

**JRF programme paper:  
Young people and housing**

## **Young people and housing in 2020: identifying key drivers for change**

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**November 2010**

This paper:

- identifies seven key drivers likely to influence the housing options of young people in the next ten years;
- collates and presents key data relevant to the housing options of young people;
- lays foundations for the next stage of research, which will develop scenarios of the housing circumstances of young people in 2020.

**The Joseph Rowntree Foundation (JRF) commissioned this paper as part of its programme on young people and housing, which aims to improve the housing options available to young people aged from 16 to 30 from across the UK.**

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The Joseph Rowntree Foundation has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of JRF or the Young People and Housing Programme.

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## Summary

This first report of a study supported by the JRF about the housing challenges that will face young people in 2020 sets out to identify and explore the key drivers likely to influence the housing options of young people in the next ten years. Seven key drivers were identified:

- **Access to home-ownership:** Young people are likely to continue to face considerable barriers to home-ownership up to 2020, despite the future policy emphasis on 'affordable' models of home-ownership aimed at supporting young people into the tenure.
- **Housing expectations and aspirations:** Many young people now expect to become home-owners later in their lives and it appears that most young people continue to aspire to home-ownership in the long-term.
- **The role of the private rented sector:** The private rented sector is expected to continue to expand in line with current trends and it is likely that increasing numbers of young people will utilise the sector over the next ten years. Young people in receipt of housing benefit are less likely to be accommodated in the sector.
- **Availability of social housing:** Stakeholders across the UK do not expect the supply of non-market housing to meet future need. They believe future spending cuts will mean reduced investment in new social housing. However, stakeholders believe there will be some diversification within the sector with an increasing emphasis on low-cost ownership and intermediate rental products.
- **Employment:** Stakeholders generally agree that unemployment is likely to remain high amongst young people and will therefore be a key influence on their housing options.
- **Welfare benefits:** Stakeholders think proposed changes to welfare benefits will have a detrimental impact on the housing circumstances of young people over the next ten years.
- **Housing-related support services:** There are no projections for the future of Supporting People services available but stakeholders are clear that likely cuts will significantly influence the housing options of young people over the next ten years.

The second stage of this project will use the drivers identified in this report to develop scenarios of the housing circumstances of young people in 2020. The report is likely to be published in the summer of 2011.

# Introduction

Young people currently face many challenges in all tenures of the UK housing market. Whilst most challenges are not new, the recent economic decline has heightened some of the problems such as lack of credit and high rates of unemployment. Recent economic, social and political change has resulted in a lot of uncertainty in the housing options of young people, so the Joseph Rowntree Foundation has commissioned Cardiff University to consider what the situation might be like for young people (aged 16-30) in 2020.

The study will identify the key drivers likely to influence the housing options of young people in the next ten years. The trajectories of these drivers will then be modelled to produce a set of scenarios that can be used to identify key challenges and potential policy and practice solutions. Notably, many elements of housing policy are devolved functions to the Assemblies in Belfast and Cardiff and the parliament in Edinburgh. So, the direction and details of policy and practice will differ between the parts of the UK. Three reports will be produced at key stages in the research:

1. This report identifying the key drivers.
2. A report describing possible scenarios for young people in 2020.
3. A final report presenting key directions for policy and practice in Autumn 2011.

This is the first of the reports and it identifies the key drivers that will influence the housing choices of young people in the UK over the next ten years. A driver is anything that may affect young people's housing choices: this includes 'macro' drivers such as the economy and 'micro' drivers such as family formation. It includes drivers amenable to housing policy responses and more general ones that may be difficult to influence, although important to react to, such as economic forces.

The study draws on four sources of data to identify and comment on the key drivers:

- interviews with 50 young people from a variety of backgrounds;
- interviews with 50 key stakeholders across a range of fields including; housing practitioners, housing policy-makers, economists, education and labour market specialists, demographic change and migration specialists, and youth policy-makers;
- quantitative secondary data sources and analysis;
- existing literature.

For each of the seven key drivers identified, the report outlines the issue, the direction it is likely to take, and any potential impacts.

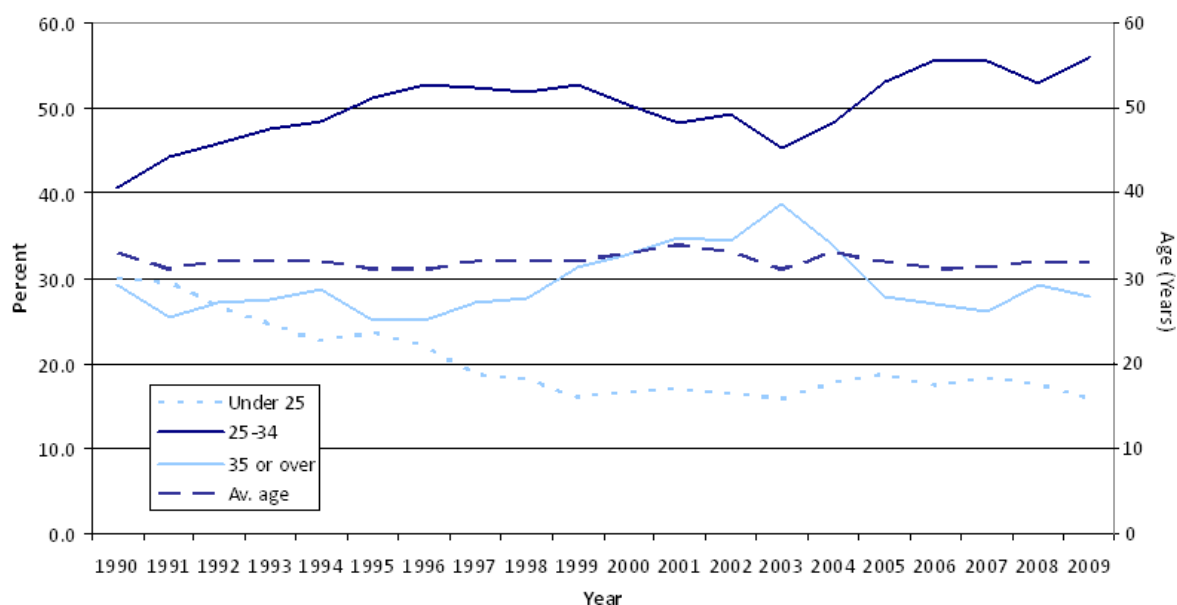
# 1. Access to home-ownership

There is concern amongst stakeholders that young people will continue to face difficulties accessing home-ownership over the next ten years. They claim the impacts of the recent recession will adversely affect young people's chances of becoming home-owners due to restrictive lending practices and mortgage affordability issues. This section explores the extent to which accessing home-ownership is a problem by considering data on: the age of first time buyers, mortgage availability, mortgage costs, and mortgage products. The section also presents stakeholder comments on the possible future direction of this driver and the implications for young people.

According to the Council of Mortgage Lenders (2009) the average age of a first time buyer in the UK is 31, which would suggest home-ownership is already out of reach of many young people. Figure 1 demonstrates this is not a new trend, as the average age of first time buyers has remained relatively constant between 1990 and 2009. However, it is significant that the proportion of first time buyers under 25 almost halved during the same period, which would suggest that young people under 25 are increasingly unable to access home-ownership. In addition, the average age of first time buyers who do not have access to financial support increased from 33 in 2005 to 36 in 2009 (CML, 2009).

This data supports the assumption by stakeholders that financial support from families is likely to be a crucial factor in the ability of young people to access home-ownership in the future (see also Heath, 2008). This raises concerns that the distribution of personal wealth is, and is likely to continue to be, increasingly polarised along class lines: evidence from Appleyard and Rowlingson (2010) argues that the gap between the 'housing haves' and the 'housing have-nots' is increasing, and that the Government's aspiration for 75% of the public to be home-owners is not only unlikely, but could well contribute to a more marked division between those families with and those without housing wealth.

**Figure 1 Percentage of all mortgages to first time buyers in the UK by age group and average age of first-time buyers (1990–2009)**

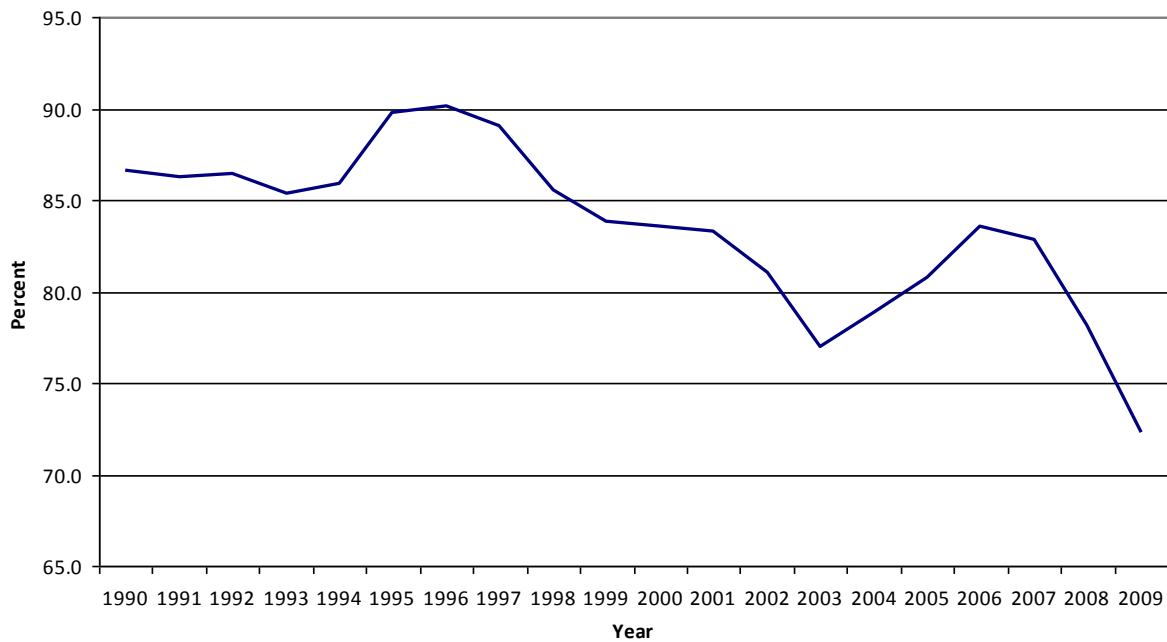


Source: CLG (2010) Live Table 537

Stakeholders believe that levels of lending to first time buyers are currently low and will continue to be low over the next ten years, which presents a barrier for young people who wish to access ownership. The Council of Mortgage Lenders (2010a) estimate that in 2008 and 2009 the number of first time buyers accessing home-ownership was less than half the longer term average.

One reason why mortgage lending rates are low is the relatively low loan-to-value ratios for most mortgage products. Figure 2 demonstrates that the loan-to-value ratio for first time buyers was quite erratic between 1990 and 2009, reflecting various lending policies during this time, but there is a general trend of decreasing loan-to-value ratios between 1990 and 2009. The result is that first time buyers have to find a bigger deposit to bridge the funding gap. In the first quarter of 2010, the Bank of England calculated the median size of the deposit for first time buyers to be over £30,000, more than double the median of £15,000 in 2007 (Bank of England, 2010). Andrew *et al.* (2006) note that young people are particularly disadvantaged by this trend because they have had limited opportunity to accumulate the liquid wealth required for the deposit and are on relatively low wages at the start of their careers.

**Figure 2 Loan-to-value ratio for first time buyers in the UK (1990–2009)**



Source: CLG (2010) Live Table 517

Given the recent trends described above, stakeholders are clearly concerned about the ability of young people to access home-ownership over the next ten years, but there is little data forecasting future trends of access to credit and the availability of high loan-to-value ratio mortgages. Speculative data suggests that lending to first time buyers is unlikely to return to 'pre-crunch' levels over the next ten years (Pawson and Wilcox, 2010), although there may be some easing in loan-to-value ratios. The CML (2010b) speculates that policy interventions, such as the stamp duty exemption for first time buyers and low interest rates, may improve access to home-ownership in the short-term for young people who have access to credit and a sizeable deposit. However, ability to access credit will be put under pressure in the longer term due to tighter regulation proposed by the Financial Services Authority, which will weaken the ability of lenders to increase the flow of credit into the mortgage market back to 'normal', pre-crunch levels (CML, 2010b; Pawson and Wilcox, 2010).

In addition to challenges directly relating to the finance of home-ownership, stakeholders state that other financial and affordability constraints, such as the cost of higher education and associated student debt, will be a further barrier to home-ownership (Heath, 2008). Reforms within the higher education system are expected to increase the level of student debt for future graduates. When combined with increased borrowing constraints imposed on first-time buyers by lenders, this could lead to delayed transitions into first home-ownership by graduates (Andrew, 2010). Equally, some stakeholders highlight that many young people currently in private rented accommodation may have finances in place to support home-ownership and may be waiting for conditions to improve; at which point there may be an influx of first time buyers into the housing market.

Stakeholders claim that some of the financial barriers currently preventing many young people from accessing home-ownership will be eased by the anticipated



increase in 'intermediate' and 'flexible' approaches to home-ownership, such as shared ownership schemes. Such policy initiatives are largely considered positively by most stakeholders who believe they could possibly improve young people's access to home-ownership over the next ten years.

## **Driver summary**

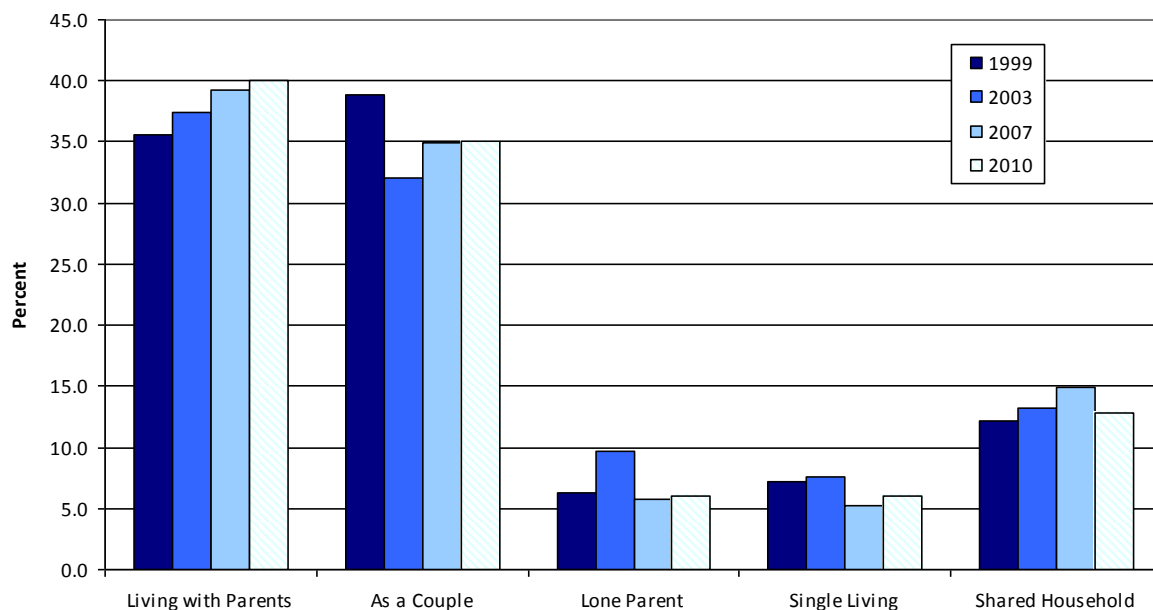
- The average age of first time buyers is 31, although for those with no financial support available it is 36.
- The proportion of first time buyers aged under 25 years has declined in the last 20 years.
- Levels of lending to first time buyers have decreased since the onset of the 'credit crunch' and mortgage products have seen decreasing loan to value ratios, requiring larger deposits. Larger deposit requirements disproportionately affect young people who have had less time to accumulate liquid capital.
- Young people who enter further education are increasingly likely to accumulate debt that will reduce the availability of liquid wealth necessary to pay a deposit.
- Young people are likely to continue to face considerable barriers to home-ownership up to 2020, despite the policy emphasis on 'affordable' models of home-ownership aimed at supporting young people into the tenure.

## 2. Housing expectations and aspirations

Many key stakeholders claim that young people's housing aspirations and expectations are changing, partly due to difficulties in accessing home-ownership. Stakeholders suggest that these shifting aspirations and expectations should be considered to be a key driver over the next ten years. This section describes the current living arrangements of young people; presents secondary and primary data on the changing housing aspirations of young people; and reflects on the contradictory nature of the findings in order to comment on the likely impact of this driver.

Stakeholders highlight that the transition to independent living has extended considerably over the last two decades, and many young people find themselves living at home with parents for longer due to financial constraints and a lack of affordable housing (see also Heath, 2008). Data from the Labour Force Survey generally supports these claims (Figure 3). Furthermore, Wallace (2010) argues that, from a review of recent literature concerning attitudes to tenure, many households move between and return to tenures, which suggests a reconfiguration and expansion of commonly assumed housing pathways (also see Rugg, 2010).

**Figure 3 Living arrangements of young people aged 18–30 in the UK (1999–2010)**



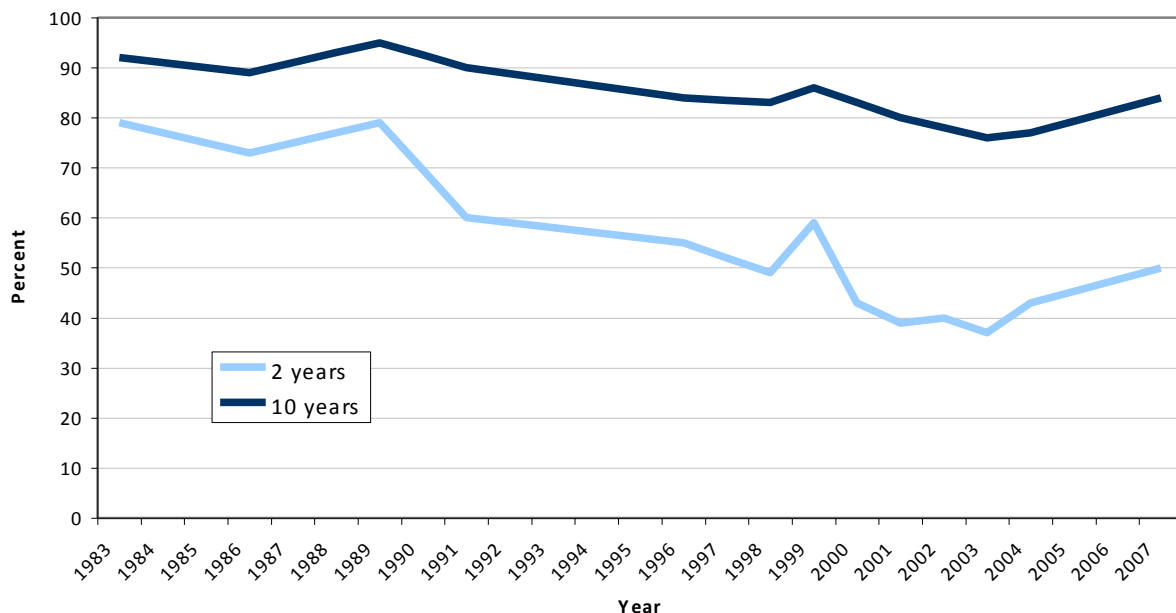
Source: Labour Force Survey, ONS

Stakeholders are concerned that youth transitions will be extended further by the recent recession, which many claim will lead to the housing expectations of young people changing over the next ten years. Many feel that young people will increasingly have to stay at home for longer or rent, and that home-ownership will not be considered as an option for the majority of young people. This perspective concurs with a YouGov poll about the impact of the recession on attitudes to home-ownership conducted for the Chartered Institute of Housing (2009). The survey found that after the credit crunch fewer people believed home-ownership was for them.

This particularly proved to be the case for 25–34 year olds: 83% said home-ownership was their ideal tenure before the credit crunch, and this reduced to 69% when the survey was conducted in 2009.

Young people’s attitudes towards home-ownership have fluctuated over the last two decades. Figure 4 demonstrates that until the end of the 1990s preferences for home-ownership did not dip below 77% of young people. After the turn of the millennium, two-year preferences for home-ownership initially declined and there has been increasing disparity between young people’s short-term and long-term preferences, indicating to some extent that young people are now expecting to become home-owners later in life. Furthermore, Wallace (2010) claims that early evidence is emerging in the current economic downturn that suggests borrowers are eschewing home-ownership to be free of the financial anxieties and responsibilities it brings.

**Figure 4 Percentage of young adults with a preference for home-ownership in two and ten years’ time (Percentage of under 25s)**



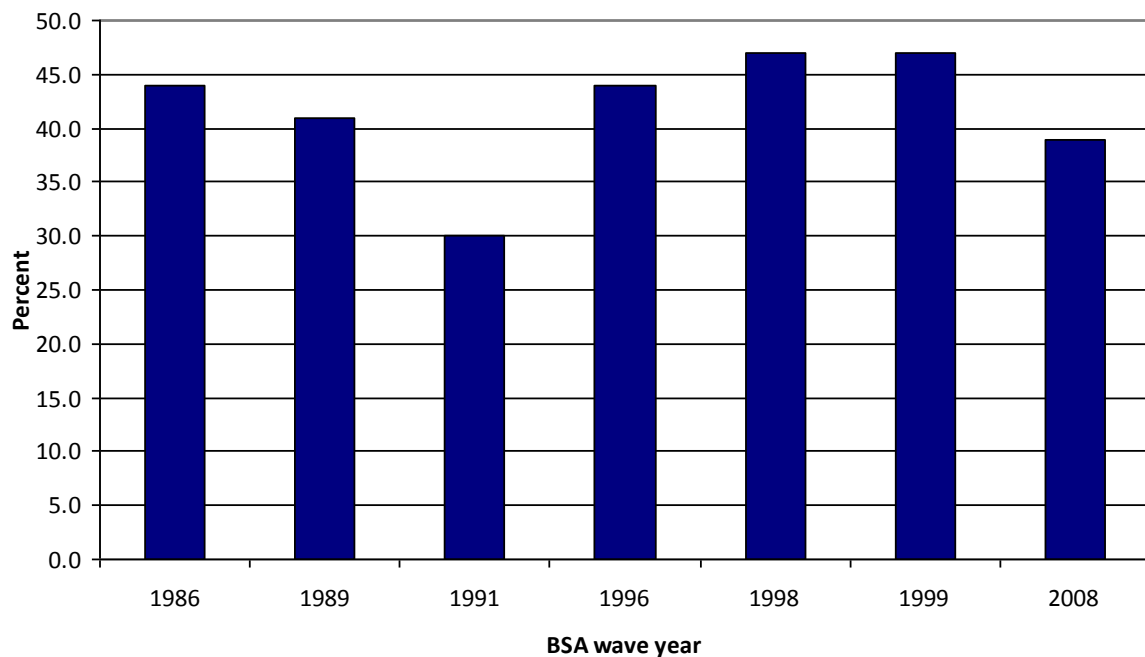
Source: CML (2007)

Many of the young people we interviewed are frustrated by their inability to access home-ownership, yet continue to aspire to home-ownership. Whilst many young people expect to rent privately prior to owner-occupation, they claim not to be delaying taking action to achieve home-ownership. However, they do recognise many of the barriers discussed in the previous section. These findings highlight a contradiction between stakeholder perceptions and the aspirations of young people. Recent literature has pointed to owner-occupancy as the aspiration for most young people, but housing market failure has placed this out of reach for the majority of young people (ECOTEC, 2009; Quilgars *et al.* 2008), leaving them to seek private rented accommodation as an alternative (ECOTEC, 2009). This has been accelerated by the current recession, and whilst the *expectations* of young people have changed, they continue to *aspire* to home-ownership in the same way that recent pre-recession literature suggests.

The YouGov survey for the Chartered Institute of Housing (2009) demonstrated that 70% of people still believe home-ownership is a good investment. This ‘financial’ advantage to home-ownership is well-documented: Clegg *et al.* (2007) highlight that home-ownership is seen as offering freedom and flexibility and the alternative, renting, is seen as ‘dead money’ (Quilgars and Jones, 2008). These sentiments are echoed in our consultation with young people, who see home-ownership as offering more freedom and a better financial choice than renting only to ‘line someone else’s pocket’.

Figure 5 demonstrates that young people’s perceptions of the cost of ownership in comparison to renting has fluctuated over the last two decades, and in 2008 there was a sharp fall in the number of people who believed ownership was less expensive than rental in the long-term. Thus, existing data trends would suggest that people are more cautious regarding the cost of home-ownership.

**Figure 5 Percentage of UK young adults who strongly agree buying a home works out less expensive than paying rent (1986–2008)**



Source: 1986-1998 data reproduced from Ford and Burrows (1999); 1999-2008 data from BSA, Natcen

Some stakeholders claim that young people are increasingly choosing to ‘house share’ or stay with parents as a strategy of overcoming market affordability issues. However, stakeholders are concerned that young people might be ‘forced’ into shared housing, rather than this being a ‘free choice’ as Heath and Cleaver (2003) had previously argued was the case with shared living arrangements amongst young people.

In a later paper produced by Heath (2004), this duality was acknowledged in relation to peer-shared households; young people may be forced to live with peers by economic constraints, however for some there may be a conscious decision to share with friends over living alone or with their families. Sharing was seen as an expected

part of young adulthood, being most prevalent amongst graduates who had previously experienced this living arrangement as part of the 'student lifestyle' (Heath, 2004). However, Rugg (2010) highlights that young people may become 'trapped' in certain tenures, such as privately rented house shares, delaying the progression of their housing pathway and the timing of certain life events such as couple formation and having children. Indeed, an NHPAU (2008) report notes that if affordability continues to deteriorate at past rates, by 2026 around one million households would not be able to form, which directly impacts on the ability of young people to form new households in the future. As such, Wallace *et al.* (2009) in their review of recent evidence suggest that it is affordability pressures that mainly constrain aspirations, particularly demands for home-ownership.

Demand and desire for social rented accommodation amongst young people has traditionally been high since it is thought to provide affordable rents, security of tenure, and a sense of community (Rugg, 2010). However, recent evidence suggesting that there are differences in the educational attainment and earning levels of low-income households in social rented accommodation has negatively impacted upon the cultural perceptions of social housing (Lupton *et al.*, 2009). Furthermore, Rugg (2010) notes that feasible and achievable housing options for younger people on low incomes in social housing and in the private rented sector have been stigmatised in recent years.

Many of the young people we interviewed, particularly young care leavers, were reticent to access social rented accommodation due to negative cultural assumptions about the tenure. However, Wallace (2010) highlights evidence suggesting that the stigma largely comes from those residing outside the sector rather than those within it, who actually report high levels of satisfaction. Some stakeholders also speculated that, with the anticipated reduction of the sector, social housing would only be for those in most housing need, and will increasingly become associated with vulnerability rather than viewed as a viable housing tenure choice by most young people.

As Wallace (2010) argues, a complex set of factors influences attitudes to housing, including past and current economic conditions and housing markets, as well as the more cultural perceptions of tenure discussed above. There is clearly some disagreement regarding the future direction of young people's housing aspirations, and both the primary and secondary data presented within this report reveal some stark contradictions on the topic.

It is clear that young people's aspirations are not currently being met, nor are they likely to be over the next ten years. Young people still aspire to home-ownership, but recent economic conditions have seen young people change the timing of those aspirations, aspiring to home-ownership in the long term rather than the short term. Whether young people's anticipated difficulty to access home-ownership will affect their housing aspirations in the future is uncertain, although stakeholders would argue that young people's attitude towards home-ownership will change up to 2020.

## Driver summary

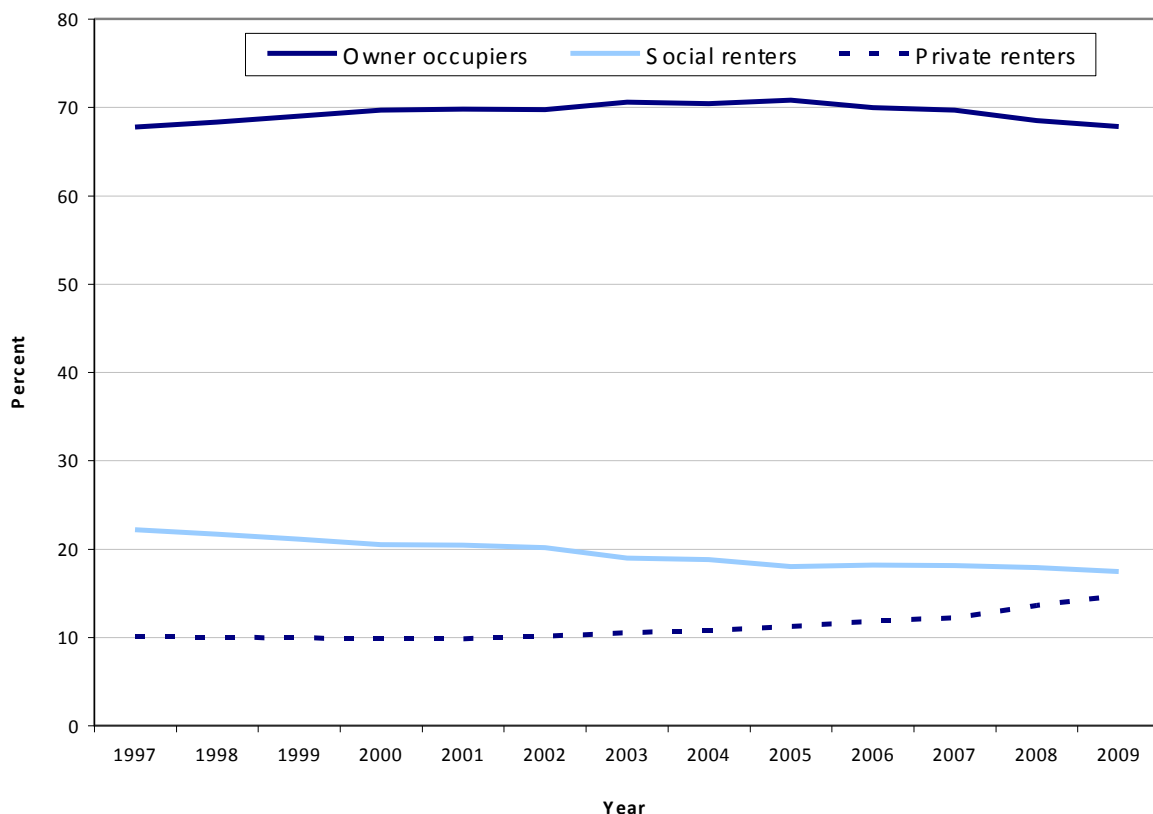
- Many young people find themselves living at home with parents for longer due to financial constraints and a lack of affordable housing.
- Many young people now expect to become home-owners later in their lives but it appears that most young people continue to aspire to home-ownership in the long-term.
- Despite a recent decline, a significant proportion of young people still believe buying a home works out less expensive in the long term than paying rent.
- Some stakeholders claim that young people are increasingly choosing to 'house share' or stay with parents.
- Many young people are reluctant to access social housing due to the increasing stigma attached to this tenure, whilst others who are not in 'priority' face difficulties in gaining entry to the tenure.

### 3. The role of the private rented sector

Key stakeholders believe that over the next ten years the private rented sector (PRS) will be increasingly significant in housing young people. This section quantifies the recent growth in the proportion of the population living in the PRS and describes the increasing cost of rents. It then considers the role of the sector in accommodating three groups of young people; those receiving housing benefits, those attending higher education, and the 'in-betweens'. The section ends by exploring the likely role of the sector as a housing option for young people in 2020.

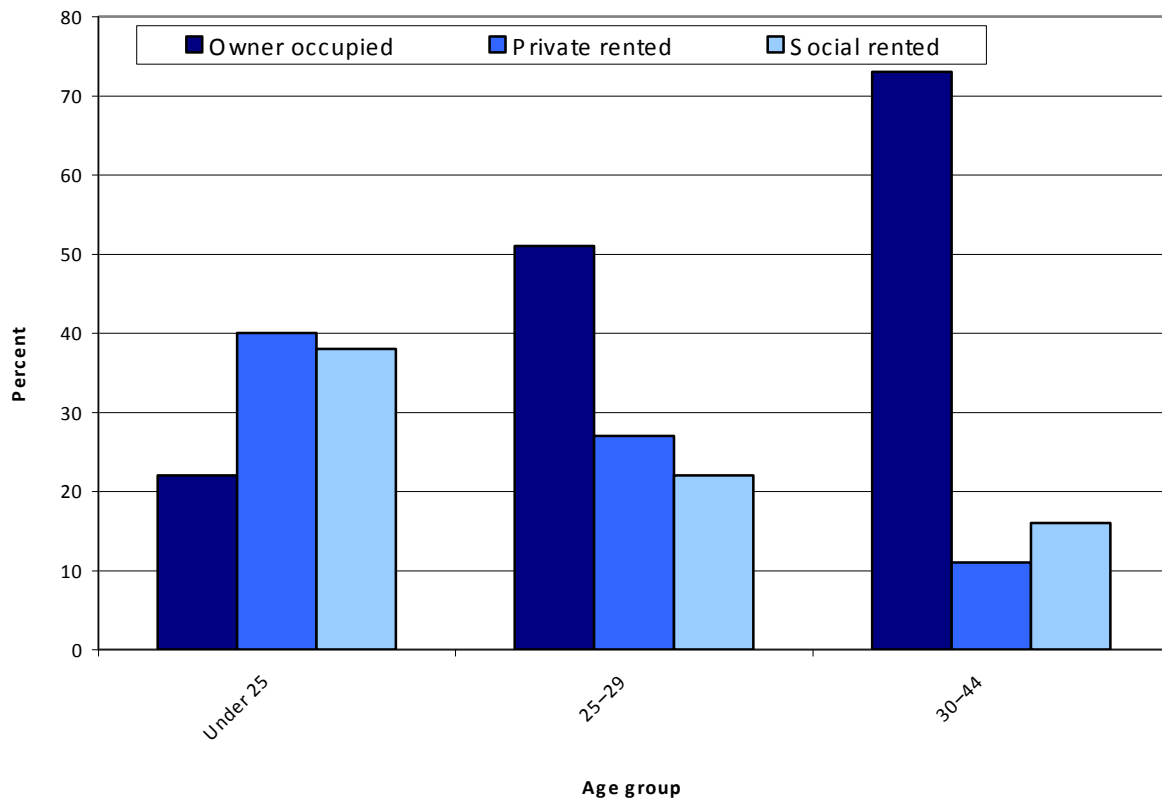
Figure 6 highlights that the PRS has accounted for an increasing proportion of households in the UK over the last decade, whilst the social rented sector has declined and owner occupation has remained relatively constant (see also Rugg and Rhodes, 2008). Figure 7 demonstrates that for young people aged under 25 the PRS is particularly important, with 40% of young people in the UK residing in the tenure in 2007. For young people aged 25-29, owner-occupation was the dominant tenure in 2007. However, the section above suggests that this trend may change over the next ten years, with fewer young people able to access home-ownership. Ball (2010) suggests that the PRS is likely to fill the gap left by a continued reduction in home-ownership amongst young people. In this context, the PRS is used as a transitional tenure for young people, with the PRS having the most youthful age profile of all tenures (Rhodes, 2006).

**Figure 6 Percentage of households by tenure, UK (1997–2009)**



Source: ONS (2010) Fig 10.4

**Figure 7 Tenures by age group in Great Britain in 2007 (excluding Northern Ireland)**



Source: ONS (2009) Table 10.7

Many note that there has been a rapid expansion of the PRS, particularly between 2003 and 2008 in the so-called ‘buy-to-let boom’ (Rugg and Rhodes, 2008; Ball, 2010). However, whilst there has been general expansion of the PRS, the rate of expansion differs across the UK. Table 1 shows that London has the highest percentage of privately rented properties and the lowest number of owner-occupied properties. Conversely, the North East has a relatively low proportion of private rented and owner-occupied accommodation, yet a high proportion of socially rented properties. Across the UK, England has the highest proportion of private renters, whereas Scotland has the smallest private rented sector by a significant proportion. Therefore, the future role of the PRS is dependent upon the availability of other tenures to young people in particular areas, and the nature of this driver will vary across the UK. In fact, many stakeholders were concerned about the ability of the PRS to cope with its future role as the ‘default’ housing tenure for young people in their particular area of the UK.



**Table 1 Tenure by region (2008)**

	<b>Owner occupied %</b>	<b>Social rented %</b>	<b>Private rented %</b>
North East	64	24	12
North West	70	19	11
Yorkshire and the Humber	69	18	13
<b>North</b>	<b>68</b>	<b>20</b>	<b>12</b>
East Midlands	73	15	12
West Midlands	70	20	11
<b>Midlands</b>	<b>71</b>	<b>17</b>	<b>12</b>
<b>East</b>	<b>72</b>	<b>16</b>	<b>13</b>
<b>London</b>	<b>55</b>	<b>24</b>	<b>21</b>
South East	72	13	14
South West	72	14	14
<b>South</b>	<b>67</b>	<b>17</b>	<b>16</b>
<b>England</b>	<b>68</b>	<b>18</b>	<b>14</b>
<b>Scotland</b>	<b>67</b>	<b>24</b>	<b>9</b>
<b>Northern Ireland</b>	<b>70</b>	<b>17</b>	<b>12</b>
<b>Wales</b>	<b>73</b>	<b>16</b>	<b>11</b>

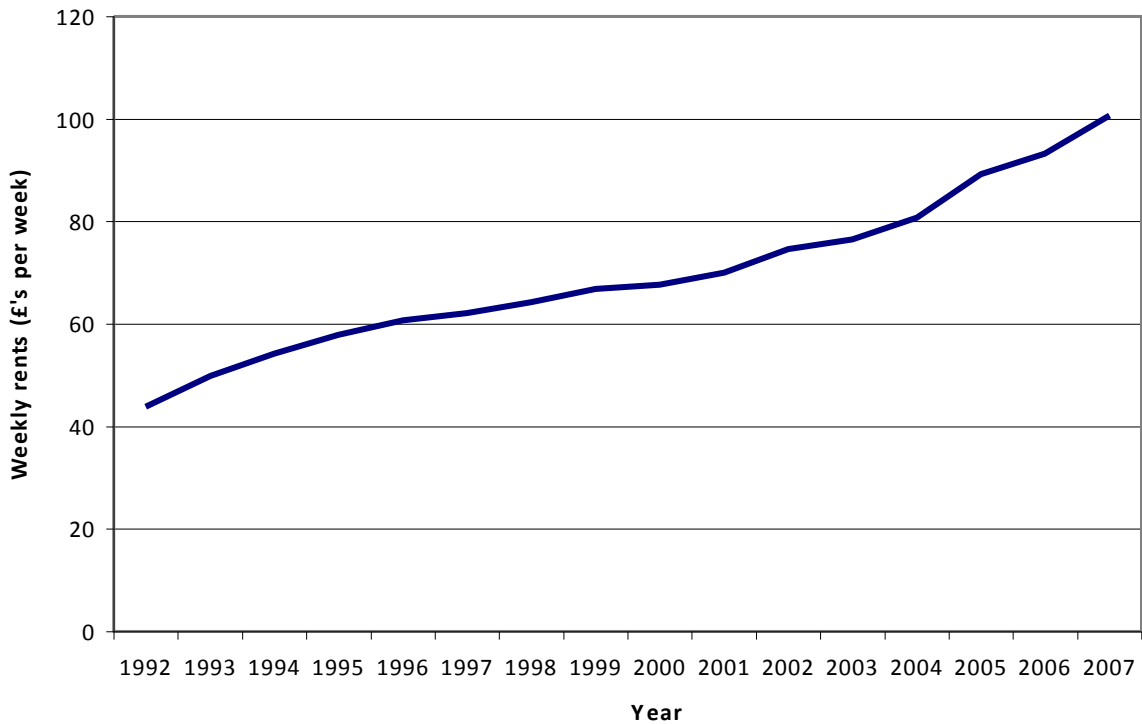
*Note: Northern Ireland data is for 08/09*

*Source: CLG (2010) Live Table S135b; Living in Wales (2008) Welsh Assembly Government; Scottish Household Survey (2007-8) Scottish Government; Continuous Household Survey, Northern Ireland (2008-9) NISRA*

As the PRS has expanded, rents have increased. Figure 8 demonstrates that the UK average weekly private rent has steadily risen between 1992 and 2007, and since 1992 has more than doubled from £44 to £101. Taking inflation into account, this equates to a real term increase of approximately £35 per week.

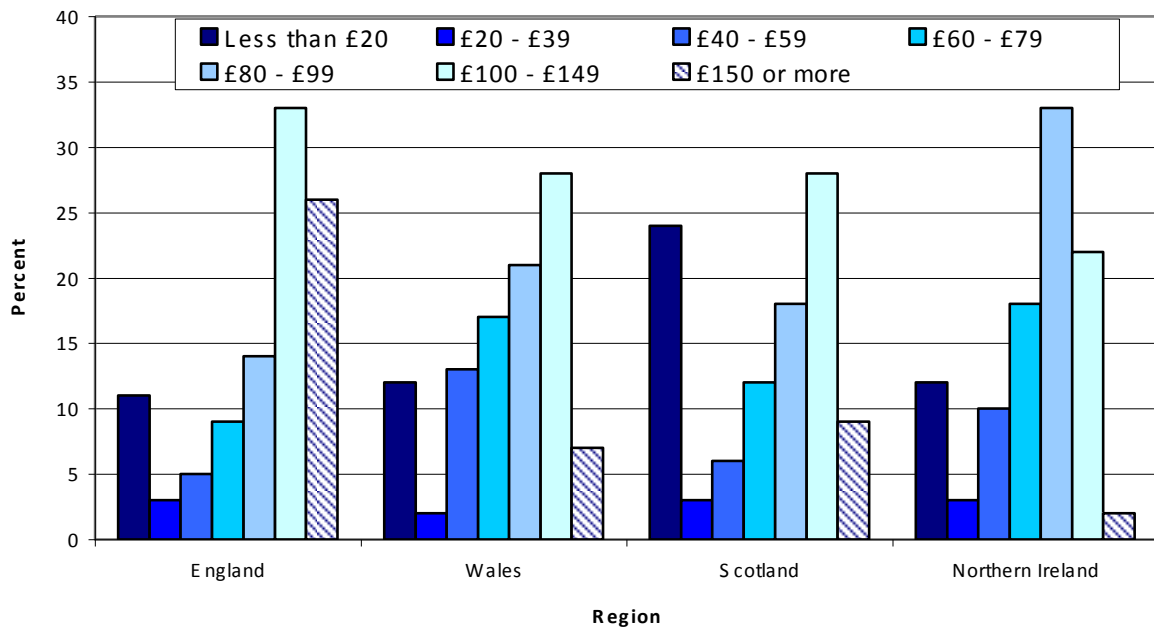
It is clear that young people are facing increasing rental costs in what many stakeholders claim is the main housing option for young people. Furthermore, private rental costs fluctuate across the UK regions: Figure 9 demonstrates that England has the highest median rents in comparison with the other UK countries, with the top two bands representing 60% of private rents. Conversely, Scotland has the highest proportion of private rents in the lowest band, with 25% of renters paying less than £20 per week. This geographical variability means that young people in particular areas will face additional affordability issues within this tenure. In addition, young people within the PRS accessing welfare benefits are likely to be affected by the proposed changes to the Local Housing Allowance, which are outlined below and in the section on welfare benefits.

**Figure 8 Average weekly rents for private rented tenants in the UK (1992–2007)**



Source: Wilcox (2009) Table 116b

**Figure 9 Average weekly rent charges in the private rented sector by UK country 2007/8**



Source: Figure reproduced from the Family Resource Survey data from the JRF Housing and Neighbourhoods monitor (2010)

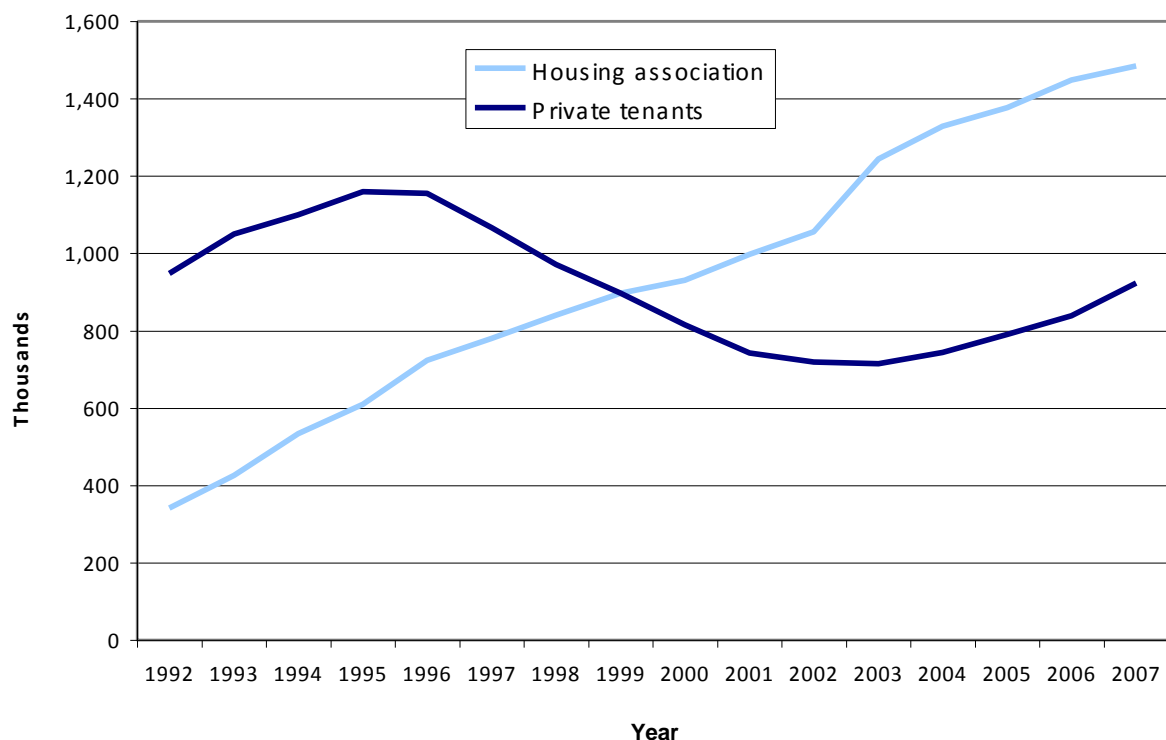
Many stakeholders believe that a current shortage of social housing has led to many young people who claim housing benefits having to seek accommodation in the PRS. Table 2 shows that approximately 18% of PRS tenants younger than 25 in England are in receipt of housing benefits. Figure 10 demonstrates that whilst the percentage of PRS tenants receiving housing benefit was in decline from the mid-1990s (see also Rugg and Rhodes, 2008), in 2003 it began to steadily increase, and more recent figures (Figure 11) show a continuation of this trend. This would support stakeholders' claims that housing benefit tenants are increasingly turning to the PRS due to a shortage in current social housing.

**Table 2 Proportion of households in the private rented sector in England receiving housing benefit by age of household reference person (2007–08)**

Age	All households ('000s)	All households receiving housing benefit ('000s)	% households receiving housing benefit
Under 25	502	90	18
25-34	938	137	15
<b>Total</b>	<b>2,612</b>	<b>576</b>	<b>22</b>

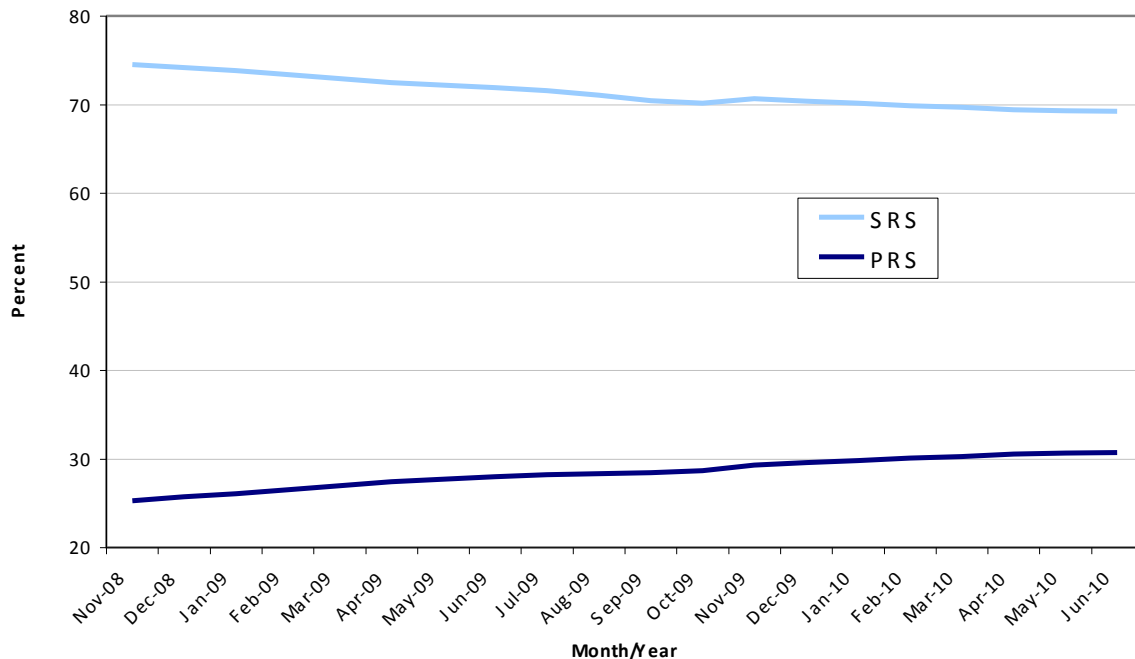
Source: CLG (2010) Live Table 735 and 736

**Figure 10 Numbers in receipt of housing benefit by sector in the UK (1992–2007)**



Source: Wilcox (2009) Table 116a

**Figure 11 Proportion of all housing benefit recipients who are private rented sector (PRS) and social rented sector (SRS) tenants, Great Britain (Nov 08 to Jun 10)**



Source: DWP (2010a) Table 4

Existing literature highlights that for those young people dependent upon housing benefit, the PRS has always been problematic. First, there is a shortfall of accommodation within the PRS that meets Shared Room Rate (SRR) policy, which results in young people having to pay rents above the value of their benefit receipts. Secondly, many private landlords are reluctant or unwilling to let to younger benefit claimants due to their perception of young tenants as a risk. As such, young people dependant on housing benefit attempting to access the PRS may be doubly penalised.

Students have traditionally constituted a large sub-market of the PRS, and since the 1990s have made up an increasing proportion of PRS tenants (Rugg and Rhodes, 2008). This pattern reflects increasing numbers of students, particularly from overseas. To meet this demand there has been a growth in corporate providers offering student accommodation, at 18% higher rents than institutional providers (Unipol/NUS, 2007 in Rugg and Rhodes, 2008). Heath (2008) notes that debt has become normalised as part of the student experience, which is likely to result in delayed transitions into home-ownership, bringing them in line with their non-graduate peers (Andrew, 2006). However, Rugg and Rhodes (2008) note that, as a means of containing the increasing levels of graduate debt, increasing numbers of students are choosing to study whilst staying at home with parents or family.

Stakeholders working in the higher education sector claim that in recent years this has certainly been the case. Stakeholders argue that, as the financial burden on students increases, more will choose to live at home in the future. As a result, Heath (2008) suggests that this may mean the increasing number of (particularly working class) students that choose to study from home do not reap the same benefits as

those who move away, such as socialisation into the housing market and increased likelihood of securing graduate employment. Furthermore, whilst student numbers have been rising over the last decade (UCAS, 2010), public spending cuts may mean fewer university places will be available over the coming years.

A report by Davies and Lupton (2010) also highlights the plight of the 'in-betweens', namely those who are increasingly unable to access home-ownership, yet are not in enough housing need to access social rented accommodation. They claim that this group, who are often young people, will increasingly enter the PRS over the next ten years. Furthermore, Ball (2010) highlights that if the social housing sector reduces in size (as many stakeholders anticipate) then the PRS will also take over part of its rental role. Many stakeholders are concerned about the ability of the sector to meet increasing demand and its new role as the 'default' tenure for young people as the most rational 'post-boom' strategy (Rugg, 2010). The remainder of this section considers the likely trajectory of the PRS across the UK.

Many stakeholders anticipate that the expansion of the PRS (Figure 6) will continue over the next ten years. Whilst there is uncertainty about the extent of expansion in the PRS (Whitehead *et al.* 2008), Pattison *et al.* (2010) claim that if recent tenure trends persist, the PRS will be larger than the social rented sector by 2013, and by the end of the decade one in five households would be private renters. Even in a more cautious projection, Pattison *et al.* (2010) claim that the private rented sector could account for one in five households by around 2021. Along with this expansion, many stakeholders are concerned that affordability within the sector will worsen, and Ball (2010) claims that overall the prospects for private sector rents are that they will continue to rise as a result of the continuing housing shortage.

Contrary to the views of many stakeholders and the projections in recent literature, Ball (2010) claims that the PRS is unlikely to significantly increase in relative size in the future. Ball (2010) argues that there will not be the surge of demand from younger households entering or remaining in the PRS since the decline in first time buyers which boosted the PRS has already occurred. Any further reduction in the numbers of first time buyers (which he questions) will have a less proportionate effect on the size of the PRS compared to owner-occupation (Ball, 2010).

Stakeholders also identify several possible limitations to growth. Firstly, they predict that some buy-to-let landlords may seek to sell their properties as soon as the housing market begins to recover, reducing the stock available within the PRS at a time when there is likely to be increasing demand. Secondly, proposed higher Capital Gains Tax (CGT) rates applied to landlord investments may also mean that landlords seek to sell their properties. Thirdly, increasing regulation of the sector may put off potential investors (Ball, 2010) and unscrupulous landlords may be forced to leave the market, thus further reducing the stock available. Finally, many stakeholders express concern regarding the impacts of proposed reforms to housing benefits, including restricting the Local Housing Allowance (LHA) paid for different property sizes, reducing the rate of LHA to the 30<sup>th</sup> percentile and reducing the amount of housing benefit for those on Job Seekers Allowance for more than 12 months. Such changes are likely to reduce access to the PRS for those in receipt of housing benefits.

Some stakeholders were more optimistic about the nature of the changes that may take place over the next ten years within the PRS. Rhodes (2006) points out that the PRS is a highly flexible and responsive tenure that has historically adapted to the changing demands placed upon it over time and in different areas. Many saw devolution as a key process for effecting change within the PRS. Stakeholders were optimistic that the use of devolved powers to regulate the sector would make it more secure for the increasingly large proportion of young people within it, hopefully eradicating the problem of 'slum landlords' and insecure contracts that young people on lower incomes in particular currently face (Quilgars *et al.*, 2008).

However, Ball (2010) notes that regulation of the PRS could have some negative effects: if landlords are required to offer more security of tenure, this could lead to 'hand-picking' desirable tenants in accordance with their own preferences of contract length, encouraging discriminatory practices based on landlords' perceptions of tenants. Some argue that the expansion of the PRS and the move away from home-ownership for young people will bring the UK in line with other European countries, in which the PRS is the dominant tenure.

### **Driver summary**

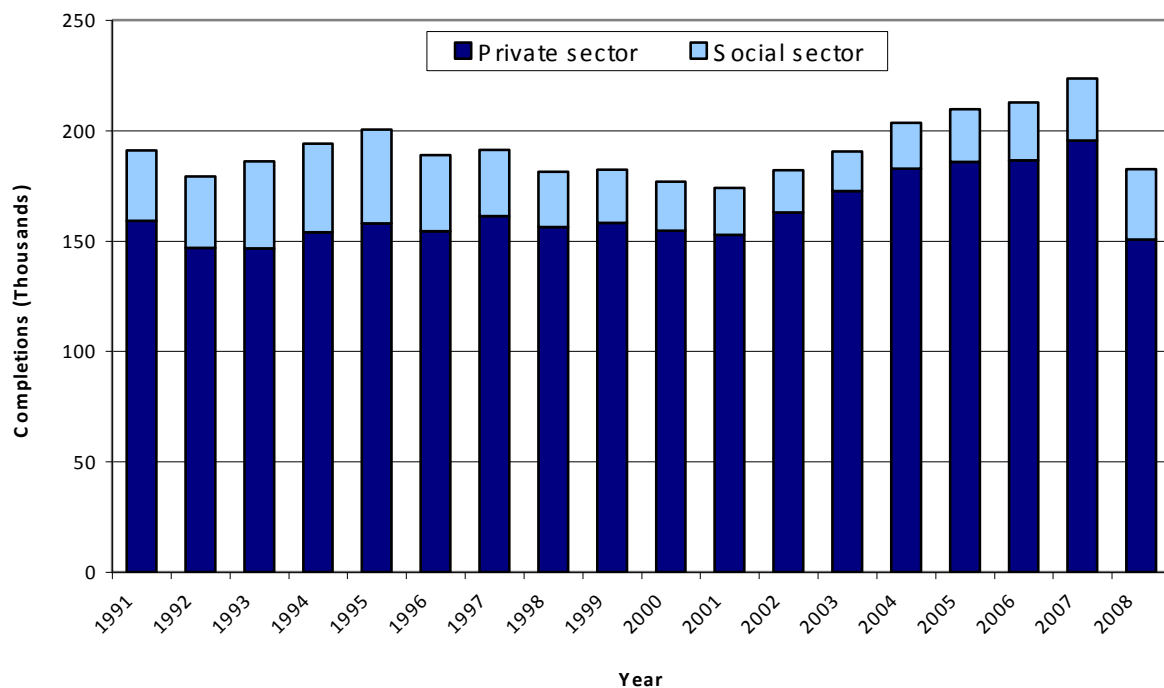
- A large and increasing proportion of people accommodated in the private rented sector are young people.
- There is a significant weight of opinion that there will be some expansion of the private rented sector over the next decade. However, there is some disagreement in the emerging literature.
- Despite continued growth, stakeholders are concerned that the sector will not be able to meet the demands of an increasing number of young people unable to access home-ownership and social rented accommodation.
- It is likely that increasing numbers of young people will utilise the sector over the next ten years, particularly those 'in-betweens' (Davies and Lupton, 2010) not accessing housing benefits.
- Some stakeholders are concerned about affordability and competition forcing young people on low incomes out of the sector but there is some optimism that the sector will become further regulated over the next ten years and that this may result in more security.

## 4. Availability of social housing stock

Many stakeholders believe the changing nature of social housing stock will be a key driver in shaping the housing options of young people over the next ten years. This section quantifies the changes in social housing provision in the UK before highlighting some of the issues young people face in the sector. Alternative models of affordable housing provision are briefly introduced before finally exploring the likely role of the sector as a housing option for young people in 2020.

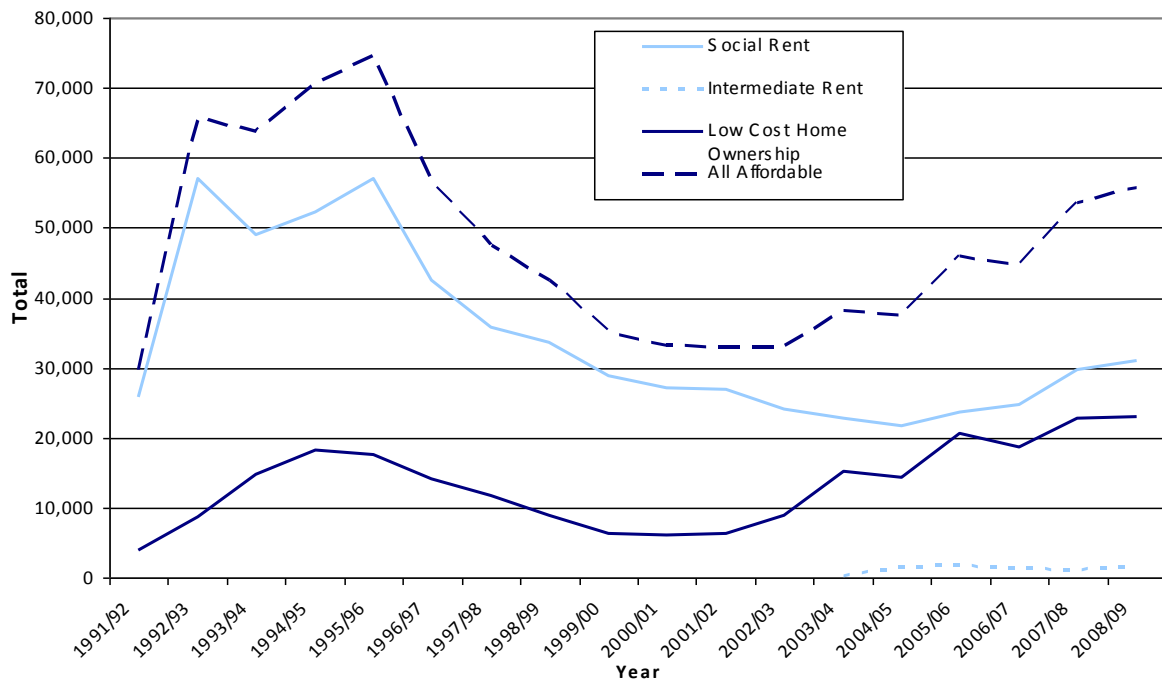
Stakeholders claim there is currently a very limited and insufficient pool of affordable housing, partly as a result of the introduction of the 'right to buy' scheme. Figure 12 shows that since 2007 the number of new build completions in the UK has decreased significantly, although it appears that the proportion of all social sector completions has increased. In fact, figures for England show that the number of new completions of all affordable housing types has increased over recent years and there has been a particularly rapid increase in the provision of low-cost home-ownership (Figure 13).

**Figure 12 UK new housing completions by sector (1991–2008)**



Source: Wilcox (2009) Table 191

**Figure 13 Additional affordable homes provided by type of scheme in England (1991/92 – 2008/09)**

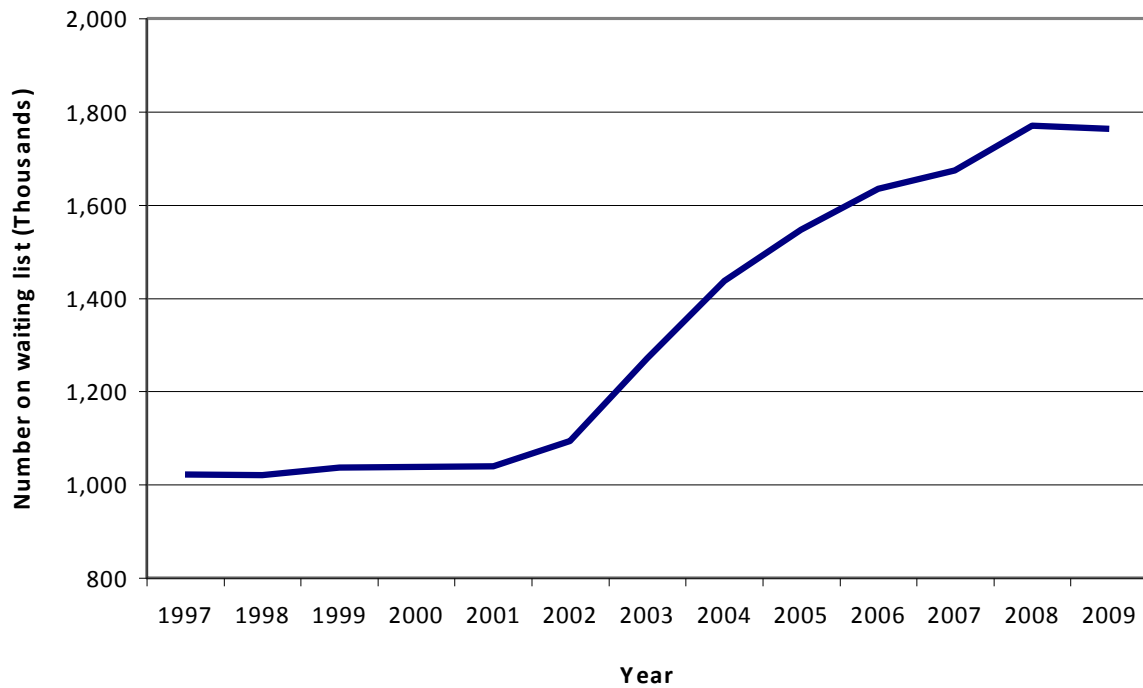


Source: CLG (2010) Live Table 1000

Whilst there has been an annual increase in the number of affordable homes built, the number of people on local authority housing waiting lists has increased over the past decade (Figures 14, 15 and 16) in England, Scotland and Northern Ireland (data is unavailable for Wales, but data from the members' research services survey (2009) claims that there were 91,000 households on local authority waiting lists). This supports stakeholder claims that there is an insufficient supply of affordable housing. However, in the last couple of years, these figures have not risen but remained at a constant high in England and Scotland, and actually decreased slightly in Northern Ireland.

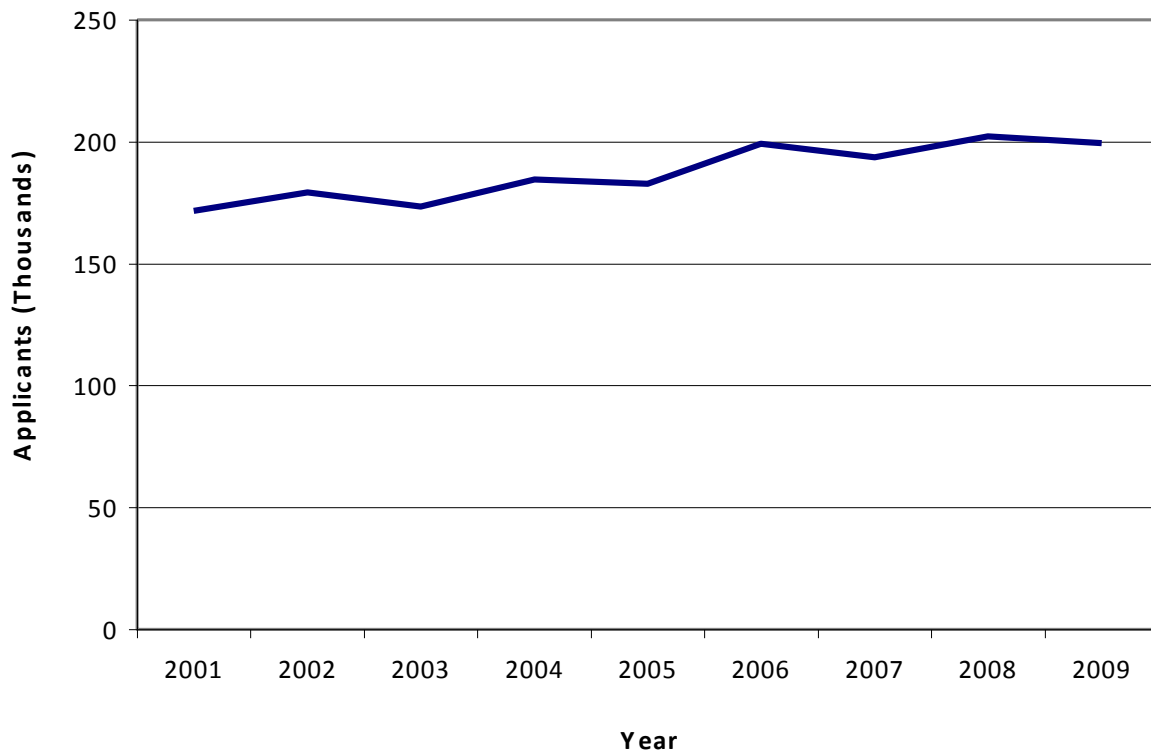


**Figure 14 Number of households on local authority housing waiting lists in England (1997–2009)**



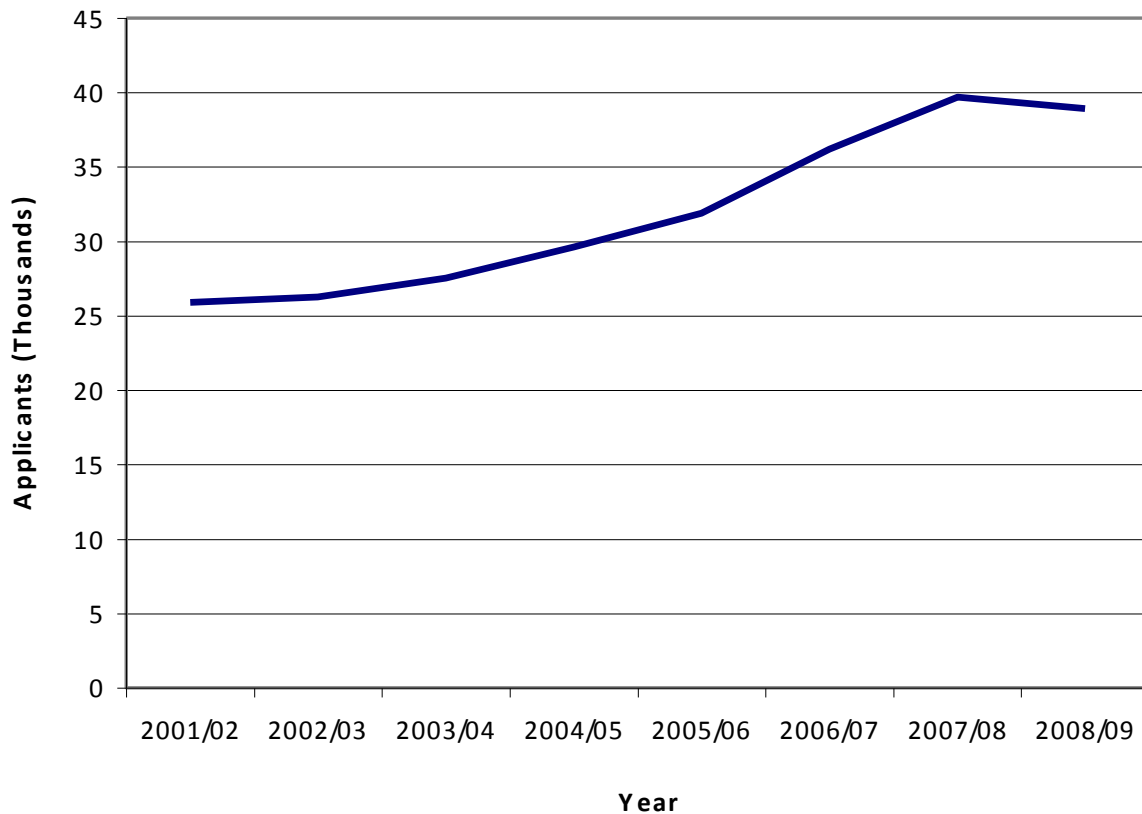
Source: CLG (2010) Live Table 600

**Figure 15 Number of households on local authority waiting lists in Scotland (2001–2009)**



Source: Scottish Government (2010) Housing statistics for Scotland, Housing lists

**Figure 16 Number of households on social rented sector waiting lists in Northern Ireland (2001/2–2008/9)**



Source: Northern Ireland Government (2009) Table 3.8

Many practitioners are concerned that social housing is increasingly reserved for those who are vulnerable, homeless or in ‘priority need’. Stakeholders argue that often these criteria exclude young people, who therefore have few alternative affordable housing options. Existing literature points not only to the limited access young people have to affordable housing (Heath, 2008; Quilgars *et al.* 2008), but also the unsuitability of social housing for the needs of young people. ECOTEC (2009) found that young people require more flexible tenure arrangements that facilitate mobility and access to education and employment. ECOTEC (2009) called for more ‘portability’ of social housing products in order to meet the specific needs of mobile young people making the transition into independent living. Furthermore, there is evidence to suggest that social housing tenants under 35 pay higher rents than social tenants in all other age groups, and they report the highest levels of rent arrears (Heath, 2008). This suggests that social housing is not meeting the needs of young people in terms of availability, flexibility nor affordability.

Stakeholders do not expect the supply of non-market housing to meet future need. Table 3 sets out projected affordable housing need across the UK, but stakeholders believe proposed government spending cuts will mean reduced investment in new social housing and consequently the targets may be missed.

**Table 3 Annual affordable housing need requirements in the UK**

Country	Annual affordable housing need (units/year)
England	67,000
Northern Ireland	2,000
Scotland	8,000
Wales	5,100
<b>UK Total</b>	<b>82,100</b>

*Source: England (Holmans et al, 2008); Northern Ireland (Semple, 2007); Scotland (Bramley et al, 2006); Wales (Holmans and Monk, 2010)*

Stakeholders claim that affordable housing is likely to diversify, with an increasing emphasis on low-cost ownership and intermediate rental products. Davies and Lupton (2010) recognise that using both social and intermediate rented accommodation to address housing need could create a 'dual system' of affordable housing in which higher income households could jump the queue due to their ability to pay higher rents. This would particularly disadvantage young people on relatively low incomes making the transition to independent living. However, stakeholders are clear that Registered Social Landlords are likely to be forced to develop market-based products of this kind in order to survive and to go some way towards meeting future need. Notably, Rugg (2010) highlights the need for this sector to develop the right products for young people's needs: she argues that it may be worthwhile exploring the use of young worker 'hotels' aimed at lower-income young people in their first jobs in addition to those intermediate rental products aimed at 'the in-betweens'.

Furthermore, many stakeholders claim that the right to buy will be ended in many contexts and this will go some way to meeting the backlog and future housing need within the social sector. It has long been suggested that the introduction of right to buy legislation reduced the amount of social housing stock since new house building was not sufficient to replace sold stock; however, Wilcox (2007) highlights that it takes 15 years for the sale of a right to buy property to impact on new social housing lets, since this is, on average, how soon a social housing tenant would have moved out of the property, allowing it to be re-let, if they had not been able to exercise the right to buy.

### **Driver summary**

- Since 2003/04 there has been a steady increase in the total number of affordable homes built in England. However, stakeholders are concerned that the stock of social housing in the UK is insufficient to meet housing needs.
- There are several current concerns about the social housing sector. Stakeholders argue that young people have limited access, whilst existing studies show that young people often report the highest levels of rent arrears in the sector and the tenure is inflexible.

- Stakeholders across the UK do not expect the supply of non-market housing to meet future need. They believe future spending cuts will mean reduced investment in new social housing.
- Stakeholders believe there will be some diversification within the sector with an increasing emphasis on low-cost ownership and intermediate rental products.

## 5. Employment

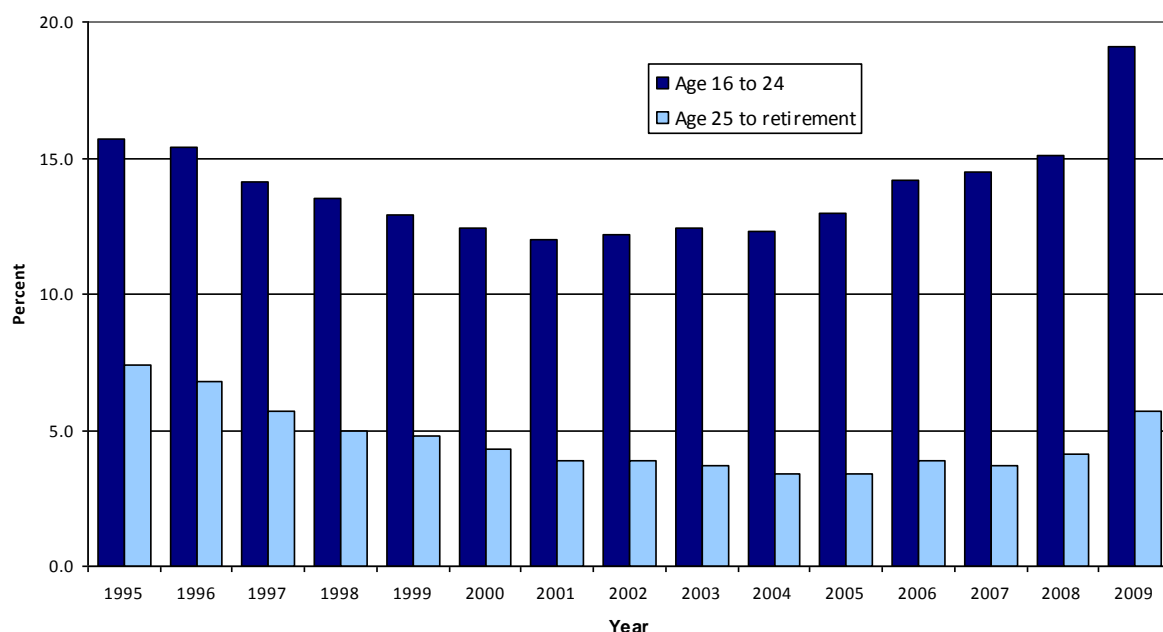
Stakeholders consider employment to be one of the key drivers likely to influence the housing choices of young people over the next ten years. This section considers the current scale of unemployment amongst young people, the consequences for housing options, and the likely trajectory of unemployment over the next ten years.

Stakeholders across the UK are concerned that unemployment levels are currently high for young people, particularly when compared to other working-age adults. According to the ONS Labour Force Survey, in 2009 there were 920,000 unemployed young people aged 16–24, which is nearly one in five young people. Figure 17 shows the proportion of adults who were unemployed between 1995 and 2009 and demonstrates two issues:

- the proportion of people who were unemployed is greater in the 16 to 24 age group compared to the 25 to retirement group;
- whilst youth unemployment has historically always been high, unemployment rates for young people have increased since the onset of the recent recession.

The endemic problem of people moving repeatedly between work and unemployment has also risen as a result of the recession, and is a pattern that is likely to get more acute in the short-term future (Goulden, 2010). Furthermore, Goulden (2010) notes that during the recession companies have been resorting to temporary employment, which means people are more likely to get trapped in the 'low pay, no pay' cycle. Many young people are particularly vulnerable to this phenomenon due to their location in often temporary and insecure areas of the labour market. Furthermore, youth unemployment also has a spatial dimension. According to Shaheen (2009), the 63 largest cities and towns in Great Britain contain 59% of the youth population but they are home to 64% of young people who claim benefits.

**Figure 17 Proportion of economically active adults in the UK who were ILO unemployed, by age (1995–2009)**



Source: Figure reproduced from Labour Force Survey data from *The Poverty Site* (2010)

Stakeholders claim that low levels of employment have consequences for the housing situation of young people. First, stakeholders believe that unemployment will lead to delayed transitions from the family home. It is thought by some stakeholders that delayed transitions might cause difficulties in family relationships, perhaps due to an increased financial burden on parents. Relatively high rates of unemployment are also likely to have consequences for the housing tenures of young people. Using the British Household Panel Survey, Ermisch and Di Salvo (1996) found that unemployment increases exits from owner-occupation and the private rented sector. Owner occupiers who experience unemployment are three times more likely to enter social housing and twice as likely to exit into a private tenancy. For private rented sector tenants, unemployment doubles the odds of moving into social housing and also doubles the likelihood of returning to the family home. In the social rented sector, unemployment decreases the likelihood of moving into owner occupation and produces a 40% decline in the likelihood of exiting the social rented sector.

Battu *et al.* (2008) claim there are associations between mobility, employment and housing tenure. Reportedly, unemployed people are more likely to move between regions, whilst mortgage holders have low levels of residential and labour market mobility relative to those in other tenures (Boheim and Taylor, 2002). UK Government policy reflects this trend and aims to encourage mobility in order to secure employment. Despite acknowledgement of the policy, stakeholders do not believe the proposed Government policy will be a key driver in shaping the housing market for young people in 2020.

Many stakeholders believe that unemployment will continue to be a problem over the next ten years because employment programmes are being cut and there will be significant losses of employment in the public sector. According to one stakeholder, there is great uncertainty surrounding employment projections, although most

economic forecasts currently anticipate a rise in unemployment levels amongst young people, at least until 2015.

## **Driver summary**

- Nearly one in five young people are currently unemployed in the UK. Moreover, the unemployment rate for young people has increased significantly since the onset of the recession.
- The proportion of all people who are unemployed is greater amongst those aged 16 to 24 years when compared to those aged 25 to retirement age.
- Consequences of high levels of unemployment amongst young people will include delayed transitions to independent living, increased exits from owner occupation and the private rented sector, and a decline in exits from the social rented sector.
- Government policy that encourages mobility to seek employment is unlikely to significantly influence the housing choices of young people.
- Stakeholders generally agree that unemployment is likely to remain high amongst young people and will therefore be a key influence on their housing options.

## 6. Welfare benefits

Stakeholders consider changes to welfare benefits to be one of the key drivers likely to influence the housing choices of young people over the next ten years. This section of the report introduces key changes to housing benefit payments and draws on stakeholder perspectives and secondary data to identify the potential impacts of these changes on the housing options of young people. Notably, the changes discussed below are taking place in an extremely fluid environment, where detailed responses to the UK Government's Comprehensive Spending Review of 20<sup>th</sup> October 2010 are still to emerge.

Many stakeholders think that proposed changes to the UK welfare benefits system will have a significant impact on the housing circumstances of young people; a claim echoed by Vine *et al.* (2010). The first welfare benefit change to be considered is the proposed reduction in Housing Benefit by 10% for anyone on Job Seekers Allowance for over twelve months. Stakeholders working with vulnerable groups, such as people who are homeless, explain that finding work is already a key priority but high levels of youth unemployment and limited employment opportunities makes finding work a challenge. Stakeholders claim this reform might result in an increase in landlords refusing to let their properties to people in receipt of housing benefit.

The Chartered Institute of Housing also suggest that this reform might result in Registered Social Landlords having to accommodate the most vulnerable people, whilst facing the prospect that housing benefits might be cut because they cannot find work (CIH, 2010). Stakeholders believe this proposal is likely to lead to more homelessness and housing problems for young people, which in turn will lead to greater costs to local authorities and the UK Government.

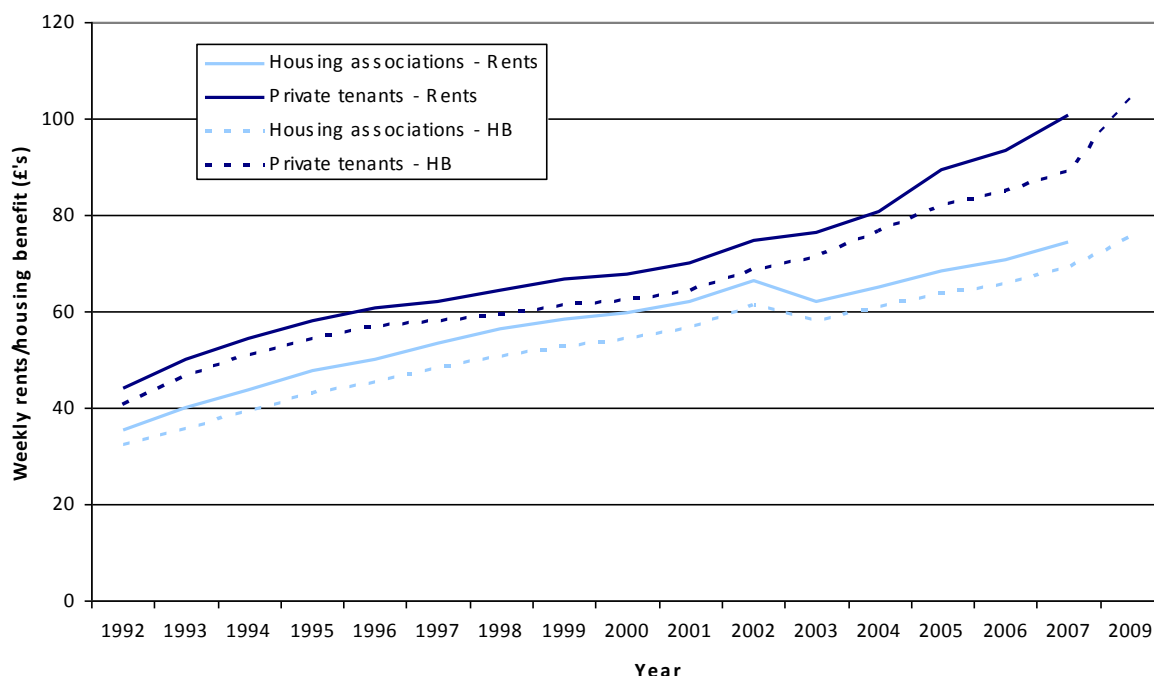
The second welfare benefit change is the reduction in the Local Housing Allowance (LHA) to cover only the lowest third (30%) of local rents. Stakeholders explain that this will mean fewer properties are available at a rent covered by LHA, and more people will have to pay a shortfall between the level of benefit and rent. For example, capping the LHA at the 30<sup>th</sup> percentile of rents in an area where 35 or 40% of private renters are claiming housing benefit will inevitably result in a proportion of claimants being unable to find accommodation within their benefit entitlement (Diacon *et al.*, 2010). According to Diakon *et al.* (2010), some of the negative impacts of this change could be reduced by adopting a more nuanced approach: they suggest that the percentile cap should be set differentially according to the claimant rate in an area.

The third change to welfare benefits is the increase in non-dependent deductions. This reform relates to the amount of money that is deducted from the housing benefit of a household if there are individuals, such as adult children, relatives or friends, living in the home. In some instances, this change will mean households are less able to make ends meet. Figure 18 shows the average weekly rents and housing benefit for housing association and private tenants. It is clear that there is already a gap between benefits and rents so any decrease in benefits would increase that gap. Furthermore, the gap between rents and housing benefit is greatest in the private rented sector, so the impacts of welfare benefit cuts are likely to be most significant in that sector. The Department for Work and Pensions (2010b) reviewed the impacts



of Housing Benefit proposals and found that, as a package of measures, the national average loss of income from housing benefit will be £12 per week, although this is much higher in London at £22 per week.

**Figure 18 Average weekly rents and housing benefit for housing association and private tenants in the UK (1992–2009)**



Source: Wilcox (2009) Table 116b

## Driver summary

- Stakeholders think that proposed changes to the UK welfare benefits system will have a significant detrimental impact on the housing circumstances of young people over the next ten years.
- The reduction in Housing Benefit by 10% for anyone on Job Seekers Allowance for over twelve months might result in an increase in landlords refusing to let their properties to people in receipt of housing benefit. Stakeholders also believe this proposal is likely to lead to more housing problems for young people, which in turn will lead to greater costs to government.
- The reduction in the Local Housing Allowance (LHA) to cover only the lowest third (30%) of local rents will mean fewer properties are available at a rent covered by LHA and more people will have to pay a shortfall between the level of benefit and rent.
- The increase in non-dependent deductions may leave some households unable to meet housing costs.
- There is already a gap between benefits and rents in social and private rented sectors so any decrease in benefits will increase that gap.

## 7. Housing-related support services

Stakeholders consider changes to housing-related support services to be one of the key drivers likely to influence the housing choices of young people over the next ten years. This section of the report briefly outlines the value of housing-related support services before commenting on the likelihood that services will be reduced and the potential impacts of such cuts.

The majority of stakeholders believe housing-related support services play a key role in meeting the needs of vulnerable young people. Housing-related support services are predominantly delivered by the Supporting People Programme, and a recent evaluation of this programme for Communities and Local Government found that it delivers a net benefit of £2.77 billion against an overall investment of £1.55 billion (Ashton and Turl, 2008). Services provided for vulnerable people, including 'at risk' and homeless young people, deliver a clear benefit. The importance of housing-related support services is frequently identified in research on the housing needs of young people (ECOTEC, 2009).

Stakeholders are concerned that there will be a significant reduction in the financing of housing-related support services. Stakeholders believe this is likely to happen because, in England and Scotland, ring-fencing has been removed from Supporting People funding and local authorities will be making significant cuts in most sectors. The National Housing Federation (2010) claims cuts to area-based grants could have a negative effect on vulnerable people as many local authorities will be compelled to reduce housing care and support services. The National Housing Federation state that if a substantial proportion of savings are found through local authorities cutting their Supporting People programmes, this could lead to the closure of hundreds of support services.

Considerable uncertainty about the nature of cuts means no projections are available for the likely changes to Supporting People services, but stakeholders are concerned that as a consequence of any cuts the outcomes for vulnerable young people will worsen over the next ten years.

### Driver summary

- The Supporting People programme reportedly delivers a net benefit of £2.77 billion against an overall investment of £1.55 billion.
- Stakeholders are concerned that there will be a significant reduction in the financing of housing-related support services, which is likely to lead to local authorities closing hundreds of support services.
- There are no projections for the future of Supporting People services available but stakeholders are clear that likely cuts will significantly influence the housing options of young people over the next ten years.

## 8. Conclusions

This first report of the JRF supported study of young people and housing in 2020 set out to identify and explore the key drivers likely to influence the housing options of young people in the next ten years. It uses data from interviews with key stakeholders and young people and compiles these perspectives with secondary data and existing literature to identify key drivers, discuss their significance to young people and consider their likely trajectories. Seven key drivers were identified:

1. Access to home-ownership
2. Housing expectations and aspirations
3. The role of the private rented sector
4. Availability of social housing
5. Employment
6. Welfare benefits
7. Housing-related support services

This first-stage report makes two key contributions:

- It provides the first attempt to identify key influences on the housing options of young people over the next ten years.
- It collates and presents key data relevant to the housing options of young people which might provide useful context to other work on young people and housing.

### Next stages of the research

The second stage of this project will use the drivers identified in this report to develop scenarios of the housing circumstances facing young people in 2020. The drivers are interdependent so the future scenarios will need to consider the changes in these drivers collectively. Furthermore, different groups of young people will be affected by changes in diverse ways. In response, the second stage of the research will consist of two elements.

Firstly, young people's broad housing experiences will be categorised into different groups or 'pathways'. Ford *et al.* (2002) previously identified five pathways amongst young people: chaotic, unplanned, constrained, student, and planned. Recent literature suggests that these pathways may no longer fully reflect young people's experiences due to the emergence of new opportunities and obstacles in their housing choices (Rugg, 2010).

Rugg (2010) argues that some pathways have become more 'valid' than others and that young people's housing pathways will alter in different housing markets, making the phenomenon more complex than the original pathways framework suggested. Consequently, British Household Panel Survey data and new empirical evidence from interviews with 50 young people will be used to redefine the different housing pathways taken by young people.

The second element of stage two will be to develop likely scenarios for young people in each of the redefined housing pathways. For each group of young people, changes in all of the interconnected drivers will be considered and where possible, the scenarios will seek to identify key differences and similarities across the UK. It is anticipated that the report of the second stage of this study will be published in the autumn of 2011.

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