting that the headroom between housing supply and household numbers expanded for most of the 1990s and 2000s. There is criticism, though of household numbers as a measure of housing demand. It can be said to be circular, as a household can only form if there is an address for them to be based in. Growth in household numbers is therefore curtailed by growth in housing supply.<sup>38</sup>

Population growth is a simple measure, but includes dependents who would likely be sharing. A ‘baby boom’ would look therefore like a big increase in housing demand, whereas it would have a different effect – increasing demand for larger properties instead of smaller ones. The working age population is a more appropriate measure, but does not account for changes in household composition. For example, the share of people single or previously coupled increased in England from 1991 to 2016.<sup>39</sup>

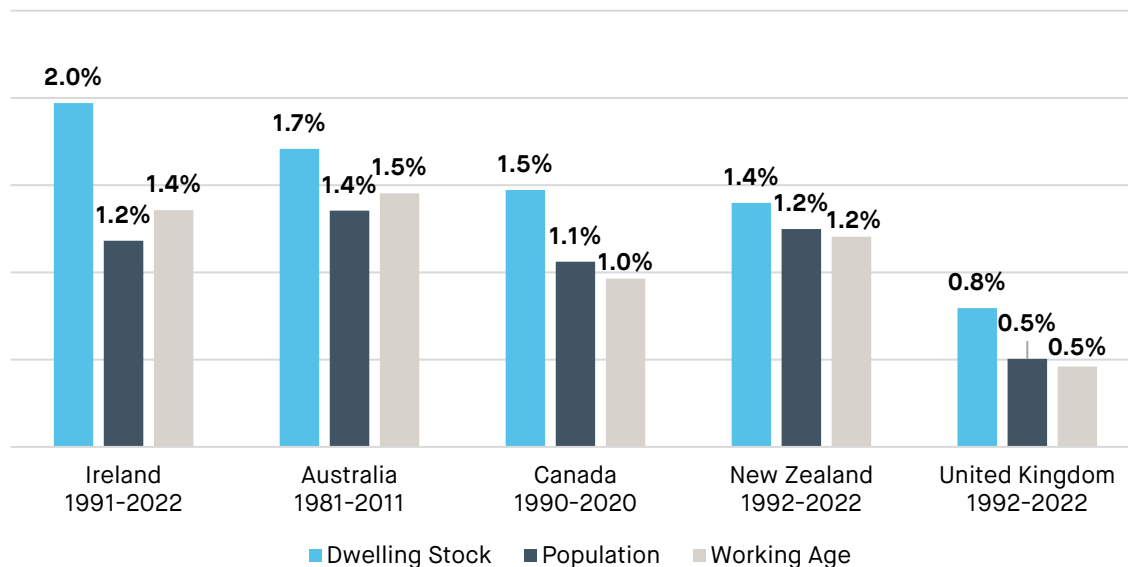
Measures of population and working age population are, though, well standardised internationally. This makes it possible to make comparisons between the countries of focus in this series of reports. Figure 14 looks at the annualised growth rate of the stock of dwellings, population and working age population over a roughly 30 year horizon. A lack of data means that, for Australia, the period ends in 2011 but for the others the end date is around 2020-2022.

<sup>vi</sup> ONS defines the household as “(current definition, from 2011) one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room, sitting room or dining area. A household can consist of a single family, more than one family or no families in the case of a group of unrelated people.”

From 1996 to 2010 it was defined as “a person living alone, or a group of people living at the same address who have the address as their only or main residence and either share one main meal a day or share living accommodation (or both).”

Dwelling stock has outpaced population growth and working age population growth in all of the countries over the period. In the UK, population growth of around 0.5% a year compares with growth in housing stock of 0.8%. The situation may be tightest in New Zealand, where housing stock growth of 1.4% per annum just outstrips population growth of 1.2% per annum.

**Figure 14: Average annual growth in the stock of dwellings and population over c30 year period**



Source: ONS, Stats NZ, Australia Bureau of Statistics, Statistics Canada, Ireland CSO, World Bank

Lindsay Judge, Research Director at the Resolution Foundation, proposes that the number of families is the most appropriate metric, defined as “a single adult or couple along with any dependent children”. On this measure, which Judge explores in a comment piece, there are far fewer dwellings than families. In 2016, there were between 820-830 dwellings per 1,000 families. The ratio was most favourable in 1998, when there were 861 dwellings per 1,000 families. Since then, there have been increasingly few dwellings per family.<sup>40</sup>

In her article, Judge examines the drivers of this increase in family numbers, and families per household. Life expectancy increases, immigration, later coupling and growing rates of separation all played a role. Some of the change in families per household may have been willing, for example with foreign-born families more likely to cohabit (28% compared to 24% for UK born in 2016). However, older people are less likely to share with older children now, and lots of younger people are cohabiting, especially in the priciest property markets (e.g. London). She acknowledges that more work is needed to explore the extent to which the “rise in sharing...is an active choice” but the conclusion that the family metric is more useful than the household metric in the supply and demand debate is compelling.<sup>41</sup>

**If there is a supply shortage, it is not the only driver of changes in house prices – levels of interest rates are also critical**

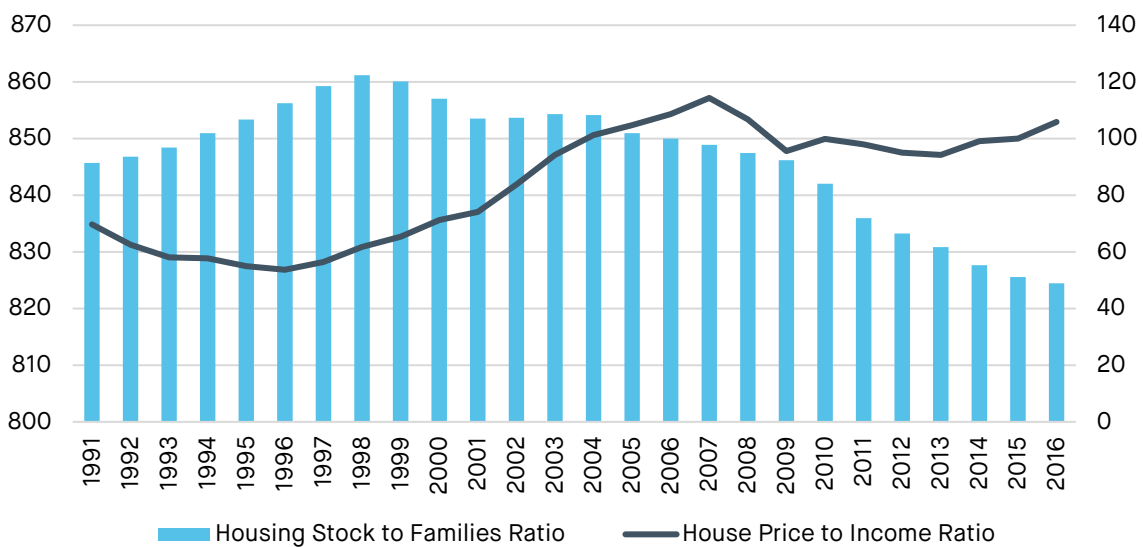
According to the dwellings per family metric, the supply situation improved from 1991 until 1998, and then worsened through to 2016. The figure below plots this against the ratio of house prices to incomes.

The period of improving supply does coincide with a slight fall in the ratio of prices to income. However, house prices stabilise relative to incomes (at a high level) even whilst the supply situation worsens. It should also be noted that from 1991 to 1998, the ratio of dwellings to families only improved by around 2%, and the fall from 1998 to 2016 was around 4%. Meanwhile, housing prices nearly doubled relative to incomes from their mid-1990s lull. House prices would have to be extremely sensitive to the margin between supply and demand for those kind of changes to drive all of the swings in price levels.

It is also argued that house prices would not be expected to be a good reflection of the state of housing supply. Ian Mulheirn argues that “it is essential to distinguish between the cost of housing services and the price of housing assets.” Supply, then, would be more reflected in the cost of housing services (i.e. rents) than of the assets themselves.

Either way, supply-side pressures do not appear to have driven up the house price ratio from the GFC onwards. Those who see bringing down house prices as the biggest priority in the UK housing market should therefore not rely entirely on boosting supply.

**Figure 15: Dwellings per 1,000 families vs ratio of house prices to incomes (index 2015 = 100)**



Source: Resolution Foundation, OECD

At the same time, interest rates hit historic lows following the GFC across our focus countries. Just as rising rates since 2022 has driven stabilisation or falls in house prices, so too did low interest rates contribute to soaring prices.

These interest rate falls led to corresponding falls in the mortgage rate. They have fallen in the UK since the late 1990s when they were around 8%, to 2% prior to the interest rate spike in 2022. In Australia, they fell from over 15% at the start of the 1990s to around 7% in 2004 and towards 4% by the dawn of the pandemic.<sup>42</sup> Canadian mortgage rates declined from an average of 13.6% in the 1980s to 9.1% in the 1990s and 5.1% by the 2010s.<sup>43</sup> The story is the same in New Zealand and Ireland. Cheap finance can also give rise to speculative bubbles, as Ireland experienced in the 1990s–2000s.

### Governments are striving to boost supply in the hope of addressing affordability issues

A lack of supply has become the point of focus for housing interventions in the English speaking world.

The UK's Conservative government aspired to 300,000 per year in its 2019 manifesto, and Sir Keir Starmer has set a target to build 1.5m homes over five years, with rules to be tightened to ensure many of these are affordable.<sup>44</sup> Australia is targeting 1.2 million over five years. The EU has told the Irish government that its housing target is too low (but it did at least meet its 2022 goal).<sup>45</sup>

How much impact is this likely to have? The UK's housing ministry published a document analysing the determinants of house price changes in 2018 which cited some 2008 work by the NHPAU. They pulled out some rules of thumb for how certain factors impacted on house prices. These figures are debated across econometric literature, so these estimates should be treated as merely indicative. They suggest that a 1% rise in housing stock leads to a 2% fall in house prices, all else being equal. Starmer's 1.5m target represents roughly 6% of the England's total housing stock. That would therefore give a 12% fall in house prices.

Interest rates are likely to fall. That same analysis suggests that a 1% fall in interest rates would lead to a 3% rise in prices, a 1% increase in household numbers would result in a 2% jump in prices, and that real income growth of 1% pushes up prices by 2%. Looking at the UK over the next few years, interest rates are likely to fall, and household numbers will continue to rise. There may also be real income growth. As such, these trends may cancel out the effects on house prices of the supply increase.

Greater supply then, may help to moderate house prices, it should also do the same for rent levels, where similar econometric rules of thumb exist.<sup>46</sup> It does not seem likely, however, by itself to bring to down the price to earnings ratio back towards the levels seen for most of the post-war period, unless the already stretching housing goals are made even more ambitious.

**One of the SMF housing reports will examine questions of supply. It will particularly focus on whether planning reform is a lever to do so, as is often assumed. Are the high-profile zoning reforms in places like Auckland as effective as is sometimes claimed? What is the impact of more automatic planning approvals, and can increasing capacity really restrain prices? These questions and more will be explored in the "Planning reform" report.**

## CHAPTER THREE – A PRIVATE RENTAL CRISIS?

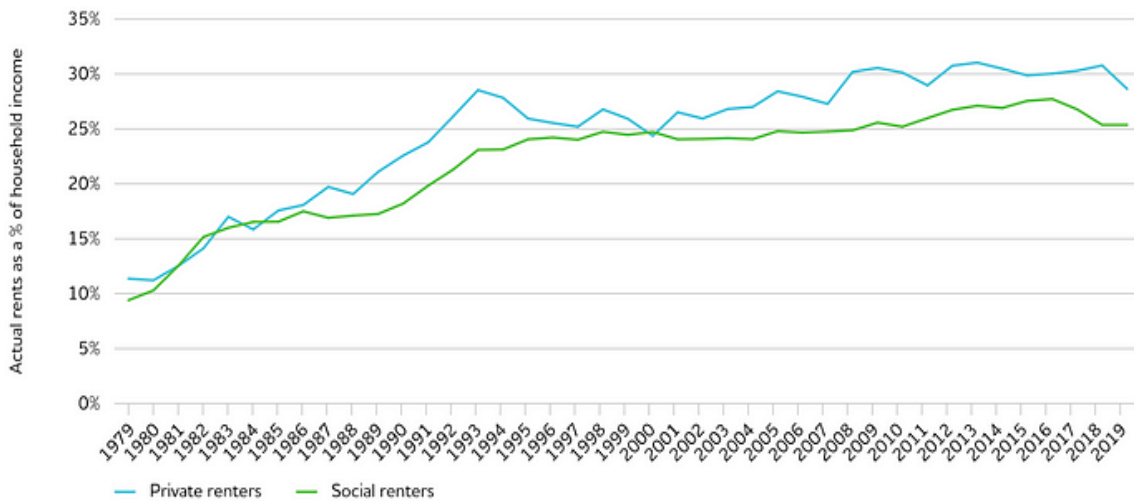
### Renters have experienced increasing costs since the 1980s

The last decade saw private rents hover around 30% of income in the UK, but there has been a spike in the last 18 months

Rents in the UK grew sharply as a share of renters’ income through the 1980s and early 1990s, as the rent control system was dismantled, lower-income people started renting privately as social renting declined, and higher-income people bought instead. A report by the Tony Blair Institute and Joseph Rowntree Foundation puts this down to reductions and changes of three kinds of rental subsidies: rent controls, social housing and housing benefits. Rent controls, effectively subsidies from landlords to tenants, were largely dismantled by 1989. The ‘Right to Buy’ scheme cut the social housing stock, leading more lower-income households into the private sector, supported by housing benefit. These changes cut the level of rent subsidies over the decade. There was also a change in the composition of renters, with lower-income people joining the sector, and higher-income people finding it easier to buy. These trends together drove a big jump in rents as a share of renters’ incomes.<sup>47</sup>

Strong income growth tempered that post-1980s trend in the late 1990s and early 2000s but, since then, the rental burden has continued edging up, from around 25% of incomes for private renters in 2000 to around 30% by the GFC. Since then, it has stabilised.<sup>48</sup>

**Figure 16: Actual Rents (incl service charges etc) plus water bills as a % of disposable income, 1979-2019**

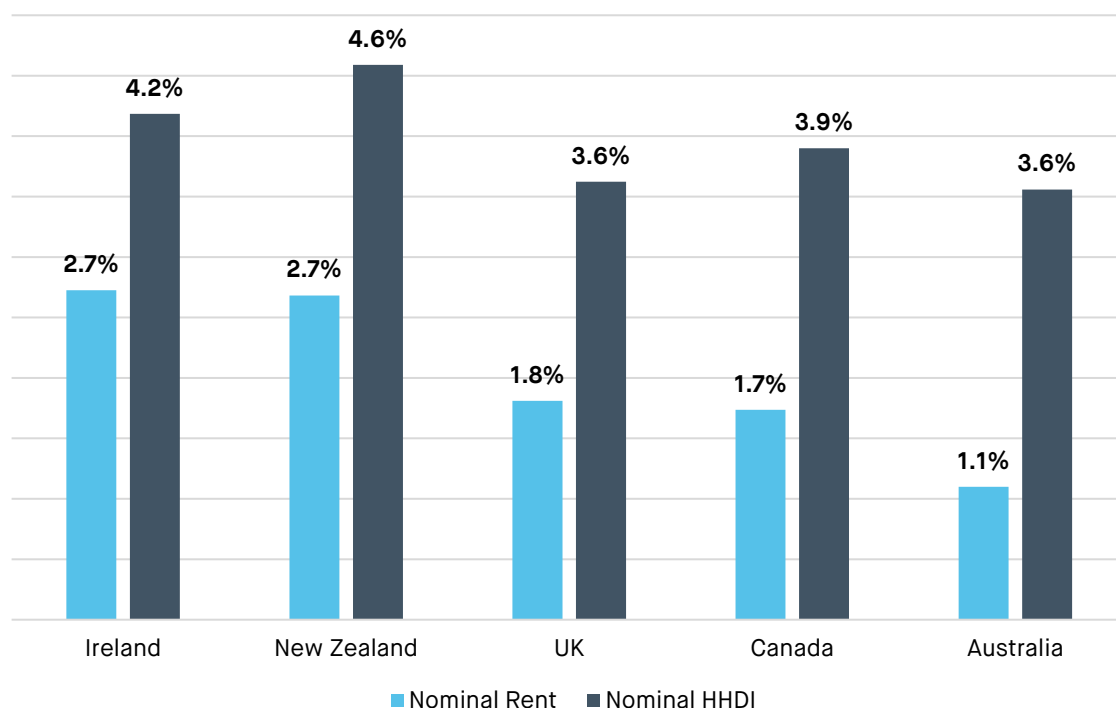


Source: TBI calculations using Households Below Average Income data

Household disposable incomes have been growing faster on average than rents across the English-speaking world, at least up to around 2022, as shown in Figure 16. This is especially true in Australia, where average annual rent increases of 1.1% are outpaced by household disposable income growth of 3.6%. In Ireland and New Zealand, things were a little tighter by 2022, but rents were still ahead of incomes.

It is too soon to say where things will stand after the cost of living crisis has abated. OECD data shows that Irish rents leapt by 16.0% from 2022 to 2023, compared to around 4.6% growth in weekly earnings. Canadians, too, faced a year of rents growing faster than incomes, at 6.2% against 4.1%.<sup>vii</sup> In the UK, meanwhile, incomes are still keeping step with rents – the OECD data suggests a 5.5% increase in rents, whilst earnings grew by 6.2% in the year to Q4 2023. These are national figures, though – it might be that particular areas or segments of the UK market are experiencing faster growth in rents.<sup>49 50 51 52</sup>

**Figure 17: Real rent growth and real wage growth of average gross annual wages per FTE, 2012-22<sup>viii</sup>**



Source: OECD, Stats NZ, ONS, Statista, SMF analysis

**The affordability crisis in renting is one of levels as much as trends**

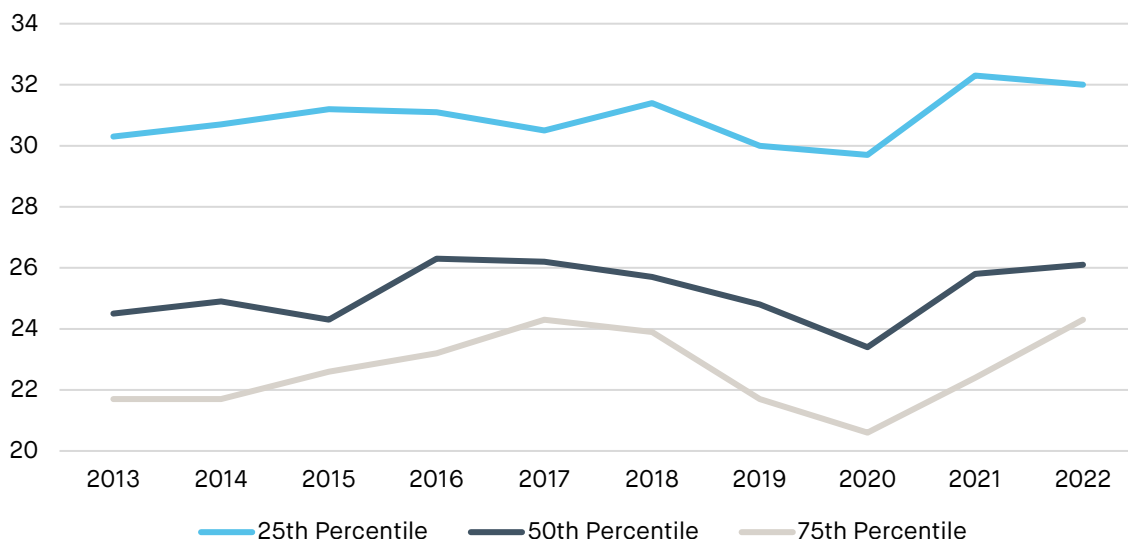
As shown in Figure 16, there was a sharp rise in rents relative to renters’ incomes in the 1980s, but since then things have been more stable, with mostly moderate or no increases. Even if rental growth was no longer going through the roof prior to the pandemic, it does not mean that everything was fine. Figure 4 also showed that renters on private incomes tend to be on lower incomes than owner-occupiers.

<sup>vii</sup> The data source is for non-farm workers only.

<sup>viii</sup> Full time series data is not available for Household Disposable Income (HHDI). For New Zealand, average median weekly earnings data (as of June of year) used to extrapolate HHDI from 2019 to 2022. For Australia, average across Q1-4 of 2022 annual earnings growth used to estimate 2022 HHDI.

The widely used benchmark for housing affordability is that it takes up less than 30% of incomes. It has its flaws, but its “simplicity” makes it a “reliable indicator of affordability”.<sup>53</sup> When we look at rent as a share of pay by income level, it is easy to understand why so many private renters were struggling, even before the increases of the last 18 months.

**Figure 18: UK private rents as a share of income by income percentile**



Source: ONS, SMF analysis

This data clearly shows the spike in costs following the pandemic, which would be expected to grow even further in 2023, based upon Figure 18. Even prior to this, those earning a 25<sup>th</sup> percentile income would already have to spend over 30% of it on a 25<sup>th</sup> percentile rent. These households are already above the affordability threshold, even before the full impact of this inflationary period becomes clear.

Some sub-segments of the market, like students, have been especially hard hit. Student housing is described as the “real-estate industry’s best performing asset class” by *Investor Chronicle*, and for good reason. Analysis from *StuRents* points to a 620,000 deficit in the number of beds for students in the UK.<sup>54</sup> Rents in student housing have risen by more than 8% over the last year. In private sector purpose-built accommodation in Glasgow, there has been a 19% hike in costs. Student incomes, reliant on loans and maintenance grants, do not track prices, with the loans rising just 2.8%. They will therefore have to spend a far higher share of income on rent than previously.<sup>55</sup>

### Property shrinkage is also hitting the rental sector

Brits are aware that chocolates like Wagon Wheels are smaller than they used to be. The size of the average rental property has also been shrinking, as landlords increase the number of units within a given property, or tenants do so themselves, squeezing an extra housemate into what was once the lounge.



The Resolution Foundation found that the average floor space per private renter in the UK has fallen by 16% over the last two decades.<sup>56</sup> This has been worse for those on lower incomes, who have seen a 21% fall in space, compared to 7% for high earners. The same trends are occurring elsewhere. New properties are becoming smaller in New Zealand and Australia, for example.<sup>57</sup>

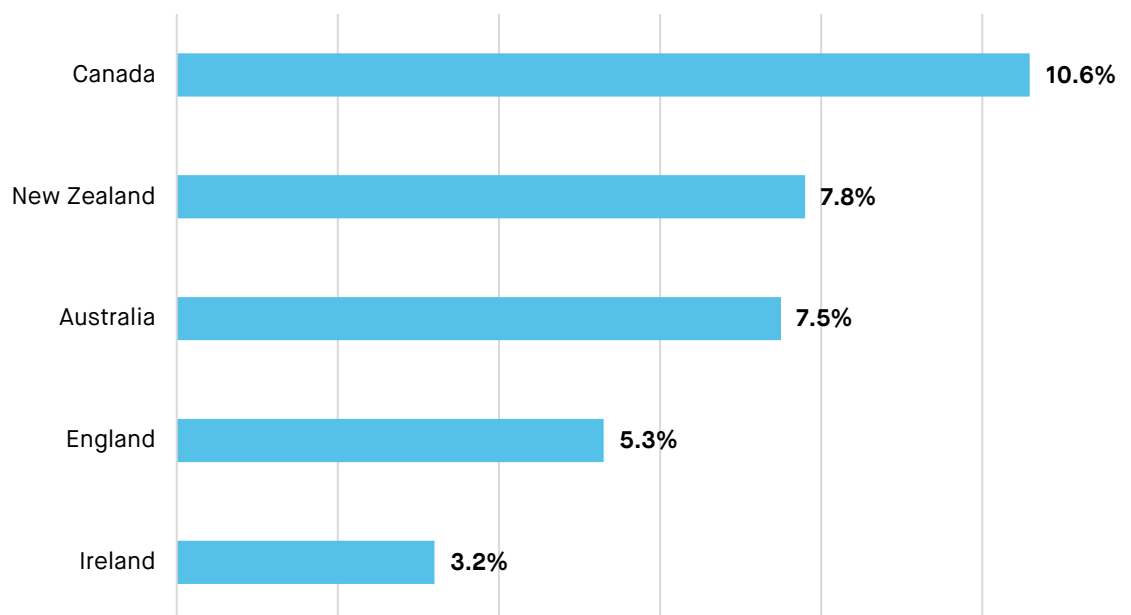
### Rental stock is becoming overcrowded, a symptom of unaffordability

Benefits restrictions, lack of social housing stock and the loss of rent controls have meant great unaffordability. This is forcing households to squeeze more people into smaller apartments.

Overcrowding measures can be defined based upon whether there are enough bedrooms for the number of occupants, factoring in additional considerations like age, gender and relationship status. In England, 5.3% of private rental households are overcrowded. It fares better than Canada, Australia and New Zealand, where over 7.5% meet these criteria, although worse than Ireland at 3.2%, as shown in Figure 19.

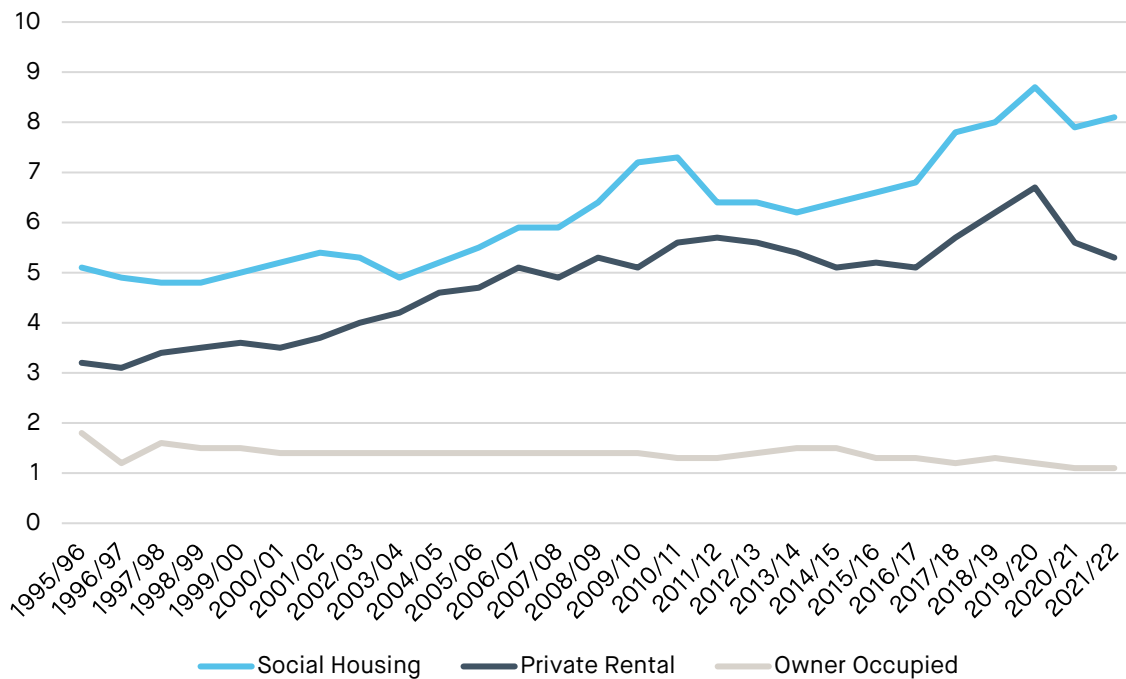
The situation is worsening, though, in England. Figure 20 shows how overcrowding rates grew from around 3% in 1995/96 to nearly 7% in private rentals by 2019/20, although this fell back slightly since the pandemic to 5%. Things are even worse in the social housing sector. This is a symptom of unaffordability in the rental sector – people are having to squeeze into smaller places in order to afford a rental property.

**Figure 19: Proportion of private renters in overcrowded premises, latest year<sup>ix</sup>**



Source: Ministry of Housing, Communities & Local Government, English Housing Survey, 2022., Stats NZ, Ahuri, Statistics Canada, Eurostat, SMF analysis

<sup>ix</sup> 2021/22 for England, 2021 for Canada (weighted average across provinces), 2019 for Ireland, 2022 for New Zealand, 2016 for Australia.

**Figure 20: Share of households overcrowded by tenure, England**

Source: Ministry of Housing, Communities & Local Government, English Housing Survey, 2022; SMF analysis

### This is giving rise to calls for rental market intervention

In 2019, London Mayor Sadiq Khan asserted that “the arguments for rent control are overwhelming”. The BBC ‘Reality Check’ team were less convinced. Their conclusion was mixed – that people already renting in areas with fast rising rent might benefit, but new renters could be harmed. They also referred to the “standard economic theory” that “rent control does not work”, because it dissuades landlords from renting out their properties, shrinking supply. Scotland instituted a form of rent controls in 2022, and calls for such an intervention more widely in the UK is increasingly common.

There are many forms of rent controls, and another paper in this series will evaluate the arguments for and against them in detail. Housing benefits will also be examined in that report. A separate paper will go into detail on social housing, as a more direct government subsidy for renters.

### Renters also face greater instability and risk of low-quality housing than owner-occupiers

The hallowed status of homeownership in the national psyche has meant that, historically, renting has often been seen as something transitional in the English-speaking world – something to be done whilst saving up for a deposit on a house. The shift in housing tenures across these countries, and the postponement of ownership for those for whom it remains a possibility, means that the rights of those in the rental sector are becoming more of a political focus.

21% of those renting privately without housing benefit in England are in ‘non-decent’ dwellings. This rises to 29% for those with housing benefit. Shelter found that 814,000 private renters face the threat of being evicted in winter 2023.<sup>58</sup> A study supported by the Joseph Rowntree Foundation found that twice as many private renters suffer from anxiety as those who own their home, although this does not appear to have controlled for age or economic status.<sup>59</sup>

Another study looked at levels of DNA methylation in blood samples, which is an indicator of biological aging. This found that those renting privately exhibited faster biological aging than in other tenures. Indeed, their results showed that “the impact of renting in the private sector, as opposed to outright ownership (with no mortgage), was almost double that of being out of work rather than being employed”.<sup>60</sup> In New Zealand, half of children growing up in a private rented home had moved during their first nine months, whereas for those in an owned home that figure was one in five.<sup>61</sup>

### **Even so, dissatisfaction is more often with renting itself, than a problem with their specific property**

Perhaps surprisingly, then, a survey by the Social Market Foundation in 2022 found that renters in the UK are actually largely satisfied with their current property (81% satisfied) and even their landlord (85% satisfied). By contrast, a third of respondents were dissatisfied with the status of ‘being a renter’, with a majority concerned that renting isn’t good financially in the long run. Most also regret that they can’t make decisions about their property, such as decorations, and four in ten “dislike the uncertainty of being on a fixed contract”. Similar research across tenures found that 70% of private renters are satisfied with their tenure, compared to 98% of owners and 80% of those in social housing.<sup>62</sup> While it is doubtless the case that there is a sizeable minority of renters facing poor conditions, a greater share of renters appear to be dissatisfied with renting itself rather than anything specific to their property or contract terms.

Those in rented accommodation in Ireland are less satisfied than those who own their property. Only 27% of those in social housing and 31% of those in private housing are ‘very satisfied’, compared to 62% of those who own outright and 48% of households still paying off their mortgage. The figures for neighbourhood satisfaction are also similar. That isn’t to say, however, that they are massively unsatisfied. Only 4% are dissatisfied or very dissatisfied.<sup>63</sup>

Boosting protections for renters is the intention behind the UK’s Renters (Reform) Bill. The cornerstone measure, however, the banning of no-fault evictions, has been indefinitely postponed, with backlogs in the court system blamed. Some have suggested, however, that the real source of resistance is the material interests of MPs, a number of whom are themselves landlords.<sup>64</sup>

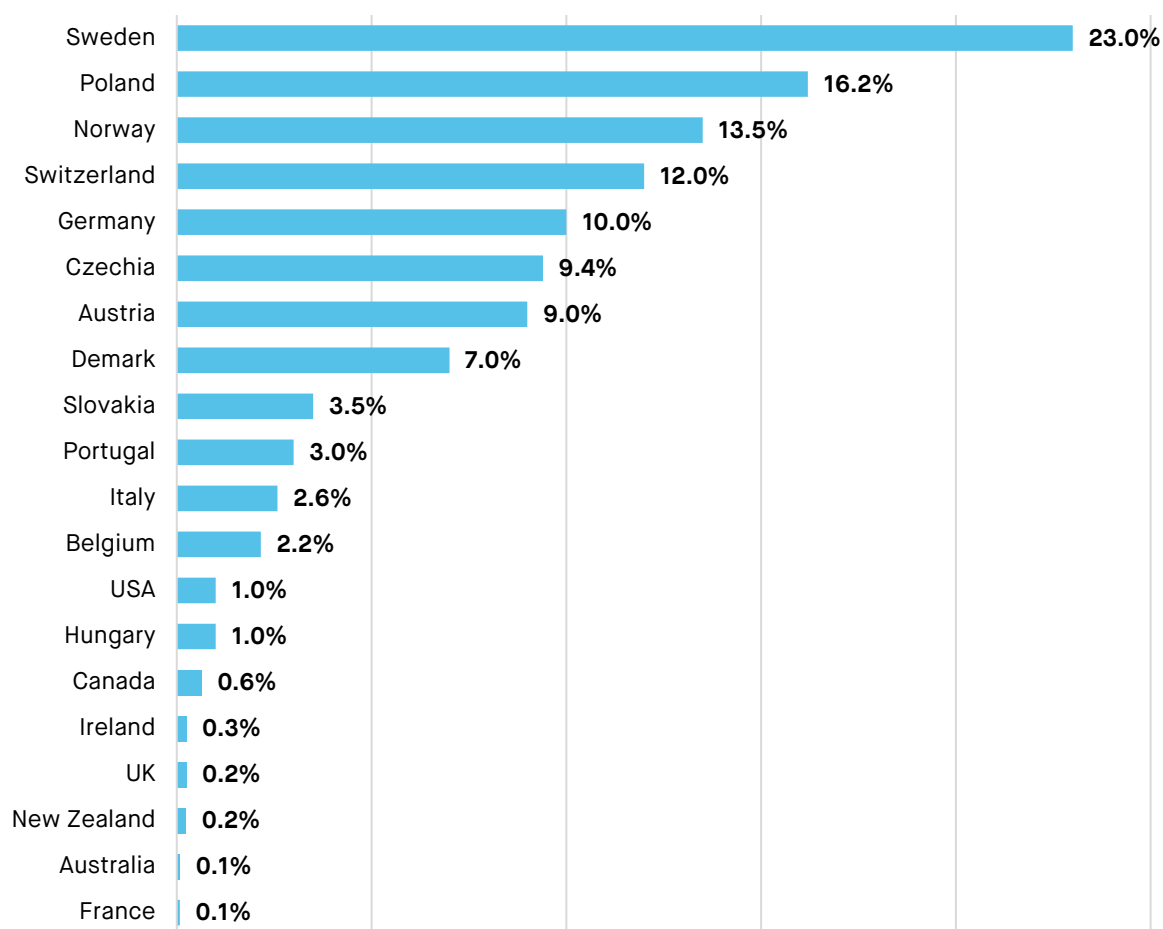
**The debate on rent controls, and the evidence surrounding rental market interventions, will be one of the focuses of the SMF report on renting that forms part of this series on housing. We will look at how rent controls and stabilisation measures have been deployed and dropped across the English-speaking world, from Dublin and the Australian Capital Territory's recent interventions, to Robert Muldoon's rent freezes in New Zealand from 1982 to 1984. The report will also look at renter protections, such as no-fault eviction bans, and their impact.**

### **Alternative forms of housing, such as co-operatives, may be able to provide greater stability and build stronger communities**

Co-operative housing comes in many forms, but it is generally underpinned by residents having a greater say in how their property is run. They may own a stake in the building, and are likely to have long-term stability of tenure along, often, with more affordable rents than they would get in the private rental sector.

Around 0.6% of houses in Canada are co-ops, but it is less common in the other focus countries. Co-operative housing is far more widely deployed elsewhere in Europe, especially in Scandinavia, central and Eastern Europe.

**Figure 21: Co-operative housing share of households<sup>x</sup>**



Source: CHF Canada, Tribune Magazine, Co-operative Housing International, ZHAW, NBBL, DST, SMF analysis

**One of the forthcoming SMF housing reports will focus on social housing, as well as alternative models such as co-operatives. In this, we will explore what role co-operative housing could play in the UK in increasing supply, giving people greater stability and strengthening communities. Countries with large stocks, ongoing investment in the sector and burgeoning movements like student housing co-operatives will be examined.**

<sup>x</sup> Dates are for latest available data. UK:2022, Canada:2018, Australia:2023, New Zealand:2007, Ireland:2023, Sweden:2018, Denmark:2015, Norway:2020, Germany:2015, Italy:2017, France:2016, Switzerland:2017, USA:2018, Portugal:2019, Poland:2017, Hungary:2011, Slovakia:2017, Austria:2018, Belgium:N/A, Czechia:2017

## CHAPTER FOUR – A SOCIAL HOUSING CRISIS?

### Britain has one of the highest levels of social rental stock in the developed world

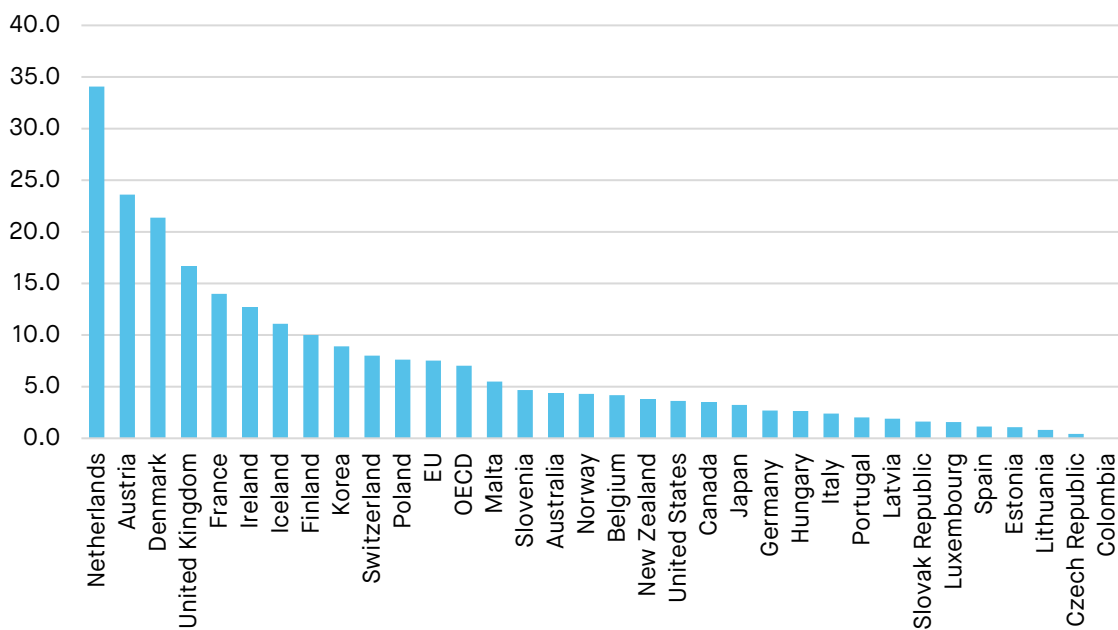
Those on lower incomes are eligible for state support to find housing. In the UK, this can take the form of local authority-owned or housing authority-owned properties. Families may also have to use housing benefit to live in the private rental sector, although these do not always keep up with growth in the level of rents.<sup>65</sup>

Within the OECD, Britain is fourth only to the Netherlands, Austria and Denmark in terms of how much of its housing stock is social housing . 16.7% of properties were social housing in 2019 in the UK. Ireland too is high, ranked sixth, just behind France, with 12.7% in public hands.

The other countries of focus in this report series have a far lower base. All of them have a less than 5% public housing share. This can partly be explained by history. Britain was in severe need of rebuilding following the impact of World War Two. It also had a succession of governments which supported a social democratic approach to housing. The country wanted to ensure that those who had fought in World War Two were housed properly.

In other English-speaking countries, land was more available and cheaper. As Figure 2 showed, housing costs were a lower share of income than in the UK for the comparison countries, especially in Australia and Ireland. The need for a social housing programme was therefore less pressing. As we will see, though, co-operative housing played some of that role in Canada and the US, alongside social housing.

**Figure 22: Social housing as share of total stock**



Source: OECD

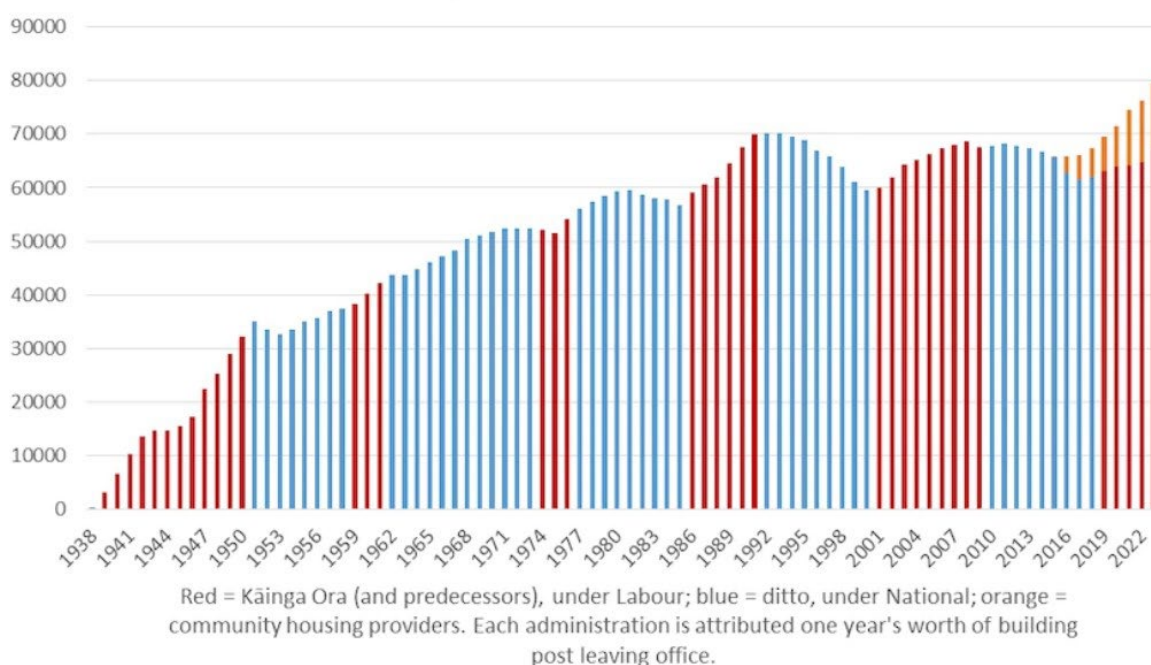
### This is, however, lower than it used to be following ‘right to buy’

The ‘right to buy’ your council house was one of the major reforms of the Thatcher government and at the heart of her attempt to create a ‘property-owning democracy’. From 5.5 million council or housing authority properties in 1979, and a 27% share of stock, which was down to 4.1 million by 2021.<sup>66</sup>

A similar approach was taken in Ireland. 82,869 council houses were constructed from 1990 to 2016, whilst 36,051 were sold to tenants. That means that 43% of the new social houses built were just plugging the gaps in stock from the sell-off.

New Zealand has also swung between building and then selling off public housing under different governments from the 1990s onwards, as Figure 23 shows. With population growth of 38% from 1991 to 2017, it is clear that the supply of social housing has not been keeping pace with demand.

**Figure 23: Stock of social housing in New Zealand, 1938-2023**



Source: Max Rashbrooke, *the Spinoff*<sup>67</sup>

Provincial governments in Canada have similarly debated public housing sell-offs. The Progressive Conservatives pledged to have the Ontario Realty Corporation develop a plan to sell off 84,000 properties in their 1995 manifesto, as part of Mike Harris’s ‘Common Sense Revolution’.<sup>68</sup> The manifesto cited of the “British council house model” showing the influence of Thatcher’s reforms across the anglosphere.

### Waiting lists for social housing are long, and in some places growing

The failure of supply to track population means that more people need social housing than is currently available. Over 1.2 million people are waiting in the UK, which is lower than its 2012 peak by 34%, but still represents over 4% of households. It has also been on an upward trend since the mid-2010s.<sup>69</sup>

The number of households on Irish waiting lists has been falling, from 91,600 in 2016 to 58,000 in 2022. That still represents 3.2% of families, though.

1.5% of Canadian households are waiting for social or affordable housing, which is lower than the European examples, but still means a large number of households stuck in limbo, especially given the lower level of social housing stock. The average wait for a one-bedroom unit in Toronto is 14 years as of 2022.<sup>70</sup>

The social housing waitlist became an issue in the New Zealand election in 2023. The Green Party pledged to build enough social housing to clear a backlog of nearly 25,000 applicants, or 1.3% of households.<sup>71</sup> The Australian waitlist is relatively larger, at 1.9% of households.<sup>72</sup>

Although the waiting list is smaller than in Canada, New Zealand and Australia relative to household numbers, they represent 34-43% of the size of the social housing stock. That requires a substantial turnover of households (or lots more building), but social housing in these countries is seen as a more 'transitory phase' than it is in the UK. For the UK and Ireland, the waiting list is equivalent to a quarter of the total stock.

**There will be a report as part of the housing series focused on social housing, as well as alternative forms of housing such as co-operatives. It looks at the trends in social housing provision, and the different forms used in the English speaking world and beyond. It examines how countries are getting social housing built, and what innovative funding mechanisms are being deployed to do so. On co-operatives, the report outlines the different types of housing forms, gathers evidence of their benefits and challenges, and gives examples of how countries are supporting their co-operative housing sectors.**

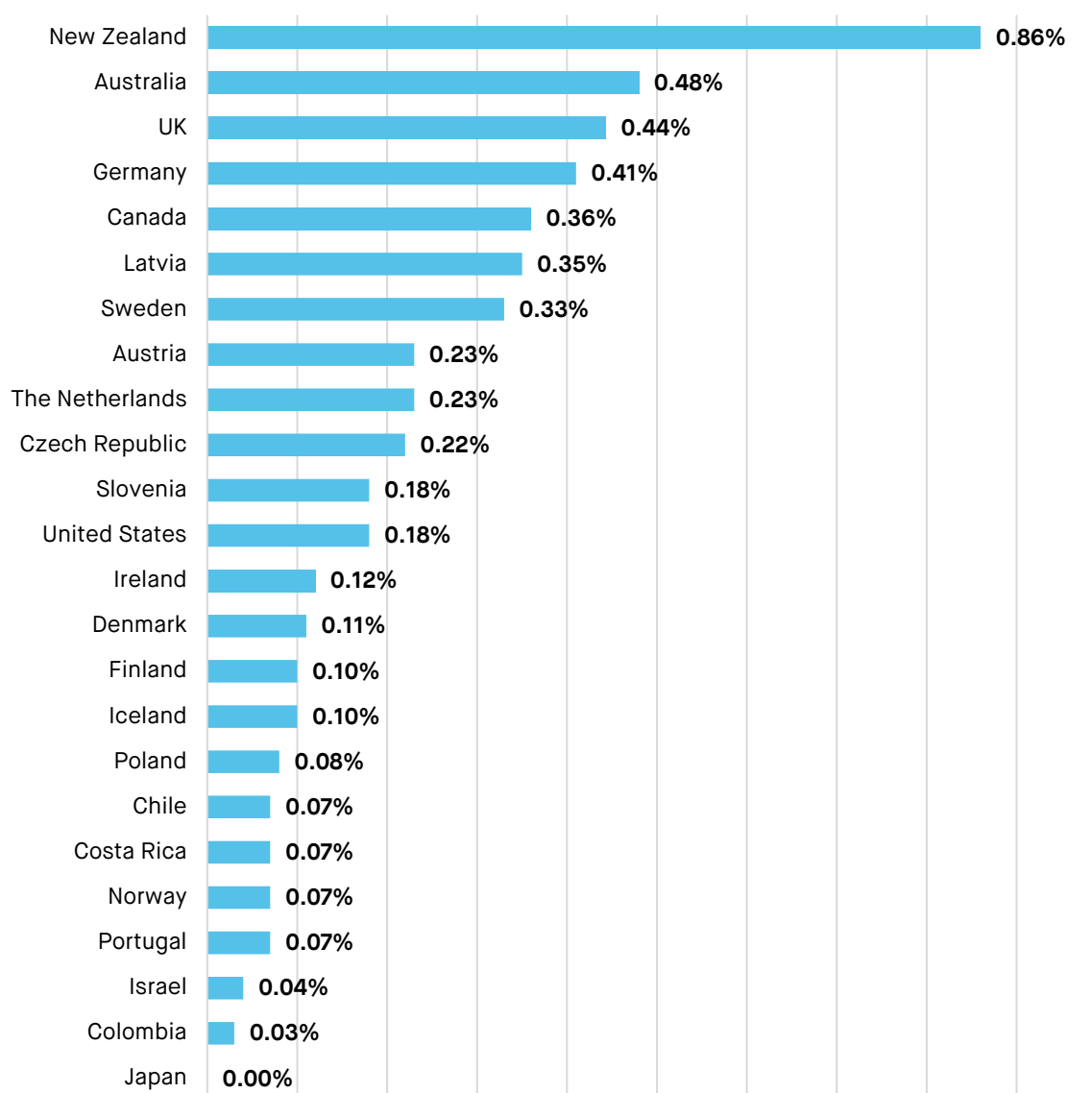


## CHAPTER FIVE – A HOMELESSNESS CRISIS?

### Homelessness is higher in the English speaking world than elsewhere...

There are more people experiencing homelessness in New Zealand than anywhere else in the OECD. Figure 24 compares OECD homelessness statistics for countries for which there were data from 2016 or later, with UK government statistics from 2022/23. The OECD note that this data uses differing methodologies, meaning that the insight to be gained from comparisons is limited. Nevertheless, we can note that the UK, Australia and Canada are all in the top 5, with only Germany breaking the anglosphere dominance. Ireland fares better, with a rate roughly a quarter that of Australia.

**Figure 24: Homelessness, most recent post-2016 data (indicative as methodologies vary between countries)**

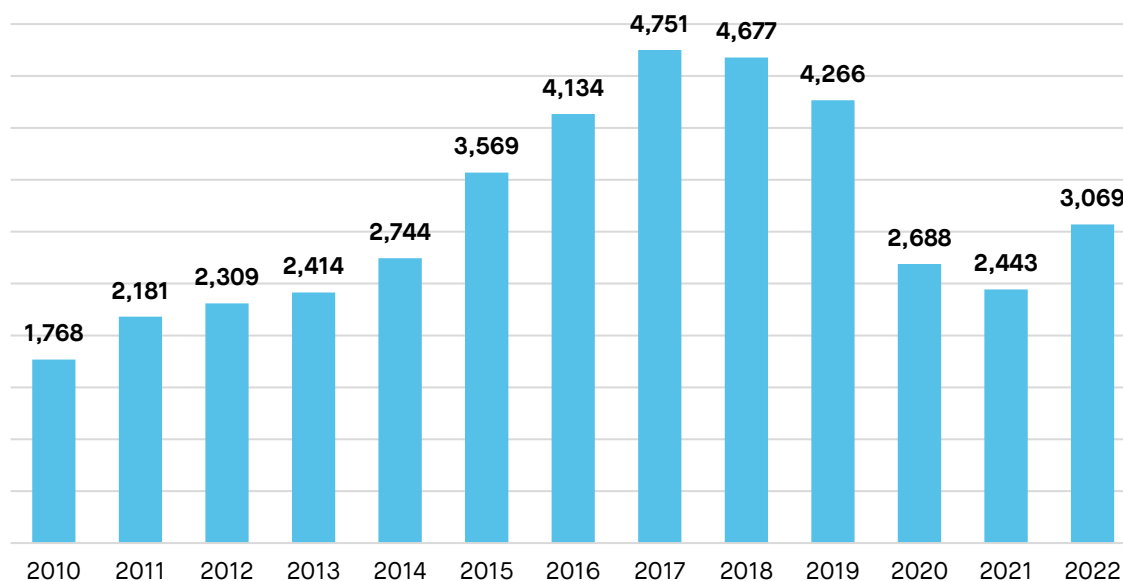


Source: Department for Levelling Up, Housing and Communities, OECD, SMF analysis

## ...and more people are experiencing homelessness whilst they wait for social housing or fall through the cracks of weakened social care systems

Rough sleeping is measured in England through a single-night count each autumn. Levels rose before the pandemic, before the ‘Everyone In’ programme secured shelter for more of those sleeping on the streets. In 2022, though, numbers had ticked up once more. It is important to remember that these figures are just for a single night, and represent a small subset of those who are homeless, but the trends are instructive.

**Figure 25: Estimated number of people sleeping rough on a single night in autumn in England, 2010-22**



Source: *DLUHC*<sup>73</sup>

An annual figure for rough sleeping in London also shows that it has increased sharply in the last decade, going from 6,437 in 2012/13 to 10,053 in 2022/23.<sup>74</sup>

The broader measure is from the ‘statutory homelessness statistics’, compiled from data on the number of people receiving homelessness prevention support or relief from local councils. This rose from 202,400 in 2012/13 to 298,430 in 2022/23, a 47% increase over the decade.<sup>75</sup>

What is causing this rise? The cost-of living crisis is “exacerbat[ing] longstanding drivers of homelessness, such as a shortage of affordable housing, an often punitive welfare system and increasingly stretched health services” according to Rick Henderson, chief executive of Homeless Link.<sup>76</sup> Shelter also cite a lack of social housing as a cause of homelessness, along with the pressure of private renting, unexpected life events and discrimination and inequality.<sup>77</sup>

Meanwhile, looking again elsewhere in the English-speaking world, Ireland has seen a 57% jump in the number of individuals accessing emergency accommodation from Q2 2021 to Q2 2023.<sup>78</sup> Canada has seen significant increases in homelessness everywhere from Quebec (+73% from 2018-22) to Vancouver (+33% from 2020-23).

In Australia, however, the number of people sleeping rough or in crisis/temporary accommodation in Sydney according to the most recent February 2023 count was fairly low compared to the last decade.<sup>79</sup> The homelessness rate had also dropped slightly Australia-wide between the 2016 and 2021 censuses, although that may have been driven by pandemic measures to house those without accommodation.<sup>80</sup>

The homelessness rate in New Zealand fell from 1 in 100 to 1 in 113 between the census years of 2013 and 2018.<sup>81</sup><sup>82</sup> The decrease is welcome, but these figures still place New Zealand far above the OECD average.

## CHAPTER SIX – CONCLUSION

### **Britain has a number of serious problems with housing, but at least it is not New Zealand**

This report has sought to put the UK's housing challenges into context. Is the talk of a housing crisis valid? Of course, especially for those on lower incomes, and when we see the high rates of homelessness relative to international peers. Housing costs are high, and higher (just) than the other anglophone countries examined. House prices are high, meaning that it takes longer to save up a housing deposit, but at least longer mortgage term lengths and other innovations can keep payments manageable for those who do manage to get onto the ladder, at least once interest rates moderate once more.

Whilst things are bad in the UK, it could be worse. New Zealand seems to be facing the biggest housing crisis out of the anglosphere. Table 4 summarises key metrics explored in this report against the key focus countries. At the bottom is an 'average ranking'. This is calculated by assigning positions 1-5 to each country across the 12 metrics in the table, where first place indicates that their country has a greater problem, and 5th a lesser problem than peers. New Zealand scored, on average, 2.2, the worst score, suggesting that they have the most wide-ranging set of problems. The UK scores more favourably than Canada and Australia too.

There are some places where the UK drops to the bottom of the pack. Housing is more expensive on average as a share of incomes. Council house waiting lists are high. Homeownership is less common, which seems like a negative from the perspective of an anglophone country, but would not be seen as such everywhere in the world. House prices and rents are also relatively steep.

As this report has shown, being relatively good among the anglosphere is not much to celebrate. Homelessness is far more of a problem in these places. Social housing stock is usually lower (except for the UK). There is little co-operative housing. Fewer people own their home. What can be done for the UK, and what is being done to solve these issues among our peers?

**Table 4: Comparison of housing system of English speaking countries**

		UK	Ireland	Australia	Canada	New Zealand
<b>Housing Costs</b>	% of disposable income	25.7%	25.4%	23.9%	24.3%	24.4%
<b>Homeownership</b>	Latest Rate	61.9%	68.9%	66.3%	66.5%	64.5%
	Change in decade	-2.4%	-1.8%	-2.5%	-2.5%	-2.4%
<b>House Prices</b>	Real Change 92-22	3.6%	3.7%	3.9%	3.7%	5.3%
	Price:Income Rate	9	5	8.5	10	10.5
	Change in Price:Income Ratio 92-22	190%	150%	181%	198%	254%
<b>Private Renting</b>	Delta of rent and income growth 2012-22	1.8%	1.5%	2.5%	2.2%	1.9%
	PRS Overcrowding	5.3%	3.2%	7.5%	10.6%	7.8%
<b>Social Housing</b>	Social Housing Share of Stock	16.7%	12.7%	4.4%	3.5%	3.8%
	Waiting List as % population	4.0%	3.2%	1.9%	1.5%	1.3%
	Waiting List of % stock	24.0%	24.8%	42.9%	42.9%	33.9%
<b>Homelessness</b>	% of population	0.4%	0.1%	0.5%	0.4%	0.9%
<b>Average Ranking (1 is worst, 5 is best)</b>		3.3	4.3	2.7	2.6	2.3

Source: SMF analysis

## With similar problems but different approaches, there is much to learn from the anglosphere and beyond on housing policy

**Although many of the challenges faced have been similar, the policy approach has been wildly different between countries and even layers of government within them**

In the UK, Conservative governments spent much of the 2010s investing in demand-side measures intended to increase homeownership such as Help to Buy, an approach that has been criticised for merely inflating prices.<sup>83</sup> Stamp duty cuts during the pandemic put rocket boosters on demand and created major bottlenecks in the system in the run up to its expiry. Meanwhile, the ‘right to buy’ your own council house continued. The 2019 manifesto set a target to build 300,000 new homes, but that was dropped by Rishi Sunak in 2023 because of the concerns of “thousands” of Conservative party members.<sup>84</sup>

Looking internationally, Auckland in New Zealand has garnered headlines for its zoning reforms in an attempt to boost construction by loosening planning rules. The country also attempted to cut demand by banning foreign property ownership in 2018.

Next door in Australia, a variety of approaches have been tried across its states. In Victoria, a “planning takeover” will give the state government the power to go around local councils and third-party appeals to get things built in Melbourne.<sup>85</sup> Over the longer term, supply across the country has largely been delivered by private market actors, yet the construction sector has remained less concentrated than the UK’s where a few large firms increasingly dominate the market and coordinate to slow down housing construction according to the CMA.<sup>86</sup> In Australia, many smaller firms continue to provide new homes, decreasing the risk that supply will be intentionally obstructed.

The Canadians gave some support to co-operative sector in the 1970s but, more recently, financial support has largely come in the form of loans to the private sector. In Quebec, the Napoleonic Code creates a different environment for housing policy, with more given to people rather than the property itself.

Ireland’s property market has faced the most turmoil out of the focus countries. The bursting of the property bubble in the financial crisis was followed by the tightening of lending conditions on the demand side and a stark reduction in building. Since then, borrowing rules have been tightened and the country saw a collapse followed by a rebirth in its building activity.

### **This means that the UK stands to learn a lot from the housing policy successes and failures across this region**

Examples from abroad can contribute – helpfully and unhelpfully – to the housing debate in the UK. From Auckland’s zoning reforms to Scandinavian co-operatives and rent control policies in Germany, overseas experiences are wielded as ammunition in domestic policy debates.

What the SMF will do with this series of reports is to go beyond the headlines. We will dig into the evidence to see which of the policies that have been deployed are working and which are not. Of the most promising, we will see which could be suitable for the UK.

The work will cover four major areas:

**Land-use and Zoning:** How upzoning and planning policy can boost housing supply.

- There is lots of discussion around how planning reforms of various kinds can unlock supply.
- We will draw on approaches seen overseas to test whether these are effective in the first paper, putting much-heralded examples such as Auckland’s zoning reforms under the microscope.

**Alternative ownership structures:** How co-operative housing and state provision can improve housing provision.

- There is now an acknowledgement that Britain has too few social houses to meet the scale of need for sub-market priced housing.
- We will see how other countries have rebuilt their state-owned housing stock, whilst also looking at models like co-operatives and co-housing to explore what role they can play.

**Homeownership policies:** How interventions to boost homeownership such as buyer subsidies and taxation can increase housing access.

- The UK has itself made a number of policy interventions of this kind over the past 15 years, from help to buy to stamp duty holidays.
- They have received criticism from some quarters over whether or not they end up inflating the market, rendering the subsidy ultimately counterproductive.
- This paper will take a wider view, comparing the effectiveness of these measures against those implemented elsewhere.

**Renter policies:** How rental regulations and controls can expand housing affordability.

- As this paper has shown, more and more households are renting across the anglosphere.
- In the UK, the Renters (Reform) Bill will increase the rights of those in that market to an extent, but the government postponed a ban on no-fault evictions.
- Price interventions such as rent controls, common in the anglosphere, are now not found in England, although they are being used in Scotland and under consideration in Wales.
- In this report, we will look at what policies on renters' rights and pricing exist abroad, and which result in the desired outcomes.

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