

# BRIEFINGS

MIND THE  WEALTH GAP

Intergenerational Justice and Family Welfare

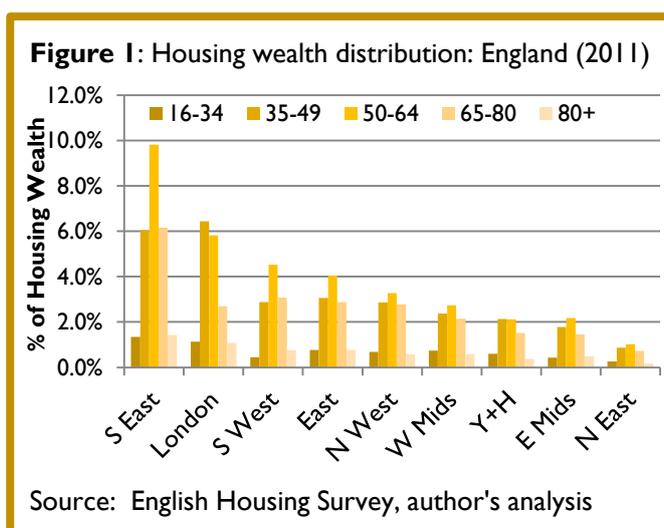


## Who owns all the housing wealth? Patterns of inequality in England

### Housing wealth varies by region

As the number of older people in the population rises, there has been increasing discussion amongst policy-makers about the potential role of housing wealth in providing financial support in later life.

Housing is the most widely spread asset; in 2011, 74% of households in England owned their home.<sup>1</sup> However, not all these owners have access to the same amount of wealth (or potential) wealth. Housing wealth is affected by the unequal growth in regional house prices. Inequalities arise both in terms of when and where housing is bought. In 1990 average house prices in the most expensive region (London) were 80% higher than in the cheapest region (North East), in 2011 the difference was 122% (between London and Yorkshire and Humberside).<sup>2</sup> Forty-two percent of the housing wealth in England is located in London (17%) and the South East (25%), compared to 20% in the North East (3%), Yorkshire and Humberside (7%) and North West (10%), and 15% in East and West Midlands (6% and 9% respectively) (Figure 1).



### Age and income inequalities in housing wealth

Variations in housing wealth compound the financial inequalities within society.<sup>3</sup> Based on home owners own accounts of their housing equity (value of home minus any outstanding mortgage debt), Figure 2 shows the extreme range of the level of equity that owners of different ages have available in their homes. The largest diversity is among 50-64 year olds. This age group are referred to as

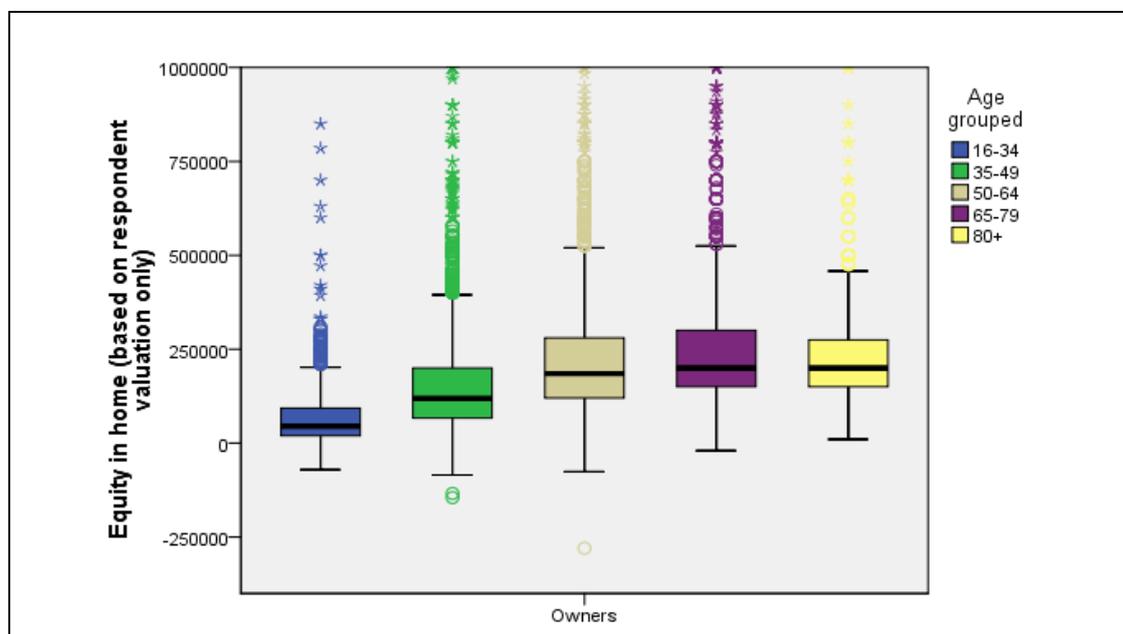
<sup>1</sup> 2011 Census; Table QS404EW. This includes outright owners and people buying with a mortgage.

<sup>2</sup> Source: Halifax House Price Index.

<sup>3</sup> Hills J (2010) An anatomy of economic inequality in the UK: Report of the National Equity Panel, CASereport60: London School of Economics

the 'baby boomers' those deemed to have benefitted most from rising house prices.<sup>4</sup> However, within this group housing equity ranges from -£280,000 (negative equity) to £1m or more, there are also 0.7m people in rented accommodation who have no housing equity. Across all age groups 7.5m people are in rented accommodation.

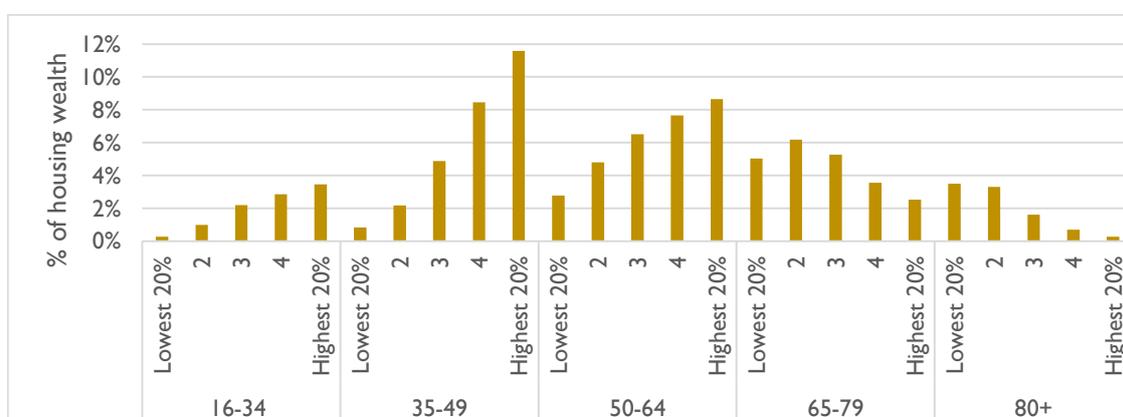
**Figure 2: Distribution of housing wealth in England by Age (2011)**



Source: English Housing Survey, author's analysis

People who have the greatest incomes also have most housing wealth. Among homeowners a quarter (26%) of all housing wealth is owned by people in the top income quintile; half (50%) is owned by the top two quintiles. Home owners in the top 20% of the population have twice as much housing equity as owners in the lowest 20%.<sup>5</sup> In England these people tend to be in younger households. A quarter (24%) of English housing wealth is owned by people under 65, who are in the top 20% of households.

**Figure 3: Distribution of housing wealth in England by Age and Income quintiles (2011)**



Source: English Housing Survey, author's analysis

<sup>4</sup> Willets D (2010) The Pinch. Atlantic Books: London

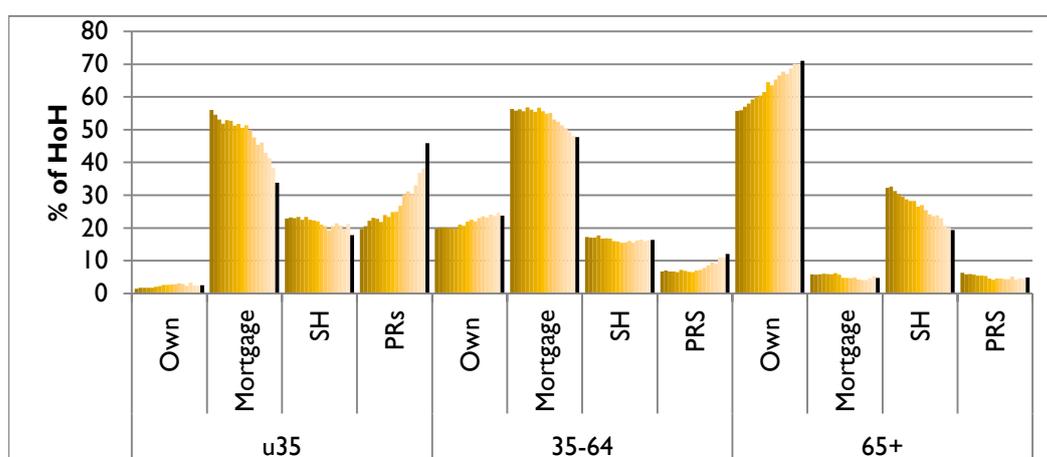
<sup>5</sup> Source: English Housing Survey 2011, author's analysis.

## Inequalities for future generations

### Changes in tenure trends

There have been some significant shifts in housing tenure over the last two decades. Whilst older households (aged 65+) are more likely to own their home outright in 2011 than in 1993 (71% and 56% respectively), younger households (aged 35-64) are less likely to be entering home ownership; mortgaged owners falls from 56% to 48%. In 1993 over half (56%) of those under 35 years old were buying their own home, whilst one-fifth (20%) were renting in the private sector. In 2011 this had almost reversed; 34% were buying their home whilst 46% were in private renting (Figure 4).

**Figure 4:** Changes in Tenure: England 1993-2011

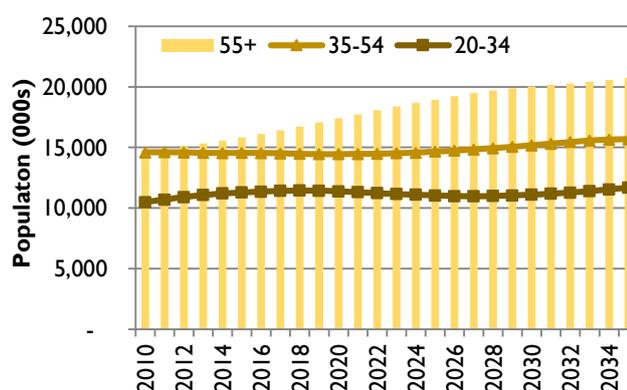


Source: Survey of English Housing/English Housing Survey, author's analysis

### Population ageing and asset-based welfare

Policy-makers, among others, are debating the potential for housing equity to be released in later life to help support retirement incomes and fund health and social care needs. One of the ways that owners can release their equity is by downsizing; selling their current home and buying something smaller (assuming this is also cheaper than their current home). Downsizing involves both sellers (in this case older owners) and buyers (younger generations). Given current population projections (Figure 5) this raises two issues. Firstly, the number of people aged 55 and over (the downsizers) is

**Figure 5:** Population projections: England 2010-

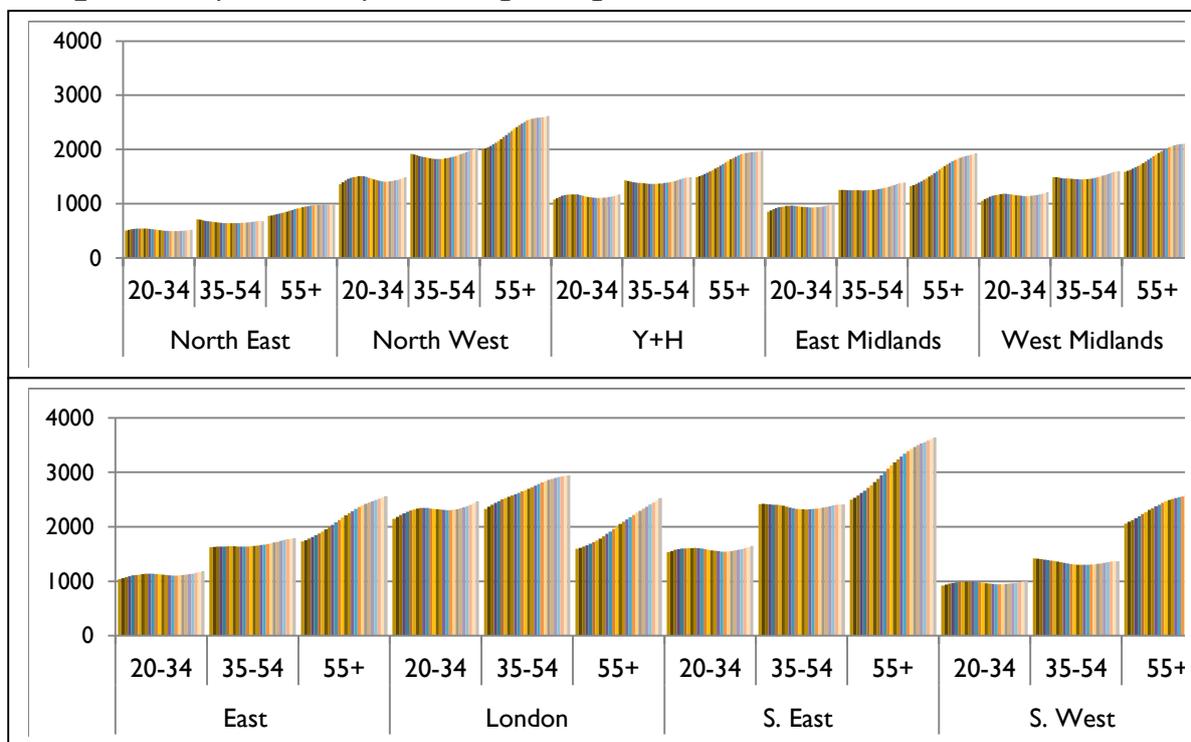


Source: ONS 2010-based Population projections

predicted to rise at a rate faster than those aged 35-54 (people potentially looking for larger family homes). Second, the downsizers will be competing for the same smaller properties as

those entering the market (20-34 year olds). It is difficult to predict exact proportions and timings of these events, but it does give rise to concerns about the potential mismatch of on the one hand supply and demand. More supply than demand could potentially see house prices fall. This may benefit those buying, but will limit the amount of equity released by those selling. On the other hand regional variations in population ageing (Figure 6) raises concerns about whether buyers and sellers will be in the same, or the 'right', locations.

**Figure 6:** Population Projections: English Regions 2010-2035



Source: ONS: 2010-based Subnational Population Projections . author's analysis

## Inequalities in housing wealth

Ageing populations from a housing wealth perspective is not just about the implications for the current generation of older people, but is also about the future prospects of younger people, the next generation of older people. Exploring patterns of housing tenure and housing wealth is important from the perspective of intergenerational justice. Whilst housing is the most widely spread asset not everyone has access to the same levels of housing wealth; significant variations exist by region, age and income, whilst over a third of the population of England in 2011 were in rented accommodation and had no housing wealth. Current younger generations are entering the owner occupied sector later in the life course (if they can enter at all), potentially reducing the amount of time they will have to accumulate wealth for use in later life. This has led some to speculate that by 2030 over half of the next generation of older people will have no or very little housing wealth.<sup>6</sup>

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<sup>6</sup> Pensions Policy Institute (2009) Retirement income and assets: how can housing support retirement? PPI: London