

BRIEFINGS

MIND THE



WEALTH GAP

Intergenerational Justice and Family Welfare



Where are young people living? Understanding the housing options of 18-35 year olds in the UK

Introduction

Housing can be central to young people's transition into adulthood. Leaving home for the first time, sharing with friends, co-habitation, and buying your first home are all understood as different signifiers of personal independence, freedom, and a 'successful' transition to adult life. This transition is now threatened by a number of issues that affect the ability of young people to access suitable housing, especially compared to their parents' generation.

This raises concerns for young people attempting to forge independent lives and has implications for their long-term financial welfare. A diverse range of young people are now facing significant problems with housing. This is not a new phenomenon but rather a product of housing policy decisions and social and economic change in recent decades that now limit housing options for current generations of young people.

Young people, homeownership and generational inequalities

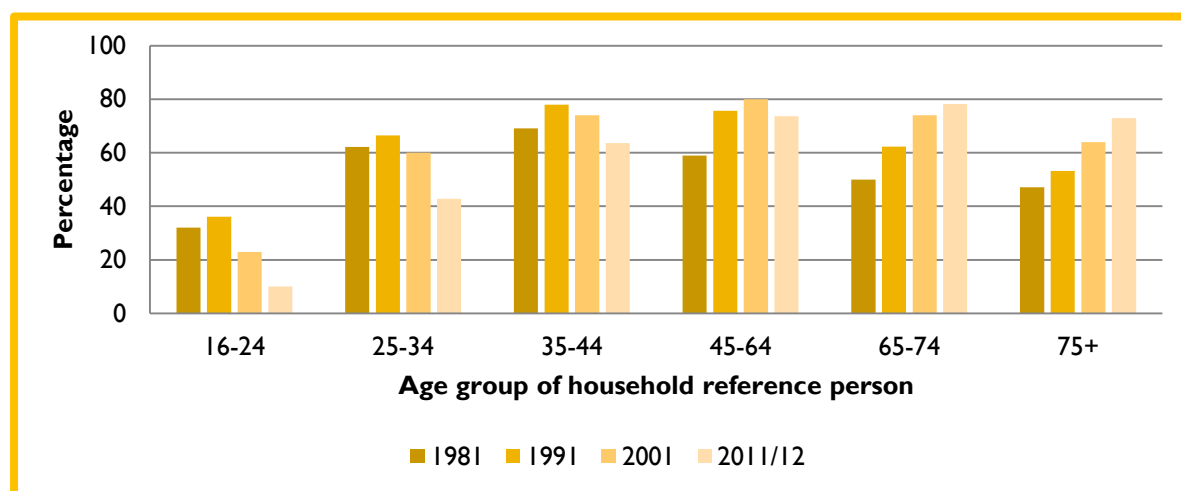
Many young people desire to enter homeownership; however their ability to do so has steadily declined in the last 20 years. Fewer young people are able to own their own home compared to previous generations. Figure 1 shows that in 1991, 36% of 16-24 year-olds in England were owner occupiers, compared to 10% of this group in 2011/12. A similar decline can be observed for 25-34 year-olds, falling from 78% to 43% over the same period.

This difference can partly be explained by the advantages afforded to previous generations through historic policies such as the Right to Buy and Mortgage Interest Tax Relief, as well as by the greater affordability of housing relative to incomes throughout the 1980s and 1990s. Data from the Department for Communities and Local Government¹ shows that in England the ratio of median

¹ Department for Communities and Local Government (2013) Ratio of median house price to median earnings, <http://data.gov.uk/dataset/ratio-of-median-house-price-to-median-earnings>.

house prices to median incomes rose from 3.5 in 1997 to 6.7 in 2012. Not only is housing getting more expensive, but the capacity of young people to save for a deposit and sustain a mortgage is also limited. Although house prices fell following the economic crisis of 2007, they remain beyond the reach of most first time buyers. Furthermore since the crisis there has been a return to more stringent mortgage lending criteria, in particular the need for substantial deposits. This squeeze on lending practices disproportionately affects young people who are facing additional challenges which impact on their ability to earn and save, including lengthening periods spent in education and training, often resulting in student debt, and high unemployment rates.

Figure 1: Distribution of owner-occupation by age group: England 1981-2011



Source: English Housing Survey, author's analysis

Young adults who are able to enter owner occupation often do so using family assistance. The Council of Mortgage Lenders (CML) has estimated that the proportion of unassisted first-time buyers aged under 30 fell from 65% in 2005 to 22% in 2011.² This is symptomatic of wider trends that affect all first-time buyers in the UK. As Figure 2 shows, the CML estimates that the proportion of unassisted first-time buyers of all ages has declined dramatically in all constituent countries of the UK, with a fall from 69% of unassisted buyers in 2005 to 35% in 2011 across the UK. However, this trend has significant implications for younger adults, their future financial welfare, and for inequalities within and between generations. First, the growing importance of family assistance suggests that young people's access to homeownership is increasingly shaped by the levels of parental or family wealth they are able to draw upon. However, we know that these resources are unevenly distributed across regions, age cohorts and incomes, and as such reliance on the role of private resources may only serve to reproduce and compound social inequalities.

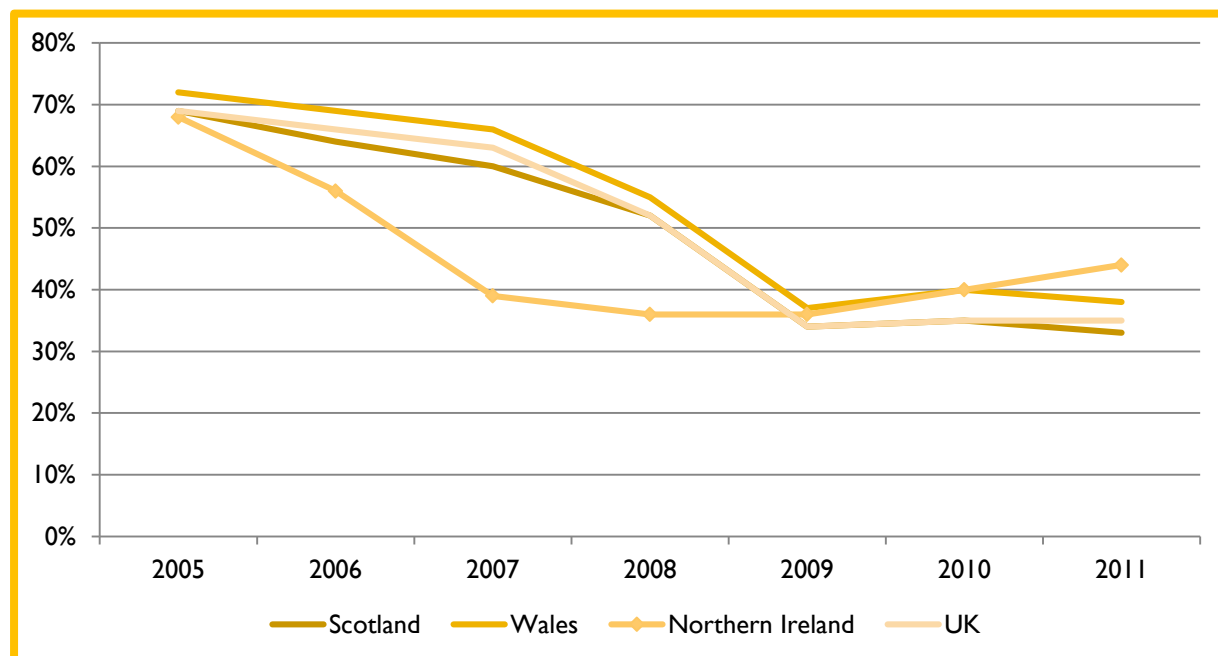
Second, this also has long-term implications for inter-generational inequalities. If fewer young households are able to enter owner occupation and gain from housing assets, this runs contrary to the expectation that people will accrue housing wealth to use as a future welfare resource.³ Younger generations are accessing homeownership later in life, if at all, potentially reducing the amount of housing wealth they will have to support themselves and their families in the future. Coupled with

² Council of Mortgage Lenders (2011) 'First-time buyers and affordability: a fresh perspective', <http://www.cml.org.uk/cml/publications/newsandviews/104/390>.

³ See also Project Briefing No. 3: Searle, B (2013) 'Who owns all the housing wealth? Patterns of inequality in England'

the reduction of collective welfare provision, including state pensions, this raises questions as to whether young people can expect to enjoy similar living standards in the future compared to those of their parents.

Figure 2: Proportion of unassisted first-time buyers in the UK



Source: Council of Mortgage Lenders (2011)

If not homeownership, what are the alternatives?

One consequence of young people being unable to access owner occupation is their greater reliance on rented accommodation. This has given rise to the label 'Generation Rent' used by many commentators.

Renting can be an attractive tenure option. Social rental housing can offer affordable and secure accommodation, while private renting can be a flexible form of tenure that supports mobility and short-term living arrangements. However, many young people often find it hard to obtain a social housing tenancy due to its short supply and allocation criteria. In England, the supply of social housing has declined markedly since the 1980s as a result of policies such as the Right to Buy which enabled people to buy their council house at a subsidised price, and reductions in capital subsidy (money provided by the government to enable new social housing to be built). In Scotland, although there is an upward trend in the number of homes being built by local authorities,⁴ a large proportion of this new housing stock is allocated to homeless households as opposed to more general housing needs. In Wales and Northern Ireland the availability of social housing for younger people has also stagnated due to reduced investment in supply coupled with greater demand.

⁴ Scottish Government (2013) Housing Statistics for Scotland – Local authority new build, <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildLA>.

Analysis conducted by Shelter also shows that a growing number of families are resident in the sector for longer periods of time. Their analysis found that more than one million families now rent privately; almost double the number of 2007.⁵ In the absence of alternatives, the future housing pathways of young adults may include family formation in the private rented sector, which many believe is currently unsuitable for families due to its instability.⁶

Another consequence of limited housing options is that many young adults are living with parents for longer. Between 1997 and 2011 there was a 20 % increase in the number of 20 to 34 year olds living with their parents in the UK.⁷ The rhetoric underpinning recent proposals to reform housing benefit and to resolve worklessness, which convey an expectation that young adults should reside in the family home for longer periods of time, suggests that this is not seen as a problem by policymakers. However, this assumes that families are both financially willing and able to provide assistance for longer and that young people have strong family relationships that can support their extended stay. It also does not take into account geographic variations, for example young people in rural areas frequently leave home early in their adult life in order to widen their opportunities for employment and education, which may accentuate the need for family support with the cost of independent living.

What can be done?

Housing policy has responded to some of these issues. The launch of Help to Buy in England in 2013 was targeted at young first-time buyers, but the initiative has been criticised for the risk of exacerbating affordability problems, as demand may exceed supply and contribute to increased house prices. The recent Select Committee review of private renting is to be welcomed and contains useful suggestions as to how the sector can become a more secure and sustainable option, but this alone will not be a silver bullet to the difficulties younger generations face.

Housing is not the only factor in supporting the transition of young people into adulthood; however it is often an important step towards economic independence, relationship building, and family formation. Temporary living arrangements, whether in the parental home or in insecure rented accommodation, may stunt these transitions. Young people are facing new and different challenges when trying to live independently compared to their parents' generation. Greater expectations are being placed on younger people and their families to provide financial and material support for longer periods of time, or to identify alternative ways to deal with the costs of independent living. However, a reliance on the role of private resources and individual negotiation of a fractured housing system may only serve to sustain and entrench existing inequalities in the housing transitions and life opportunities of young people. These are increasingly mediated by the material resources and social support they are able to access in the absence of formal provision and intervention. The implications of this are far reaching and must no longer be overlooked by policymakers.

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⁵ De Santos, R (2012) Homes fit for families: the case for stable private renting. Shelter, http://england.shelter.org.uk/_data/assets/pdf_file/0019/423451/Homes_fit_for_families_FINAL.pdf.

⁶ Clapham, D et al (2012) Housing Options and Solutions for Young People in 2020, Joseph Rowntree Foundation.

⁷ Office of National Statistics (2012) Young Adults Living With Parents in the UK, <http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2011/young-adults-rpt.html>.