

## FINDINGS

# HOUSING OPTIONS AND SOLUTIONS FOR YOUNG PEOPLE IN 2020

Recent economic, social and political change has generated greater uncertainty in the housing options of young people. The recession has highlighted challenges such as the lack of available credit and high youth unemployment. This research explored what the housing situation might be like for young people in 2020.

### Key points

- Around 1.5 million more young people aged 18–30 will be pushed towards living in the private rented sector in 2020, reflecting growing problems of accessing both home ownership and social renting.
- Without a sustained and long-term increase in new housing supply, demand-side initiatives to help aspiring home-owners risk maintaining the inflated house prices they are meant to overcome.
- Three groups of young people are increasingly marginalised in the UK housing system: young families, those on low incomes and those who are vulnerable due to their support needs. A renewed focus is needed on improving the supply, quality and stability of housing in both the private and social rented sectors.
- More stable private rented tenancies might be achieved through smarter incentives for landlords. International evidence suggests that these could include tax breaks in return for more stable, longer-term tenancies for vulnerable or lower income tenants and/or other benefits such as lower rent levels.
- Social landlords could help tackle the challenges facing young people by helping them to access private rented tenancies and offering more shared tenancy options at local housing allowance rent levels as part of a varied housing offer.
- Without fundamental reform to the housing system to create suitable options, young people in 2020 will be increasingly marginalised in a badly functioning housing system.

### The research

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# BACKGROUND

Young people's housing experiences are already significantly different to those described in earlier studies and are likely to change even further by 2020.

## Challenging times: The position of young people in the 2020 UK housing market

- The number of young people owning their own properties in 2020 is expected to decrease by approximately 1.1 million to 1.3 million in 2020. The number of young people living with parents in owner-occupied accommodation will increase by approximately 550,000 to 3.7 million in 2020.
- The number of young people living in their own private rented sector (PRS) tenancies in 2020 is predicted to increase by approximately 1.3 million to 3.7 million. It is likely that a three-tier model of demand will emerge based upon the median incomes of young households. The number of young people living with parents in private rented accommodation will increase by approximately 170,000 to 400,000 in 2020.
- The number of young people living in their own social rented tenancies in 2020 is predicted to decrease by approximately 360,000 to 780,000. The number of young people living with parents in social rented accommodation will increase by approximately 170,000 to 870,000.
- The number of young people aged 18–24 following a chaotic housing pathway (including homelessness) will increase from 75,000 to 81,000 between 2008 and 2020.

## Home ownership

In 2008 young people generally entered home ownership by following one of four pathways. Most (2.9 million young people) remained in the family home into their early 30s in order to save to pay the deposit on a mortgage ('stay at home to owners'). Approximately 560,000 young people left home and entered shared accommodation in the PRS before forming a couple and entering owner-occupation (dual income, no kids owners – 'DINKOs'). The remaining pathways involved family formation before the age of 30, with 330,000 'early nesters' leaving the family home and forming a family far earlier than the 720,000 'two parent families'. A proportion of other pathways also ended in home ownership (810,000 young people) or the owner-occupied parental home (250,000 young people). In 2020 young people are likely to stay at home for longer, and parents will play an important role in facilitating access to owner-occupation. Young people who choose not to stay at home will remain in the PRS into their 30s. More young families will be forced to live in the PRS despite concerns about lack of security.

## Private renting

In 2008, one main pathway into private renting emerged. Approximately one million 'young professional renters' left the parental home and entered the PRS, where they remained for some time. Most had qualifications higher than A-level standard and they shared accommodation. A significant minority of young people following pathways dominated by other tenures also became private renters (1.4 million young people). One difference anticipated in 2020 is a reduction in the number of students in the PRS. The most significant change is likely to be increased competition for PRS accommodation from young people unable to access home ownership or social rented accommodation. There will also be more demand from young people following a chaotic housing pathway.

## Social renting

In 2008 the most common pathway into social housing was to wait in the 'social queue' (640,000 young people). These young people tended to stay in the social rented family home until they could access their own social rented tenancy, mostly as individuals. A second pathway was that taken by lone parents, where 380,000 young women left the family home and entered social housing immediately before or soon after having a child. A third pathway was followed by 380,000 young people as 'social renting families'. These families have similar experiences to lone parents, but form couples and enter their own social rented tenancy as they start their families. Finally, a proportion of other pathways followed by young people also ended in social rented accommodation (380,000) or the social rented parental home (60,000).

In 2020 competition for the limited supply of social housing will increase. More young people will stay at home for longer, while others will be forced live in the PRS – often in lower-end accommodation as a result of low incomes. There may be a risk of young people becoming deliberately homeless in order to secure a social rented home.

### **Chaotic housing pathway**

In addition to the pathways above, there is the 'chaotic pathway' of some 75,000 16–24 year olds who are likely to have been homeless in 2008. They will probably have spent time in the private and social rented sectors. Approximately 81,000 18–24 year olds will follow this pathway in 2020 and, like many other young people, are increasingly likely to be accommodated in the PRS, where they will only be able to afford lower-end accommodation. These vulnerable young people will face difficulties maintaining their tenancies due to reduced housing-related support services.

## **Responding to the housing challenges facing young people**

The challenges facing young people by 2020 will require fundamental changes to the UK housing system. Young people are particularly vulnerable in a badly functioning housing system due to their lack of resources and opportunities.

### **The UK housing system**

The study's findings bring into sharp relief the relationship between low housing supply and high housing costs. It is widely recognised that initiatives to enable young people to access home ownership, such as shared equity schemes, could exacerbate affordability problems. While these may help in the short term, without a sustained increase in housing supply they will not address the issue of affordability in the long term. The consequences of failing to improve housing supply by 2020 go beyond a frustrated group of aspiring young home-owners. There will be intense competition for PRS housing, leaving many lower income and vulnerable households marginalised.

### **Improving the private rented sector**

For many young people, renting privately offers benefits over other tenures, such as flexibility of short-term tenancies and access to particular locations. Nevertheless, the sector was viewed by some young people as unaffordable, unavailable and offering poor conditions. Stakeholders identified a need to change the way the PRS is viewed by politicians and by young people themselves. While other studies have recommended earlier housing education, the two most pressing issues raised in this study were creating sufficient supply and achieving a stable PRS market.

#### ***Creating sufficient supply***

Some stakeholders argued that increasing demand would attract private investment in PRS development, citing examples in England and Northern Ireland. Building-to-rent may become more common, particularly to meet the needs of families, and could be encouraged by planning authorities working with developers and lenders. However, other studies present a mixed view on the role of institutional investors. Given the predominance of individual landlords in the PRS, these landlords must also be incentivised to bring forward PRS supply.

International studies suggest that tax advantages are the most prominent mechanism for incentivising individuals to bring forward private rented accommodation. Recent changes to Stamp Duty Land Tax (SDLT), aimed at encouraging investment in private rented housing, indicate government willingness to consider tax incentives. However, incentives to encourage investment in the PRS must generate additional new supply rather than simply replacing homes for sale or social rented housing.

#### ***Achieving a stable PRS market***

Many landlords saw mechanisms such as landlord registration or accreditation schemes as burdens that did not offer them any advantages. While there are valuable schemes working to increase access and promote positive relationships between landlords and tenants, more fundamental reforms are needed.

An alternative structure of landlord incentives, together with checks and balances around tenants' interests, would be a good starting point for reform. This may alleviate concerns about the increase in security of tenure reducing the supply of private rented homes. Other studies suggest scope for

governments to trade incentives and constraints, not only to increase the supply of private rented housing but also the conditions on which it is offered to tenants, including rent levels and security of tenancy. This approach could make best use of existing UK housing tenure structures, where the ability to offer longer-term tenures is available but rarely used. Tax incentives may help overcome the problem of buy-to-let lenders being unwilling to support longer term tenancies within their mortgage terms. With many more households in the PRS by 2020, closer working relationships between representatives of landlords and tenants need to be forged and policy-makers must consider the needs of tenants and landlords more fully.

### Social rented sector

Although stakeholders made few definitive proposals for reform, the message was clear: low-income and vulnerable young people should have access to social rented housing. More supply is clearly needed and there are concerns that policies such as 'Affordable Rents' and the 'Right to Buy' may reduce provision further. There was overwhelming support for the expansion of social lettings within the PRS, i.e. where an agency acts as a broker between the landlord and tenant. However, within an open market, the PRS is unlikely to meet the needs of vulnerable young people. There may be scope for social landlords to offer more shared properties at rents comparable to local housing allowance rates.

### Vulnerable young people

With homelessness rising and resources to tackle homelessness declining, there was a lot of concern about vulnerable young people. Increased competition within the PRS, along with welfare reform, mean that many young people may not have their needs met by the PRS. Many feared a return to unsatisfactory bed and breakfast or hostel accommodation for homeless young people. The challenges will differ across the UK, with increasingly diverse homelessness policies being adopted. Stakeholders advocated greater provision of shared accommodation in response to changes in Housing Benefit that restrict payments to young people under 35 to the rate of a single room in shared accommodation. Landlords could create small-scale shared accommodation options. However, most young people in the study viewed shared accommodation as undesirable. They felt that they should have the same access to accommodation as adults.

### Conclusion

In 2020, young people will be further marginalised within a badly functioning housing system. Responding to the housing challenges facing young people in 2020 will require fundamental interventions in the UK housing system. There is a particular need to reform the PRS, balancing the interests of both landlords and tenants. The growing number of families living in the PRS will create a need for more stability in the sector.

### About the project

The research involved interviews with 50 young people and 50 key stakeholders, alongside a literature review to determine the key drivers of young people's housing experiences up to 2020. Data from interviews, the British Household Panel Survey and the Labour Force Survey were used to make projections for 2020. Findings were presented to 71 additional young people and 52 additional stakeholders who then put forward responses to the emerging challenges.

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## FOR FURTHER INFORMATION

This *Findings* is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF. The main report, *Housing options and solutions for young people in 2020* by David Clapham, Peter Mackie, Scott Orford, Kelly Buckley and Ian Thomas with Iain Atherton and Ursula McNulty, is available as a free download at [www.jrf.org.uk](http://www.jrf.org.uk)

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