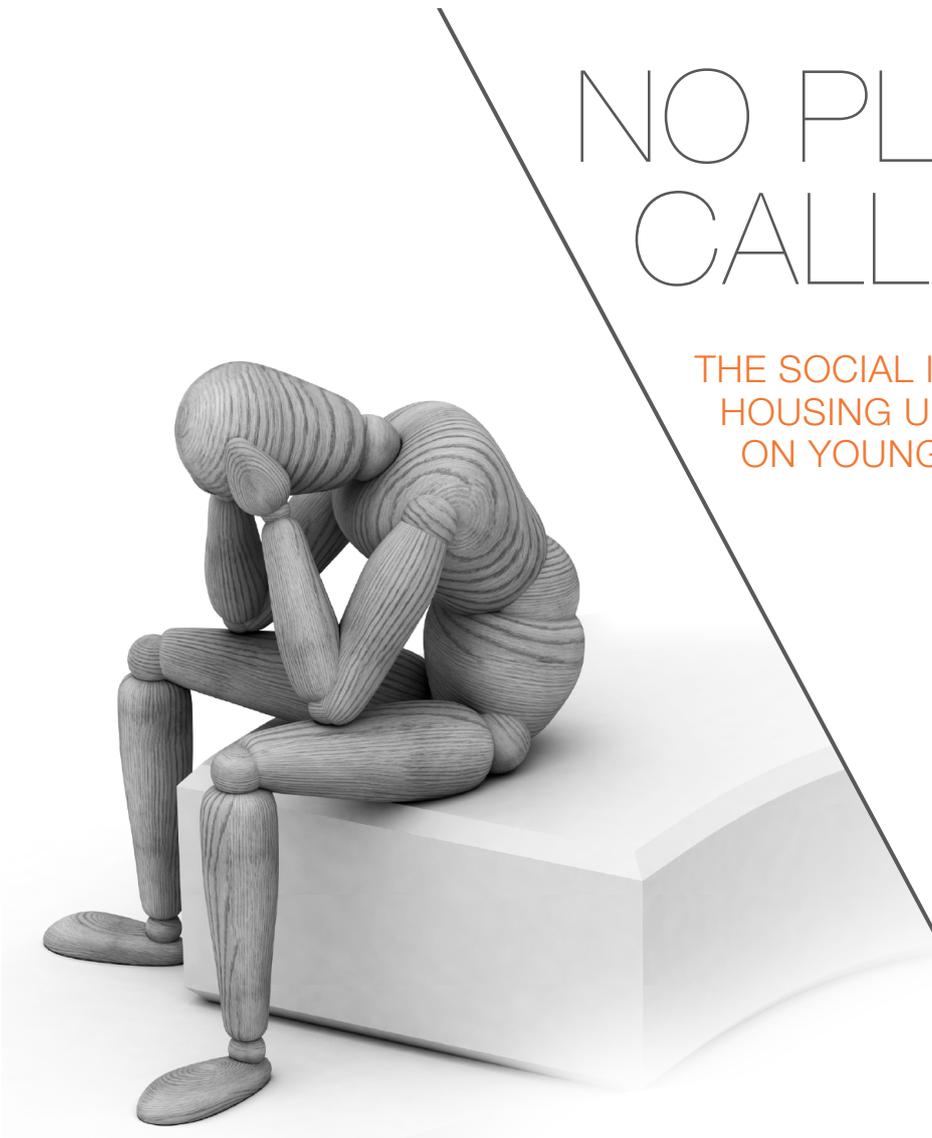


REPORT

NO PLACE TO CALL HOME

THE SOCIAL IMPACTS OF
HOUSING UNDERSUPPLY
ON YOUNG PEOPLE



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with Dalia Ben-Galim
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ABOUT IPPR

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IDEAS to
CHANGE LIVES

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EXECUTIVE SUMMARY

The social impact of the undersupply of housing

It is well known that there is an undersupply of housing in the UK. Despite being one of the richest countries in the world, we are failing to provide enough homes for our people. The social impact of this – particularly on young people – is less well known. Faced with high levels of youth unemployment, stagnant wages and tuition fees, this generation of young people face different challenges to their parents. In the wider context of high prices for homeownership and rentals, insufficient homes and rising living costs, young people are finding it tough.

This report explores the social impacts of the undersupply of housing on young people. Through quantitative and qualitative research, we found that, although it is still a strong aspiration – with 88 per cent of young people aged 18–30 wanting to own their own home in 10 years' time – homeownership is thought to be unattainable for a majority. Fifty-one per cent of those currently renting thought that they would not be able to own in the next 10 years.

Young people were realistic about needing to compromise and make sacrifices. But, unable to see how this aspiration can be fulfilled, a sense of frustration has set in. Current options were seen to be stifling ambition, career goals and family plans. And this often-negative impact is affecting a significant majority of young people. Many of their parents, as well, are caught in the position of wanting to help their children to buy while still securing their own future at the same time.

House-building has not kept pace with demographic change

The underlying issue is that house-building has not kept pace with demographic and social trends, creating a basic problem of undersupply. There has been significant growth in the number of households over the last few decades, largely driven by an ageing population. Other factors which help to explain the increase in households include a greater diversity of family types and the decision of many people to delay their plans to start a family. In response to these pressures, house-building has simply not kept pace. Factors like planning constraints and a lack of finance go some way towards explaining this shortage. With future projections suggesting that these trends are likely to continue, there are significant implications for a majority of young people.

Set against that background, our research has unearthed the voices of young people and in doing so has enriched our understanding of some of the most profound challenges.

Stifled ambition

The clear message from our research was that the undersupply of housing is holding young people back. For many young people, their housing situation negatively affects their ability to reach their own meaningful life goals.

'When I'm by myself I feel like I can actually be the person I want to be, the full potential of who I am. I always feel like there's part of me who I have to hide from [my parents] if that makes sense – there might be parts of them that I don't want them to know about me.'

Female, 23, Sheffield

Time and time again, young people reflected on how their housing situation contributed to stifling their potential, particularly around life ambitions and career aspirations. This was often more acute for those still living with their parents, especially as they were moving

into their late 20s. One teacher we interviewed felt undermined professionally because she was still living with her parents. There are now half a million more young people (aged 20–34) living with their parents than in 1997, and 3 million in total.

The insecurity of many young people's housing circumstances also had an impact on their levels of life satisfaction, with our analysis showing that those who own their home have significantly higher levels of satisfaction than those who are renting.

Constraints on family formation and relationships

This stifling of potential also translated into how young people talked about their relationships. Perhaps not surprisingly, young people spoke about wanting housing stability before having children and many are choosing to delay having children in the absence of secure housing. The decision to have children is wrapped up in other issues such as work, income and personal preferences, but the anxiety and stress caused by housing instability was real.

'If we were renting I would never feel secure – I just couldn't do it, as it would be at the back of my mind the whole time – the landlord could have us out in months. Maybe that's irrational but I want to have a family – and for me that means getting married, having children and having a home.'

Female, 28, Cambridgeshire

This stood in contrast to some of the parents we spoke to who reflected on their experience and how much harder it is for their children and their friends.

'As long as you were in work [buying a house] was achievable, so you didn't really need to think about it until you were ready to settle down.'

Parent, Birmingham

Keen to put down roots and start a family, 'older young people' (broadly 28–35) we interviewed tended to want more stability. This search for stability was also critical to those who were looking to make the transition from their adolescent or student lifestyle. They reported finding it harder to form partner relationships, to socialise and to connect with family because of their living arrangements.

'Right now I'm single. In the past I was with a girl who had a flat so we spent time there but the whole time I felt like a bit of loser. I went out with a woman who lived at home like me – we had to meet up and go sit in the park and it felt like we were 15 – and I'm 27.'

Male, 27, County Durham

A lack of safety and security

Another key finding from our research was the lack of safety and security that many young people experience as a result of their housing situation. Some young people simply felt unsafe, living in areas they didn't want to, or with people they didn't necessarily know.

'One of the girls I lived with – her boyfriend, who was quite involved in drugs, and [with] him and his friends being there all the time, it didn't really feel like our home. It got to the point where we had to say he couldn't be there all the time – we had to have it out – it wasn't easy.'

Female, 23, Sheffield

High housing costs lead to a greater reliance on debt to pay housing costs. And inaccessible housing leads to people needing to rely financially on family relationships, which not all young people will have at their disposal.

Not feeling part of a community

A stark distinction emerged between those who owned a home and those who rented a house in terms of their connection and investment in a community. New IPPR analysis finds that owning a home increases a person's sense of belonging to a neighbourhood as much as simply living there without owning for 14 years. For example, when controlling for all other variables, an individual who has lived in the same home for 20 years without owning it is likely to feel the same sense of neighbourhood belonging as someone who owns their home but has lived in it for just six years.

Renters we heard from exhibited a greater ambivalence towards investing in a community, compared to those who owned.

'It never once occurred to me to speak with our neighbours where we were before – then as soon as we bought this place we went round and introduced ourselves. I've gone to the residency association meetings. I've gotten really vexed about rubbish collections!'

Male, 27, London

Although related to other areas, such as provision of local amenities, transport links, and jobs, the connection between homes and feeling part of a community was a strong theme and one that should not be overlooked by policymakers and developers.

It's harder for this generation

A consensus emerged from young people and their parents that it is harder to navigate the housing market for this generation compared to their parents. The gap between house prices and salaries limited choices in a way that the older generation did not experience.

'Back then you could borrow enough to buy a house a lot easier. Salaries aren't high enough now. Banks would lend something like 2.5 times your annual salary. As long as you were in work, this was achievable.'

Parent, Birmingham

The consequence is widening inequality between families – between insiders and outsiders. Some parents couldn't see how homeownership could ever be a priority, given all the other challenges that young people face.

'Housing is really the least of their worries I think. I read some of these reports about young people being unable to own and I just think REALLY? ... Buying a house is just so far beyond what this generation are looking at. How about the jobs, the debt? If my daughter could even move out of home that would be a big achievement.'

Parent, Derby

Recognising the difficulties that their children are facing could soften some of the attitudes towards new building that is often associated with this generation of parents.

What should happen now?

As our analysis has shown, the type, quality, size, cost and location of housing plays a major role in either supporting or preventing young people from making a success of their lives and fulfilling their aspirations. This affects millions of individual directly – but also imposes real costs and lost potential for society as a whole. This poses a test for politics and its ability to meet the real challenges facing society and help people to solve their problems and pursue their dreams.

This report presents a number of ways in which policymakers need to respond in order to create better opportunities for young people. Building more homes has to be central to that: this can be done through, among other things, reforming the planning system and creating new sources of finance and investment. But as we have seen, this will not be enough to fully transform the experience of young people. New ideas to create sustainable pathways towards homeownership will be necessary, as will reforms to the private rented sector, such as the creation of family tenancies that offer greater security.

The challenges facing young people highlighted in this report point to other policy changes as well. IPPR has recommended a job guarantee for young people to mitigate the long-term ‘scarring effect’ of being out of work for a significant period of time. And in response to the financial pressure that many young families face, particularly around childcare costs, we have made the case for high-quality, affordable childcare provision. Together with a more family-friendly work agenda, these types of policy changes could contribute to better supporting young people to fulfil their potential. There has been much public debate about the economic side of the housing story, but this research draws fresh attention to the social dimension. In particular, it shows how housing undersupply – in combination with a number of other social, economic and cultural forces – is having a real and substantial effect on the lived experience and future aspirations of young people.

1. INTRODUCTION

There have been many reports written about the massive impact of housing supply on the health of the economy and state of household finances. Building houses generates jobs and growth, while also improving the functioning of the labour market and the productive capacity of the economy. Building more houses helps to keep a lid on prices – whether for buyers or renters – thereby containing the share of household budgets being spent on accommodation. Such insights are accurate and important, but this report is about something else.

Over the last year, IPPR has been exploring the *social* impacts of housing, specifically of the undersupply of housing. We have studied the consequences for the social fabric of England of not building enough homes. In particular, our investigation has focused on the impacts and experiences of the generation of young people now entering a housing market that is stacked in favour of incumbents and those who are already wealthy. As well as interrogating a range of data, we have looked beyond the statistics to shine a light on how the undersupply of housing affects the lived experiences of young people and their ability to fulfil their aspirations.

The arguments, findings and ideas presented in this report draw on extensive research, including secondary analysis of major longitudinal and household panel surveys,¹ original in-depth interviews² and focus groups with young people,³ alongside new polling of a representative sample of 18–30 year olds.⁴ By seeking the views of parents, we have also considered the particular opportunities and challenges facing the current generation of young people, as well as gaining the parental perspective on their children’s situation. High unemployment, rising student debt and the scaling back of state support for young people create an inhospitable backdrop for those moving into adulthood, and our analysis highlights the human side of that story.

The central insight from this research is that undersupply is affecting the way young people experience the housing market in a series of real and significant ways, with knock-on consequences for their everyday lives and future aspirations. In particular, this plays out through their tenure options: as homeownership and social housing move further out of reach for all but the richest and poorest respectively, young people are becoming more and more reliant on the private rented sector.

However, these experiences also impact on young people’s sense of control and independence, their safety and security, their ability to build relationships and start a family, and their chance to put down roots and become part of a community. Our research tells the stories of individual young people, with implications for society as a whole. The hopes and fears, choices and trade-offs, struggles and disappointments which are expressed in this report demonstrate that the housing market in this country is currently failing too many young people.

1 This included analysis of four studies: the Survey of English Housing/English Housing Survey, the ‘Understanding Society’ study (University of Essex 2011), as well as two longitudinal cohort studies, the National Child Development Survey of people born in 1958 and the British Cohort Study of people born in 1970.

2 This comprised interviews with members of two or three generations from eight different families, selected to reflect a broad cohort of young people in different housing situations, at different ages, with different educational and work experiences, from different social backgrounds and in a range of locations across England.

3 Two workshops were held in cities with different housing markets: one with seven young people in London, another with seven young people in Newcastle.

4 Polling of 1,553 people aged 18–30 years old carried out by YouGov PLC for IPPR over the period 16–22 October 2012. The figures have been weighted and are representative of all UK adults (18–30) based on age, gender and region.

It is not the case that the young people we spoke to want everything, with no sacrifice, immediately. They just want a chance to grow up, develop their lives, build careers and form relationships – and they need decent quality, affordable homes in which to do so. The issues raised through our investigation have a range of causes and demand a number of responses from different actors. Building more homes will not solve all the problems, but it will be impossible to make much progress without it.

In the next chapter, we briefly set out the main causes and drivers of housing undersupply, with a particular focus on the current constraints, before explaining the direct consequences of not building enough homes. We then go on to report the main bulk of our research findings and analysis, highlighting the ways in which housing undersupply feeds through into the everyday experiences of young people – and the real impacts it has.

The report then takes a step back to consider young people's housing aspirations, including both how these are shaped by their experience of the contemporary housing market and how hopeful they remain of realising them. This moves into a discussion of the generational aspects of housing undersupply, exploring the views of older parents and identifying the particular pressure on this cohort of young people. Finally, to conclude, we suggest some of the main steps which need to be taken to ensure the housing market has a much more positive impact on young people's lives, principally through dramatically increasing the level of house-building.

2. THE CAUSES OF HOUSING UNDERSUPPLY

There has been significant growth in both the number of households and the number of homes across the latter half of the 20th century. The number of households in Britain grew from 20 million in 1981 to 26 million in 2011 (ONS 2011b, ONS 2011c) while the number of residential dwellings increased from nearly 22 million to just over 26 million over the same period (ONS 2011d).

However, these headline figures disguise the very substantial mismatch between housing supply and demand that has built up over the last three decades. For example, this simple ratio does not account for whether available dwellings are the right size or in the right location to meet actual household demand (Meen et al 2008, Whitehead et al 2009). Furthermore, this data does not account for factors like ownership of second homes – estimated at 651,000 in 2009 – which constrains the availability of dwellings in some areas (Wong et al 2009). Finally, and perhaps most importantly, the level of hidden demand is not factored into this calculation. Analysis published by the Department of Communities and Local Government (CLG) estimated that the level of unmet housing need in England amounted to 2 million households in 2009 (Bramley 2010).⁵

Indications suggest that the housing shortage is intensifying – in recent years, new house-building has fallen well behind the rate of household growth. In 2011, 390,000 new households were formed in England while only 134,900 net additional homes were brought into use (CLG 2012a, ONS 2012). On current trends, this shortfall is set to continue.

IPPR analysis has shown that there will be between 206,000–282,000 additional households per year between 2010 and 2025. If the rates of household formation and house-building continue to track trends seen over the last two decades then demand for housing in England will outstrip supply by 750,000 homes by 2025 (Schmuecker 2011). This is equivalent to the combined current housing demand of Birmingham, Liverpool and Newcastle, and pressure is expected in the south east in particular. These figures assume a rate of house-building that is consistent with that seen over the last 20 years – around 160,000 new homes a year – but housing output is actually running a fifth lower than this (see above). As a result, the gap between supply and demand is widening even more than current projections suggest.

There are two factors driving this disparity: low levels of house-building and high rates of household growth.

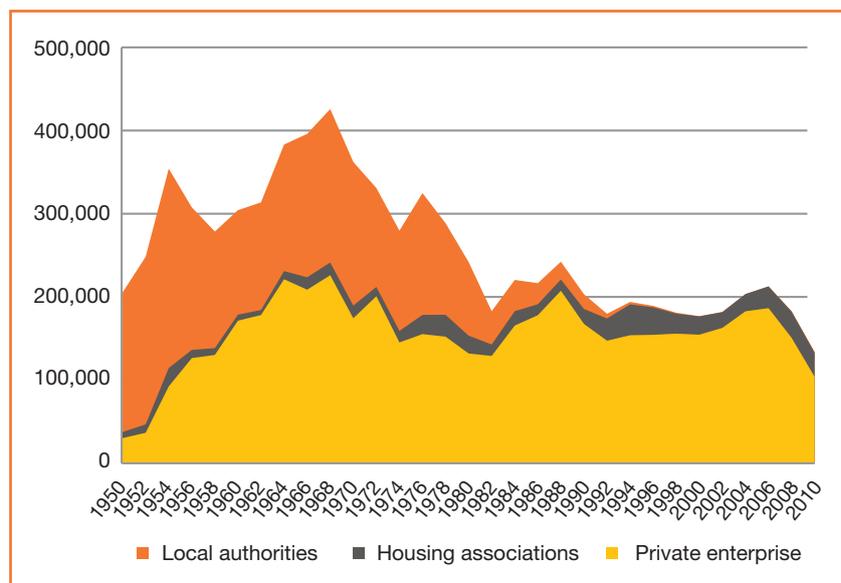
Low levels of house-building

Net additions to housing stock have not kept pace with housing demand. As figure 2.1 shows, levels of house-building have dropped off significantly since the second half of the 1970. In recent years, housing output has continued to fall away. In 2010, only 102,570 homes were completed in England – the lowest peacetime level since 1923. In 2011, only 111,250 homes were built.⁶

5 These include households in a range of housing situations including those in overcrowded, poor-quality or inappropriate accommodation and young people living at home with parents.

6 See 'Live Tables on House Building': <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

Figure 2.1
Permanent dwellings completed, by tenure type, UK, 1949–2009



Source: CLG Live table 241

There are a number of factors behind the low level of house-building, from the availability of land to access to finance.

The UK does not have a scarcity of land – only 6–10 per cent of England is developed for housing (Morton 2012). Instead, problems have arisen through the slow release of land for development. Significant amounts of land held by public authorities have been held back from development, reducing opportunities for new housing to be built. Constraints in the planning system, including strict rules over land use, have also severely rationed the release of land for development and caused long lags between permission being sought and granted. Despite repeated attempts from successive governments to overcome or open up the planning system, access to land has proven to be and remains a major barrier. These constraints have contributed to driving up the cost of land itself significantly faster than the price of houses (Hull and Cooke 2012).

The high cost of the land has consequences for the levels of finance required for development (Morton 2012). Access to finance has been very challenging, particularly in recent years. The financial crisis has made it particularly difficult for developers to secure private finance for new developments and harder for potential buyers to secure mortgages. The development of a housing bubble in the run-up to the financial crisis emphasises the dangers of relying on unsustainable lending as a way of supporting expansions in housing supply. As IPPR analysis has demonstrated, the housing market did not become particularly responsive to demand (Dolphin and Griffith 2011), and while the availability of finance is not the only reason behind low levels of supply, its unavailability, particularly at the level needed to cover the rising cost of rationed land, is a significant barrier to development.

A significant change in the availability of finance for house-building across the last 30 years has been the large reductions in capital subsidy for housing. These cuts have been especially deep during the current spending review period (which has seen reductions of 60 per cent) but extend back across the last few decades. Recent cuts are just the latest act in the story of a radical shift in the balance of government spending on housing over

the latter part of the last century, away from building homes and towards subsidising rents. In the later 1970s, 80 per cent of public expenditure on housing went on building new affordable homes, with just 20 per cent devoted to cash benefits to help people pay their rent. Across the current four-year spending review period, the government will spend £95 billion on housing benefit (including more than £30 billion to private landlords, with little or no impact on supply) compared with just £4.5 billion on subsidies for new homes (Hull and Cooke 2012).

Of course, there are other factors affecting the supply of housing. In order to understand net supply, it is important to factor in the impact of war losses, slum clearances or demolitions for redevelopment. IPPR analysis has shown that even when building rates have been buoyant, there has been a significant churn in the supply of housing (Schmuecker 2011). The underoccupation of homes also constrains the availability of larger homes to households that need them. There are 7.9 million 'underoccupied' homes in the UK, with the majority (88 per cent) being in the owner-occupied sector. Extra supply is crucial to enabling people to 'downsize' from homes that they underoccupy (Schmuecker 2011).

High rates of household growth

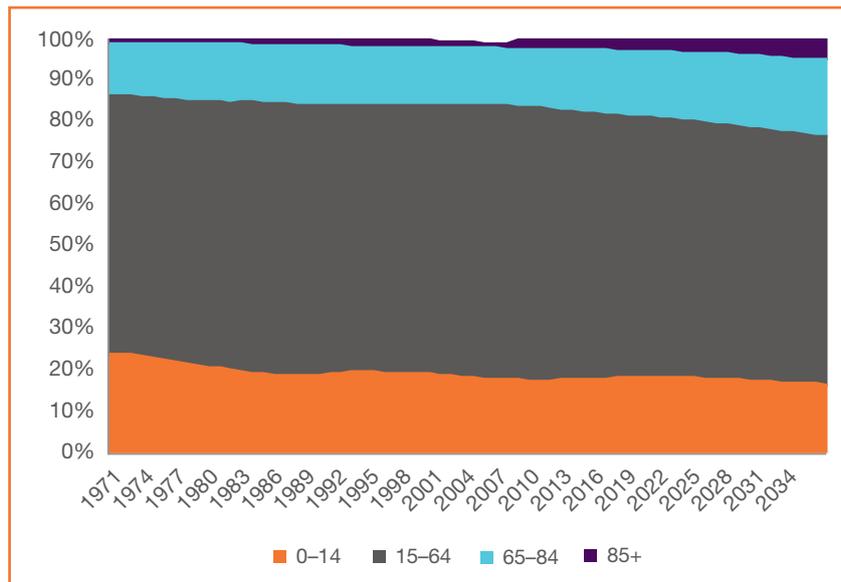
The second half of the undersupply imbalance is rooted in the growth of housing demand. As the rate of house-building dropped away from the mid-1970s onwards, the rate of household formation continued to rise rapidly. Previous analysis by IPPR has identified that this combination of a slowdown in house-building and corresponding growth in household demand has led to a shortfall in supply that has varied between roughly 50,000 and 180,000 units a year since the 1980s.

Clearly, population growth has played a central role in driving higher demand. However, the number of households being formed has outstripped population growth for decades: between 1971 and 2008, the population increased by only 10 per cent while the number of households in Great Britain rose by 34 per cent (ONS 2009).

The UK's aging population explains a significant part of the growth in households. As life expectancy increases, people remain in their homes for longer, reducing the supply of properties available to new households. Figure 2.2 shows the UK's actual and projected population by age-group from 1971 to 2036. Between 1971 and 2010, the proportion of the population aged 65 and over increased by a quarter, from 13.4 per cent to 16.6 per cent. The population aged 85 and over has grown rapidly, from 0.9 per cent to 2.3 per cent of the total population over the same period. Moreover, these changes are projected to accelerate. The number of over-65s is expected to grow to 23.3 per cent of the total population by 2036; the number of over-85s is expected to double between 2010 and 2036, rising to just under 5 per cent of the population (ONS 2011a).

Changes in family formation are also affecting the level of housing demand. Increases in longevity, changes in fertility rates and shifts in family structures have seen an increase in 'beanpole families': those with more generations but fewer members in each generation. Families are smaller and they are also more diverse. The proportion of households headed by a lone parent trebled between 1971 (4 per cent) and 2007 (12 per cent). There has also been a growth in step-families with dependent children (DCSF 2008) all contributing to more households overall.

Figure 2.2
Proportion of population
by age, 1971–2036



Source: Lawton and Silim 2012

Together these trends add up to a greater number of smaller households. In 1961, the size of the average household was 3.1 people; by 2010, this had declined to 2.4 people (ONS 2011b). The major shift here has come from the growth in single-person households, which have increased from 1.7 million in 1961 (or 12 per cent of all households) to 7 million in 2009 (or 29 per cent of all households). The majority of single-person households are comprised of older people, particularly older women, who have outlived their partner (ONS 2011b). Relationship breakdown and changes in family structures are also contributing to this significant social phenomenon (Stephens et al 2008).

Household growth has also been driven by higher rates of inward migration among those of working age. Just under two-fifths of current household growth is predicted to be due to increases in net migration (Perry 2012). Internal migration has been important too, often driven by regional labour market imbalances. Over the last 20 years, household formation has happened unequally across the country. In 1991, the greater south east and the north of England (made up of the North East, North West, and Yorkshire and the Humber) were home to very similar populations, of 14.4 million and 14.3 million respectively. The population in the north then fell in the 1990s, before recovering in the 2000s, ending up at 14.9 million in 2011, up by 4 per cent across the whole period. By contrast, London and the south east grew throughout, at an accelerating rate, to reach 16.8 million by 2011, an overall rise of 17 per cent (Schmuecker 2011).

Housing supply has failed to keep pace with the demographic and social trends that have driven housing demand. Projections suggest that the growth in household formation will continue, based on rising longevity, family change and inward migration. Household numbers in England are projected to grow by 27 per cent to 27.5 million in 2033 (ONS 2011c). Without substantial increases in the number of homes, the mismatch between houses and households is likely to worsen. The next chapter of this report gets under the skin of how these trends are affecting the lives of individuals, families and communities.

3. THE DIRECT IMPACTS OF HOUSING UNDERSUPPLY

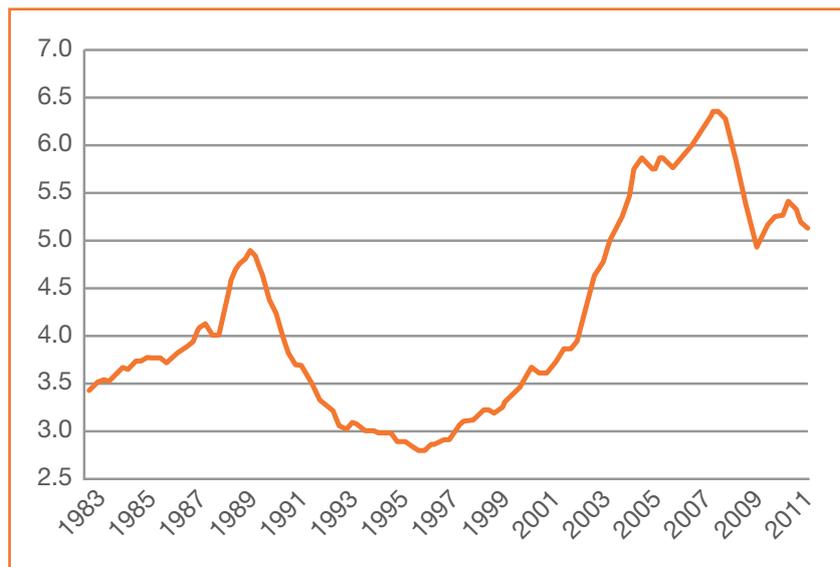
One of the primary impacts of housing undersupply is that it has contributed to house prices increasing rapidly. Over the last decade, in particular, prices have diverged widely from incomes.

Affordability of homeownership

Between 2001 and 2011, wages increased by 29 per cent while house prices increased by 94 per cent. In 2001, the average price of a home in England was £121,769, or 7.4 times greater than the average individual salary of £16,557. In 2011, average house prices are £236,518, or 11.1 times greater than the average individual salary of £21,330 (NHF 2012).

As figure 3.1 shows, across the last 20 years the UK 'affordability ratio' – the ratio of household earnings and house prices – has changed dramatically.

Figure 3.1
Ratio of house prices
and household earnings,
UK, 1985–2011



Source: Nationwide; calculations in Dolphin and Griffith 2011

Growth in house prices is, of course, influenced by a number of factors but the shortage of new housing supply has been critical (Stephens 2011). Kate Barker (2004) and in a later study, Tony Dolphin and Matt Griffith (2011) have identified the unresponsiveness of the UK housing market to growing demand across many decades as feeding into growing prices. In fact, modelling shows that large increases in supply may be required just to prevent affordability from worsening further (Stephens 2011).

This growing unaffordability has caused a number of changes to the way that young people experience housing, particularly in relation to tenure.

Most obviously, buying a home is now beyond the reach of most young people. Mortgages are only obtainable by those who are able to provide a large deposit and have a high and steady income. The consequence is that the number of households buying a home independently has slumped. In 1997, fewer than 10 per cent of first-time buyers under the age of 30 had help from family or friends; by 2005, this figure had risen to 45 per cent (Alakeson 2011).

Before 2007, the ability of young people to access the housing market, even with such high prices, was partially supported through access to mortgage lending, sometimes at an unsustainable level (Dolphin and Griffith 2011). After the financial crisis, the unaffordability of housing for all but the most stable or asset-rich has been compounded by restrictions on lending. Steve Wilcox (2010) estimates that since 2007 about 100,000 (mainly young) households are being prevented from entering the market each year. This is particularly acute for the 'squeezed middle'. Vidhya Alakeson (2011) has shown that, under current arrangements, if low-to-middle earners saved 5 per cent of their new income each year then they would expect to spend as long as 31 years saving in order to buy their first home.

These trends mean that homeownership is now in significant decline. Rates of homeownership grew from the early 1980s up until 2002, when 69.7 per cent of households owned their home. By 2010, this had shrunk to 64.7 per cent (Homeownership Alliance 2012).

Social housing and the rental market

Historically, those on lower incomes wanting a secure home may have looked to social housing, whether through the local council or, increasingly, through housing associations. However the lack of affordable housing, alongside other factors such as a loss of social homes through the right-to-buy provision has led to significant rationing of the social sector. The number of social housing units has declined from 5 million in 1980 (or 30 per cent of the housing market) (Feinstein 2008) to 4.0 million (or 18 per cent) in 2011 (ONS 2011d). There is significant unmet demand in this sector: 1.8 million households are on a waiting list for a social home, an increase of 76 per cent between 1997 and 2011.⁷ The significant mismatch between supply and demand has led to the tight rationing of social housing, making it inaccessible for households other than the most disadvantaged.

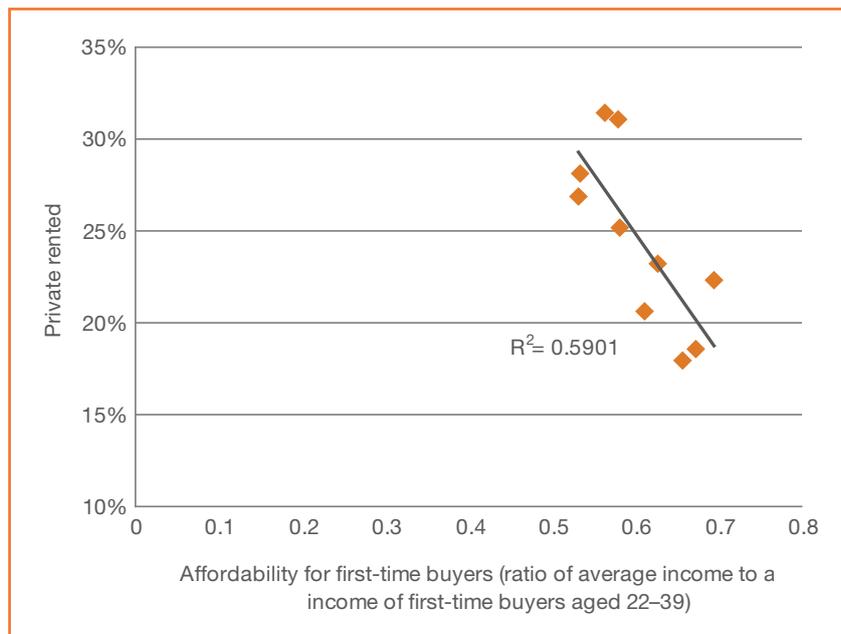
The inaccessibility of both homeownership and social housing for young people has meant that many are living in private rented accommodation, with their parents or in shared housing. For many of those looking to form their own independent household, renting a home from a private landlord is the only option.

Between 1999 and 2009, the number of households in the private rented sector grew by 1.5 million to 3.4 million households. In 2011, it accounted for 17 per cent of all households, compared to 9 per cent in 1991 (CLG 2011). A recent study by the Joseph Rowntree Foundation (2011) suggests that 1.5 million more young people (aged 18–30) will live in the private rented sector over the period to 2020, because of continuing constraints on access to homeownership and social housing. While small-scale initiatives such as 'build-to-let' have been responsible for part of this shift, the change is largely rooted in housing unaffordability due to undersupply (and the shifting of properties from owner-occupation to private renting).

Figure 3.2 shows the strength of the relationship between affordability and demand for private renting. As affordability in an area decreases, the proportion of private rented accommodation increases.

7 DCLG Live table 600: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies-local-level>

Figure 3.2
Relationship between
house price affordability
and private sector
renting



Source: Schmuecker 2011

The decline of homeownership and the growth in private renting has had a concentrated impact on young people, as the housing market is stacked against new entrants. As discussed below, many young people want the option of renting before they are ready to own. However, our research also found that aspirations change over time, especially at different transition points, such as when young people look to form families of their own. At this stage, homeownership invariably becomes a priority for them. Our poll shows that 88 per cent of young people want to own their own home within the next 10 years.

However, the undersupply of housing means that young people are increasingly unable to make this transition to homeownership. While the private rented sector has previously been characterised as a tenure for students and young professionals, it is now accommodating a diverse set of households. Analysis by Shelter found that the number of households with children that are renting privately has doubled over the last five years (Shelter 2012a).

As the choices available to young people have narrowed, private landlords have gained more power. Not only has homeownership become increasingly unaffordable, so have rents in the private sector. Across the 10 years to 2011, average rents in the sector have risen twice as fast as average wages (CLG 2012a). Shelter showed that in 2011 private rents were ‘unaffordable’ (greater than 35 per cent of income) for those on median incomes in 55 per cent of local authority areas (Shelter 2011).

These rises appear to be accelerating as the market continues to overheat. A recent survey of the residential lettings market by the Royal Institution of Chartered Surveyors (RICS 2012) shows that rents grew by 4.3 per cent in the year to June 2012, with landlords projecting further rises of 3.9 per cent over the next 12 months. Our research shows that the unaffordability of renting was a major issue for the way that young people felt about the rental sector. The young people we polled said that the main factor that would make renting more attractive would be increased affordability (41 per cent).

Not only is renting expensive but high demand in the private sector reduces pressures in the market to drive improvements in housing quality. In 2006, half of private rented homes failed to meet the ‘decent homes’ standard, compared with one-third of social and owner-occupied homes (Shelter 2012a). Although merely illustrative, our interviews highlighted experiences of poor-quality housing, the lack of control that people feel they have over housing choices, and the consequences of that combination.

‘We had an issue when we moved in – we kept finding maggots on the floor of the kitchen and it turned out they were coming from the ceiling – there must have been something decomposing in the roof space. It was absolutely disgusting and the landlord took a week to answer his phone and another week to come around. In the end he said we would just have to wait for [the maggots] to go through their lifecycle as it would be too expensive to rip out the roof. We pushed him and he ended up doing something that cleared it up but it made me really angry. During those weeks I pounded the streets looking for somewhere else, anywhere – and there was nothing that I could really afford. It left me feeling really frustrated that I had so little control over where I lived.’

Female, 28, London

Long-term undersupply has had a number of fundamental effects on the UK housing market. Homeownership is out of reach for the majority of young people, while social housing is inaccessible to all but the most vulnerable households. This has led to a significant growth in the number of households, including families, living in the private rented sector. A mismatch between supply and demand for housing has strengthened the hand of housing suppliers, whether they are landlords or sellers. This reduces pressure on landlords to improve the quality of housing and contributes to high and rising rents. Importantly, these new housing pathways are particularly problematic for young people from low-income backgrounds, who cannot rely on help from their parents to support them with housing costs or to move into homeownership. In this context, the next chapter explores the impacts of these changes on the lived experience of young people and their families.

4. THE KNOCK-ON EFFECTS OF HOUSING UNDERSUPPLY ON YOUNG PEOPLE

Young people are increasingly being forced to live in compromised ways – often, this means not living in the location they want, in their preferred tenure, with whom they want, or in decent quality houses. This section sets out what our research uncovered about the social impacts that are the consequences of the pressures which undersupply has sparked, contributed to or entrenched.

For most young people, these new ways of living are manageable in the short term but do not offer an attractive long-term solution. Our interviews with young people found that some people enjoy the social side of house sharing or the flexibility of renting. But – critically – undersupply and its direct impacts mean that there is no longer a functioning pathway for young people into sustainable, long-term housing. There are lots of other factors at play, including employment opportunities, debt and personal preferences, but our research suggests that the undersupply of housing itself has social consequences. As a result of undersupply, the housing market does not work as well for those who are looking to settle down and who no longer want the flexibility that renting offers, such as young people with children. Young people do manage to find housing solutions that work for them, to some degree, but many cannot see how their situation will ever change. As our interviewees shared, they cannot see how they could afford to move in with a partner, move out of a shared house, or buy a home.

‘Right now, the idea of buying a home – it’s not even something I think about.’

Male, 26, London

One interviewee, who had irregular work, could see little hope of moving out of his parents’ house into any form of rented or owned accommodation.

‘I’m really, really lucky that my parents are understanding ... the problem is I can’t see a route out – I can’t see it ever changing.’

Male, 27, County Durham

Our research has allowed us to look behind these trends to explore the impacts that these changes are having on young people and their families.

Stifled ambitions for life and career

One of the main social consequences of an undersupply of housing identified in our research is the stifling of young peoples’ ambitions for their lives and careers.

Analysis of the labour force survey shows that the undersupply of housing is affecting household formation; in particular, it is leading to more young people living with their parents for longer. In 2011, nearly 3 million adults aged 20–34 were living with their parents, an increase of almost half a million (20 per cent) since 1997, despite the fact that as a proportion of the population this age-group stayed largely the same (ONS 2012). This has had a negative impact on young people’s ability to fulfil their potential.

IPPR’s polling showed that over a quarter (26 per cent) of young people living with their parents said that their current housing negatively affects their ability to achieve life goals that are important to them. For some, this meant that they were not able to forge their own identity.

‘When I’m by myself I feel like I can actually be the person I want to be, the full potential of who I am. I always feel like there’s part of me who

I have to hide from [my parents] if that makes sense – there might be parts of them that I don't want them to know about me.'

Female, 23, Sheffield

Having a stable and 'grown-up' housing situation was important to participants, especially those in their mid-to-late 20s. It contributed to their sense of progression and achievement in life. One of the interview participants, a teacher, talked about how living with her parents damaged her self-esteem and undermined her sense of pride professionally.

'It's not great when you're standing in front of the kids and talking about living at home with your mum and dad – I think I would feel a bit more proud of myself if I was able to say 'I've got my own place'. Just when I talk to people in general, to be able to say 'yeah, I have bought my own house, I live on my own and I'm quite independent' – I would like to be able to do that.'

Female, 26, Newcastle

While there are a variety of factors contributing to such feelings, there was a clear connection to a person's housing situation. This was made explicit when talking about career ambitions, and applied to young people who were university-educated as well as those working in lower-skilled jobs.

Across different groups, participants reported the different ways in which their housing situation limited their employment opportunities. This ranged from not being able to boost employment prospects by taking on short-term placements that might not lead to permanent work to being unable to study, because the loss of income would mean that they were unable to pay high housing costs.

Such findings are consistent with the wider literature. In 2010, 12 per cent of people polled (5.6 million) said that high housing costs had affected their ability to move for work; among 18 to 34-year-olds, this was 18 per cent (Shelter 2010). Some of these concerns, such as low wages and the widespread use of short-term contracts, need to be addressed through reforms to labour market policy. But they also point to the need to better align policies to boost housing-building with the areas of the country where the jobs are now and where they are likely to be in the future.

Lack of control and independence

Young people want a home, not just a house. Our research found that, while the housing accessible to young people might provide the basic necessities of shelter, it doesn't necessarily deliver the other facets of a secure home. In many cases, the unaffordability of housing was leading to greater instability for young people.

This instability extends to financial insecurity. For families, unaffordable housing can lead to greater volatility, restricting their ability to save and increasing their reliance on debt. Research undertaken by Shelter (2012b) shows that 16 per cent of renters are using credit cards and – more worryingly – more than 130,000 renters are using high-interest payday loans to meet their existing housing costs. Saving for a deposit – or even for a rainy day – is not possible in this context. For some, payday loans and short-term credit are short-term solutions to a temporary problem, but for others a greater reliance on debt creates a cycle of increased vulnerability that can spiral very quickly (Ben-Galim and Lanning 2010). The sense of financial insecurity was acutely felt by some of the research participants.

‘After I’ve paid for my travel, my food, bills and then rent, there really isn’t a lot left each month. I haven’t been away on holiday for three years, I don’t buy new clothes, I try and go out nearby or have people over to save money on going out. I don’t feel secure.’

Female, 28, London

‘Living here takes over half my salary each month. I do need to be careful about what I spend ... saving’s obviously out of the question.’

Male, 26, London

Fears about physical safety and security were also expressed in terms of a lack of control. In IPPR’s polling, a fifth (22 per cent) of young people who live in shared accommodation in a housing set-up with people they didn’t know before they moved in said that their housing negatively affects their sense of safety and security. One participant described how she had no control over who comes in and out of her house.

‘One of the girls I lived with – her boyfriend, who was quite involved in drugs, and [with] him and his friends being there all the time, it didn’t really feel like our home. It got to the point where we had to say he couldn’t be there all the time – we had to have it out – it wasn’t easy.’

Female, 23, Sheffield

Constraints on relationships and starting a family

The undersupply of housing also affects decisions on family planning. Although there are a number of factors that impact on the decision to have children, the availability and quality of housing emerged as an important contributing factor.

There is a ‘baby gap’ in the UK: the number of children that ‘20-somethings’ say they want is higher than the number of children actually born (Bhrolcháin et al 2010). There is a range of reasons for this gap, including decisions around work and career, increased participation in higher education (especially for women), relationship formation and stability, household finances, and the higher risks of infertility associated with later pregnancy.

Nonetheless, research shows that housing seems to play a key role in decision-making about family formation. According to a Shelter poll, one in five 31 to 44-year-olds without children were delaying parenthood because of a lack of affordable housing (Shelter 2012c); Bramley et al (2010) argue that, for people aged 25–34, the sharp decline in household formation over the last decade is ‘suggestive of the effects of housing affordability and supply difficulties’. This theme was strong among many of our interviewees, particularly those who didn’t own their home. The instability of renting was seen to be a contributing factor.

‘If we were renting I would never feel secure – I just couldn’t do it, as it would be at the back of my mind the whole time – the landlord could have us out in months. Maybe that’s irrational but I want to have a family – and for me that means getting married, having children and having a home.’

Female, 28, Cambridgeshire

This sense of instability was also evident among those who already had children, for whom an insecure tenancy could be stressful.

'It would be nice to have that bit of certainty. Yes, if the boiler breaks down you know that you aren't looking at not eating for a month while you pay off someone to fix it ... but how long will it take the landlord to get around to doing it? Are they going to turn round to you one day and say 'I've put the rent up' or tell us that we need to find somewhere else? It's always at the back of your mind. [The children] go to the centre here – I have friends through the nursery – it would really mess things up. Yep – that would be really stressful, so I don't think about that. I think our landlord's ok – but you never know do you?'

Female, 29, Manchester

Anxieties related to family formation came up irrespective of educational qualifications, employment situation or relationship status. Not being able to afford to live close to family and friends was also seen to limit choices.

'I'd like it to be back near my parents, near my sister. But my sister wasn't able to buy a home there – they live in a town nearby, and if I'm honest she doesn't like it very much. It's quite tricky for my parents to visit and she doesn't really know anyone, so it's stressful with two young children, especially because – for obvious reasons [the mortgage] she and her husband absolutely have to work.'

Female, 27, London

The unaffordability of housing can quickly lead to families living in difficult conditions, raising the potential of developmental challenges for children. The link between poor housing, poor health and poor educational achievement in children is well documented. Poor housing, whether overcrowded or poor-quality, has significant health impacts on children. Research using cohort data (for people born in 1958) found that experiencing multiple housing-related deprivations increased the risk of severe ill-health or disability during childhood and early adulthood by an average of 25 per cent (Marsh et al 1999). Poor housing, especially overcrowding, has significant impacts on children's ability to participate in school. Analysis of families and children survey data found that 12 per cent of school-age children who persistently lived in overcrowded accommodation did not have a quiet place at home to do homework (Barnes et al 2008). This can lead to sleeplessness and poor classroom performance (Barrow and Bachan 1997).

Beyond family formation, housing instability was also seen to put pressure on people's personal relationships. Our polling showed that 32 per cent of young people who are not married or cohabiting say that their current housing situation negatively affects their relationship with a partner or their ability to form such a relationship. This was particularly true for young people living at home: 42 per cent of those living with their parents said that their ability to develop and maintain a partner relationship was negatively impacted by their housing situation. Living with parents meant that it was harder to spend time with new people, affected the way they felt about themselves, and impacted on their ability to feel confident in a relationship.

'Right now I'm single. In the past I was with a girl who had a flat so we spent time there but the whole time I felt like a bit of loser. I went out

with a woman who lived at home like me – we had to meet up and go sit in the park and it felt like we were 15 – and I’m 27.’

Male, 27, County Durham

Partner relationships were also being stretched by high housing costs, meaning that some people had to work far away or for long and unsociable hours.

‘I work days and he works nights. We have nice evenings together but it’s not ideal. It was the only work he could get that was stable and reliable enough for us to be able to rent.’

Female, 26, Newcastle

Relationships with friends and family are also affected. Our polling showed that 17 per cent of young people say their current housing affects their relationship with their friends negatively. This rises to 25 per cent among young people who are living with their parents or guardians. Living far away often disrupts friendships:

‘The major thing is that [my home is] far from friends and there’s limited space for them to come and stay – or come and eat.’

Female, 28, London

‘The main thing is that [our home is] stuck out on its own and none of our friends really live close by. If we want to see them you have to make arrangements. You can’t just go around the corner – I do that miss that.’

Male, 27, Derby

The quality of their housing meant that some were unwilling to have people to stay or to use their house for socialising. Participants living in lower-quality accommodation spoke about feeling isolated or their partners feeling isolated because they were ashamed and reluctant to open up their homes to guests. As one participant explained:

‘It’s cheap and it means I can live close to work, but it’s pretty nasty. The bathroom and the kitchen are hard to get clean. It doesn’t bother me but my girlfriend says she wouldn’t have people over and she says she finds it quite isolating.’

Male, 25, London

Similarly, family relationships are put under strain by new housing realities. Families are affected by people living both further away and closer than they would like. Living close to parents became more of a priority when young people were planning to have children, which presented a particular challenge for those who grew up or had family in high-demand areas, such as London. The challenge was slightly different in rural areas.

‘There’s so rarely anything I can buy – some of the new-build stuff or the refurbishment stuff is even marketed at second-home owners.’

Female, 27, London

For families dispersed geographically, housing size and quality get in the way of maintaining family bonds:

‘My sister came down to stay with my niece and they had to stay in a hotel nearby. Which is fine – it was lovely to see them, but I felt like I should have been able to offer them [a place to stay].’

Female, 28, London

There are also challenges for families with young people still living at home. Most found ways of getting along, such as by setting rules, marking off areas of the house, or spending more time with friends or otherwise out of the house.

‘I’m really, really lucky that my parents are understanding and have a spare room that I can stay in. We keep out of each other’s way and I try to spend as much as possible at mates’ houses – but it’s not a long-term solution. We all know that and none of us say it! The problem is I can’t see a route out – I can’t see it ever changing.’

Male, 27, County Durham

Nevertheless strains – often financial – were also observed. Some parents whose children had stayed or moved back home were concerned that the relationships within the house might change over time.

‘It is creating strain. These families having to live together more than they want and rely on them for money.’

Parent, County Durham

High prices for ownership and rented accommodation mean that young people out of work, or wanting to save for a home relied on the family home being available to them.

Having children living at home for longer also had an impact on parents, at a point in life when many thought they were becoming ‘empty-nesters’. Most were managing to navigate through these sometimes-trying circumstances, primarily because there were perceived to be very few other options available.

Weaker sense of community belonging

It is not just relationships with family and friends that are affected by the undersupply of housing. A strong relationship between homeownership and a sense of community emerged as a strong theme in our research.

Our analysis of survey data illustrates a chasm between owners and renters and their respective sense of belonging to the community where they live. Owning a home has a statistically significant impact on people’s sense of belonging within a community, relative to renting.

New IPPR analysis finds that owning a home increases a person’s sense of belonging to a neighbourhood as much as simply living there without owning for 14 years. For example, when controlling for all other variables, an individual who has lived in the same home for 20 years without owning it is likely to feel the same sense of neighbourhood belonging as someone who owns their home but has lived in it for just six years.⁸

⁸ Ordered logistic regression using Understanding Society, Wave 1, 2009–2010 (University of Essex 2011); see appendix for further details.

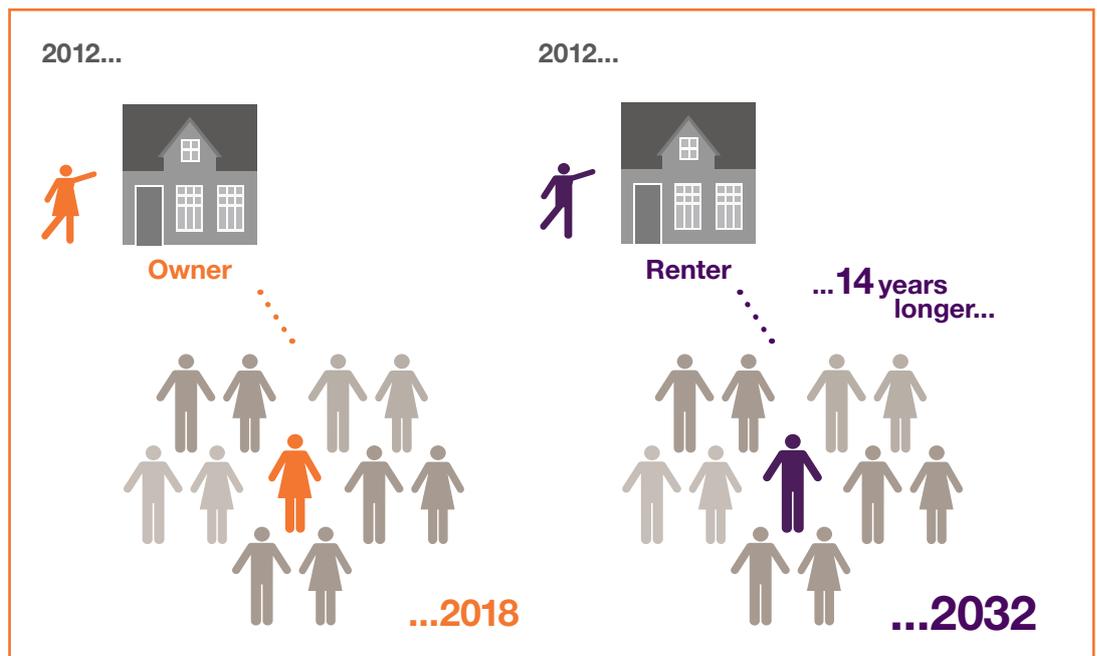
This was evident in our interviews. Young renters felt that they had only a limited stake in their local area. Making a commitment to an area – getting to know neighbours, participating in local groups, even improving gardens – was seen as pointless.

‘My living arrangements are temporary and I don’t see myself living here in the long term, therefore this won’t be my ‘community’ for that long. I don’t have that much invested in the area.’

Male, 26, London

Renting was seen as being temporary even if it ended up being for a long period of time. As a result, people often never felt like they were part of the locality and so it didn’t make sense to them to integrate themselves in formal or informal ways.

Figure 4.1
The sense of community belonging comes quicker for homeowners than renters



‘I lived somewhere for three years and throughout that time I never felt it was long-term. I never registered for a doctor nearby, I never changed my address with the bank. I remember wondering whether to register to vote as it would only be a pain to have to change it. It’s silly really as I was there so long, but I never thought it was where I lived, I didn’t see it as my community or home area.’

Female, 28, London

Renters were also less inclined to invest in an area, because of their temporary situation. There was a sense that landlords, not tenants, would benefit from any community investment. As renters were more able to leave behind communities, they seemed less willing to engage with the community – to improve it or to participate in it.

‘When I was living in north London, a knife amnesty box was put up really close to my house. I didn’t think much about it – I remember

telling someone about it in a sort of jokey way – ‘what a nice neighbourhood I live in’ – but my neighbours were really worried. They had a petition to get the council to take it down. I guess if you own your house you want the neighbourhood to be perfect because you know it’s harder to just up-sticks ... whereas I would never have thought of taking action like that.’

Female, 27, London

‘Where I was before – it was all students and the street was a real mess sometimes. I know our neighbours got really annoyed with the house next to ours but I never even thought about it ... I suppose I always knew it was a temporary place for me.’

Male, 28, London

This ambivalence towards community on the part of renters was in stark contrast to the attitude of homeowners. Owners were more inclined to invest; young people who owned felt that it was in their interests to put effort into building good community relations. Reflecting on the change since becoming an owner, one interviewee commented:

‘It never once occurred to me to speak with our neighbours where we were before – then as soon as we bought this place we went round and introduced ourselves. I’ve gone to the residency association meetings. I’ve gotten really vexed about rubbish collections!’

Male, 28, London

The difference between owning and renting also seemed to have an impact on the nature of neighbourly relationships. One interviewee spoke of their different experiences in an area that had moved from housing mainly owner-occupiers to a greater proportion of renters:

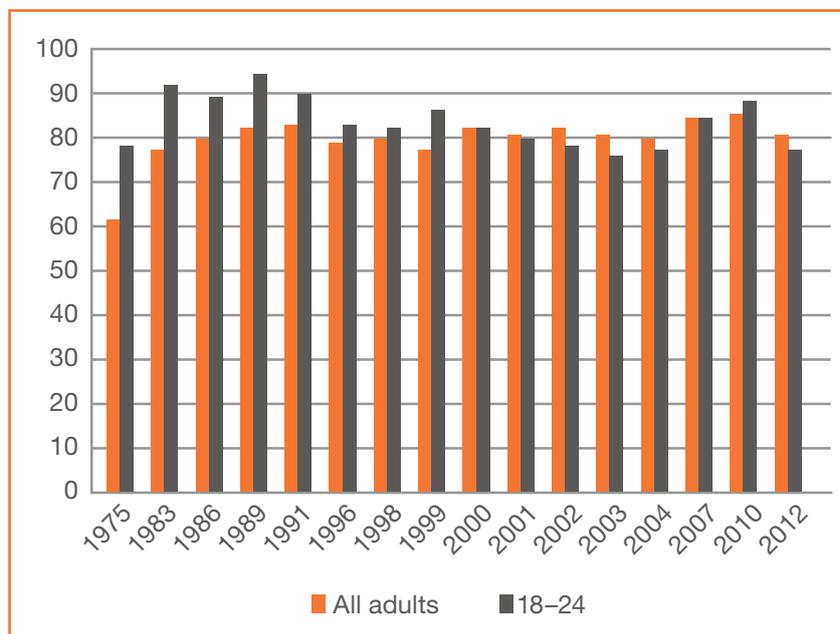
‘I don’t believe in all that communities stuff. It was never all of us raising each other’s children or anything. The neighbourhood is changing though. In the house next to us used to be a woman who’d lived here her whole life – she used to babysit the children and I would say, before she moved into a residential home, we’d pop around or keep an eye on her for her son and daughter-in-law. Now it’s rented and they don’t stay too long. They’re very courteous, but it doesn’t seem sensible to really get to know them. It’s a strange one really – I hope there’s someone left to let me in when I’m a bit senile and lock myself out at two in the morning.’

Parent, Cambridge

5. YOUNG PEOPLE'S HOUSING ASPIRATIONS

The aspiration to homeownership remains strong. Our polling showed that 88 per cent of respondents aged 18–30 aspired to own their home within the next 10 years. As figure 5.1 shows, this desire to own has stayed consistently high across the last three decades. This is remarkable, given the drops in actual homeownership rates and the diminishing prospects for many. The resilience of this aspiration suggests that it is unlikely to change in the foreseeable future.

Figure 5.1
Young people (18–30)
who aspire to own their
home within 10 years (%)



Source: Pannell and Purdey 2012

Despite these strong and persistent aspirations, people are uncertain about the future and how they will meet their housing ambitions. Although 90 per cent of private sector renters polled by IPPR would like to own their own home in 10 years' time, only 51 per cent think that they actually will. A similar gap was observed for those in the youngest segment of the age-group polled: 85 per cent of those aged 18–21 would like to own in 10 years but less than half (48 per cent) think that they will.

As the average age of first-time buyers continues to rise – from 29 in 2005 to 33 in 2011 – some people have simply rejected the idea of buying altogether.

'I'm at the point now where I'm used to it. Even though rent is a significant chunk of my monthly wage gone, the money doesn't feel like it's mine in the first place. As soon as I earn it, it is someone else's money. It's like a student loan – it's like a tax. The money is gone before it even hits my bank account, so I honestly don't think about it.'

Male, 26, London

'I don't really think about it because [homeownership] seems like a really far-fetched idea. It's so far-fetched that it doesn't bother me.'

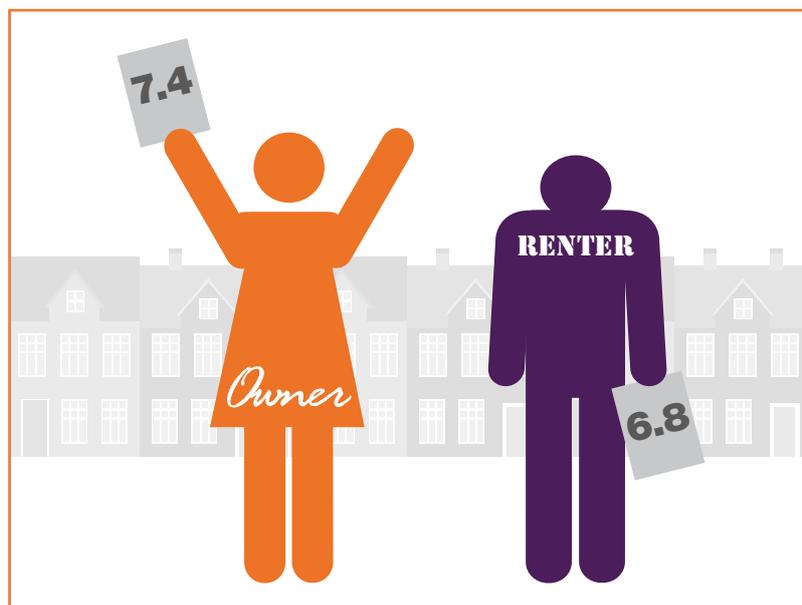
Male, 25, London

As described in the previous chapter, not believing that ownership is an attainable option leaves many young people feeling insecure, particularly regarding their financial security or decisions about starting a family.

As well as the stability homeownership can offer, there is also a strong relationship between ownership and higher levels of life satisfaction. Over three-quarters of homeowners (76 per cent) are highly satisfied with their life, compared with 59 per cent of renters. More worryingly, however, the proportion of renters with low life satisfaction is twice that among homeowners: 14 per cent of renters rated their life satisfaction as low compared with 6.5 per cent of owners.

This difference is significant, even when controlling for other key variables. Regression analysis demonstrates that becoming a homeowner leads to an increase in how satisfied an individual is with their life. On a scale of zero to 10, an average person who does not own their home rates their life satisfaction as 6.84. Our model estimates that a similar person who does own their own home would rate their life satisfaction much higher, at 7.43.⁹

Figure 5.2
Predicted life satisfaction
score (scale 1–10)



For many, the aspiration is not simply homeownership – it is more specifically about living in the right place. Being near family and friends is very important to people. When considering their current housing, our polling found that the social aspects of housing are more important to young people than economic considerations. For example, building up an asset (4 per cent) and being able to decide what to do with a home (4 per cent) are given much lower priority than aspects such as being near to friends and family (20 per cent).

⁹ OLS regression using Understanding Society: Wave 1, 2009–2010 (University of Essex 2011); see appendix for further details.

Table 5.1
 'Thinking about housing in particular, which of the following are important to you at this stage of your life?'

	Option ranked as most important
Price – limiting the amount of money I spend on housing	23%
Quality – living somewhere that is of decent quality	22%
Location – living near to friends and family	20%
Commute – living near to work	16%
Flexibility – not being tied down to the place I live	10%
Control – being able to decide what to do with my home (eg decorate)	4%
Asset – building up an asset as an investment for the future	4%
Other	2%

Significantly, less than a fifth of young people (18 per cent) would be willing to live far from friends and family if it meant they could own.

These themes were echoed throughout the interviews.

'I'm living with my parents and I would rather live with them and sacrifice some independence than live in an area I didn't want to live in. The fact that my parents' house is in such a perfect location is one of the main reasons that I'm living at home really. Living in this area means that I can easily socialise with my old school friends and people from work who all live in Cambridge. I'm also quite an active member of my church here, which is something that I'd lose by moving away. I could go and buy somewhere now but I would have to compromise on area and I really don't want to.'

Female, 28, Cambridge

'We rent a place. It's fine for now – we're not far from my parents, which is huge for us. We've looked at buying but that's not going to happen any time soon. I'd rather be here than move to the sticks just to have a bit of paper with my name on it.'

Female, 29, Manchester

It is clear that there is a gap between what young people want from housing and what they are likely to get. But it is also important to recognise that most young people are realistic. Those we spoke to did not necessarily want everything immediately and recognised that, for instance, homeownership involves hard work, savings and sacrifice.

Young people's aspirations changed with their different life transitions. Many young people like the option of renting before they are ready to own. Renting provides an opportunity to 'test' a new, grown-up self before making the commitment of ownership.

'I would rent my next house – I'm looking to move in with my partner and buying a house is a huge commitment at this stage of the relationship.'

Female, 28, London

Older respondents who felt more established in their careers, and were starting to think about forming a family, talked explicitly about owning. Ownership was the right option only once they had determined a life for themselves:

‘If I bought now I would be saying ‘this is my life’. And I’m not sure – well, I know – that not everything is in place right now, like a job or a partner.’

Female, 23, Sheffield

Our research has led us to identify three stages which are related to aspiration – it is these life stages, rather than age, that broadly defined which category people fell into.

- **Free roaming:** (broadly, aged 18–27) those who prioritise flexibility and independence. They want to spend as little money as possible on their housing and sacrifice quality and permanence for flexibility and affordability.
- **Transitioning:** (broadly 24–30) those who prioritise moving into quality accommodation and having control over their space. In order to feel more grown-up and to form relationships, they want to have space to socialise as well as control over their home and what happens in it.
- **Establishing:** (broadly 28–35) those who prioritise stability and security. In order to start a family or put down roots into a community, they want more certainty that they can stay in their home for the long term.

Despite changes to the housing market, housing aspirations have stayed consistent across recent decades. Yet the proportion of young people who are confident they will meet these aspirations is dropping away. It is clear that there is a gap between what young people want from housing and what they are likely to get. This is well known and well documented in the literature. Our research with young people has given a voice to this gap between aspiration and outcome.

Our analysis has enabled us to understand better the social dimension of these aspirations. Rather than prioritise ‘building an asset’, young people prioritised living close to family or friends. Young people want to live in housing that supports their wider life ambitions – whether that means independence in their early 20s or the stability needed to raise a family and put down roots as they move into adulthood. Ultimately, young people want somewhere that feels like home.

6. GENERATIONAL ASPECTS OF HOUSING UNDERSUPPLY

Undersupply is having a significant impact on young people's lives. However, it can be challenging for policymakers to know how to respond. New advocacy voices, such as the Homeowners Alliance, and recent contributions to the debate, such as *Jilted Generation* and *The Pinch*,¹⁰ have constructed an argument that 'generation rent' have it much harder than their parents did. Others question whether life really is harder for this generation, or if young people today are just more vocal, more engaged and have a stronger sense of individual entitlement than their parents and generations before them (Koslow 2012).

To shed light on this, our research captured a different set of voices: through conversations across generations, we were able to understand how the impact of housing pressures is different for young people today. As the data presented has shown, undersupply has led to significant changes in people's experience of the housing market across the latter part of the 20th century. The housing market that young people navigate today is vastly different from that that their parents experienced.

The intergenerational perspective

Possibly the starkest change is in the ratio of house prices to incomes (see also figure 3.1). In the space of just one generation, undersupply has led to homeownership becoming much less accessible to first-time buyers. For most young people looking to move into independent living in the 1970s and 80s, for example, housing was much more affordable. When reflecting on the difference between their own experiences as young people and those of their children today, it was the relative affordability of buying a home that older generations reflected on most.

'Back then you could borrow enough to buy a house a lot easier. Salaries aren't high enough now. Banks would lend something like 2.5 times your annual salary. As long as you were in work, this was achievable.'

Parent, Birmingham

With the reduced availability of other housing types, such as social housing, some parents reflected that the choices available to them have disappeared for their children.

'We both grew up here – and when we got married we went to the council and arranged to rent a house. I don't think it would ever cross the mind of our daughter to do that.'

Parent, Cambridgeshire

These generational changes mean that the housing market has had particular impacts on the lives of young people today that their parents did not have to face, such as barriers to meeting their ambitions or forming and maintaining relationships. Parents that we interviewed were almost unequivocal in their belief that young people today face a difficult and ultimately damaging experience in the housing market. Parents felt that their generation was in many ways lucky to have been able to access safe and secure housing. There was a strong sense that this was not the case now, for their children.

'I just feel – we had this chance to try something on, if it didn't work, it didn't matter. You could enjoy yourself and know that as soon as you found someone you wanted to settle down with you could move towards doing that. With our eldest – she wanted to stay close by and to buy

¹⁰ Respectively, Howker and Malik 2010 and Willetts 2010

somewhere and they've had to make so many sacrifices to do that – she had to focus on this goal so early on.'

Parent, Dorset

Older people reflected on the freedom they enjoyed as a result of a more accommodating housing market. They felt they were able to transition into adulthood without having to think about taking on greater responsibility and settling down until they were ready. There was a strong sense that their housing decisions were led by their choices whereas for younger generations they were aware that often this was not the case.

'As long as you were in work [buying a house] was achievable, so you didn't really need to think about it until you were ready to settle down'

Parent, Birmingham

Older generations were acutely aware that young people were facing a cluster of disadvantages – in the housing market but also in the labour market and in education. The introduction of tuition fees means that many young people going to university will leave with high levels of debt. Changes to the youth jobs market has meant that routes into work can involve low pay or stints of unpaid placements or short-term contracts (Lanning 2011). The decline of heavy manufacturing in some areas and unbalanced regional development has meant young people may need to leave their local area to find work. Young people are facing a difficult situation, of which housing is only one part.

'Housing is really the least of their worries I think. I read some of these reports about young people being unable to own and I just think REALLY? ... Buying a house is just so far beyond what this generation are looking at. How about the jobs, the debt? If my daughter could even move out of home that would be a big achievement.'

Parent, Derby

Of course, this is not a straightforward story. While the housing market was generally kinder to their parents' generation, today's young people are not the first to try to live in a housing market rife with problems and constraints. Some parents reported how they and their parents in turn had lived in dangerous 'slum' conditions, sharing houses with other families and relying on their own family members, before eventually moving to better housing. The parents we interviewed had faced difficulties of their own, whether related to the quality of accommodation that was available or having to save hard to afford to buy a home.

Similarly, not all young people felt despondent about their housing in comparison with their parents. It was recognised that there were some benefits in the current housing market for young people, as long as they were self-sufficient and wanted to live their life in a flexible way. As one interviewee expressed, his parents felt they had to buy in order to live somewhere secure and of decent quality. For him, the wider choice of houses to rent on his salary meant that he could be more flexible.

'I honestly think I'm in a better position than my parents – the rental market is more diverse, so if we want something that suits us right now we don't have to think of buying. Also I've never felt tied down by my housing, and that is a big deal to me. I'm on a good wage and I can see that it's different for my sister, but overall this is fine for me and I wouldn't want it any other way.'

Male, 27, Derby

Although this flexibility works for some, the overall perspective was negative, both from young people and from older generations. But on the whole this did not translate into young people resenting their parents' generation. Just 10 per cent of young people we polled who don't own their home agreed that the main reason they would struggle to buy was because their parents' generation had 'pulled up the drawbridge' and shut them out of the market. Interviewees and focus group participants did feel a sense of anger at the way they had been locked out of stable and sustainable housing, but rather than blame their parents or their parents' generation they felt that banks, mismanagement of housing by government or profiteering by landlords were the real culprits.

'You have all these nice two-up, two-down homes – but as soon as they go on the market they're just snapped up by landlords. I'd love to live in a home like that but my only option would be to rent it.'

Female, 28, Cambridge

The impact on family dynamics and family attitudes was striking. Many of the young people we interviewed felt that their parents were compromised by having to support them, or felt guilty that they couldn't do so.

'My father-in-law was able to help us. I felt ok about this – without him on the deeds there's no way we would have been able to buy this place. But I know my Mum felt bad about it – that they weren't able to help more when (my partners') parents were.'

Male, 27, London

Whether families were forced together or apart, there was a strong sense of duty and guilt felt by both generations. Young people felt a responsibility to put as much effort as possible into moving on and to avoid disrupting their parent's lives.

'I've got to get out! But it's not just because of how I find it – I think it's quite odd for my parents to have me around again.'

Male, 24, London

Parents felt a sense of duty to step in and help their children, as well as a sense of guilt that were unable to help more.

'We both feel in some senses a guilt I suppose that we haven't been able to help them more – but those were the decisions we made (to rent rather than buy).'

Parent, Manchester

The fact that the housing crisis had been brought to their doorstep seemed to have had an impact on parents' attitudes. The parents that we spoke to were keen for government to see this issue as a priority and do something about it.

'There's this expectation that after raising them and paying taxes and doing all the right things – you have to do something about it. It puts a huge burden on parents. The government should absolutely do more about this.'

Parent, County Durham

‘It’s upsetting really. You just look at how they’re doing and think – well, of course they’re alright but I just want them to feel they really have a home. I really don’t think we’re going the right way about changing this. You hear a lot about it but I’m not sure the government really gets it.’

Parent, Dorset

And neither young people nor older people were satisfied with some of the responses – by government or developers – that they were aware of.

‘I think there are some really good schemes (to help people buy) but when I’ve gone and looked at the actual flat they’re absolutely crap and you just think – no wonder you couldn’t sell this on the open market! I’ve been to some that are absolutely tiny. It’s like they don’t understand that the whole reason I would want to buy my own flat and move out of my parents’ place would be to have that space and have that ability to have people over.’

Female, 28, Cambridge

‘There’s lots of new housing around here but it’s all for commuters – there’s nothing you could raise a family in.’

Parent, Cambridge

The views of parents are important. Many are part of the ‘in group’ – baby boomers who own their properties. With many of their children now being locked out of the housing market, they are connected to the problem in a way that was not necessarily anticipated. With the ‘insiders’ now directly related to the ‘outsiders’, there is a potential platform for voluntary, statutory and private stakeholders to challenge the nimbyism that is often a barrier to new developments.

Challenges for the future

Our research and analysis shows that the young people of ‘generation rent’ do have it hard. Housing affects their lived experiences, their relationships and their connection to the local community, their careers and standard of living. It also negatively affects the lived experiences of parents, as their adult children move home, draw on their support to buy a home, or move far away in order to access jobs and more affordable housing. This in turn causes concern among parents.

Our research with families and young people has illustrated the difficulties, in different circumstances and across the country, of living within a constrained housing market. It is clear, however, that these issues go far wider than those covered in our research. Our participants are emblematic of a generation struggling to meet their aspirations and, in some cases, to manage the transition into adulthood.

Beyond the level of lived experience our analysis also shows that these changes across generations also have serious consequences for society. Inequality is widening, both between generations and between families. Housing is estimated to account for 61 per cent of wealth in Britain (Blackwell and Park 2011) and so homeownership is an important way for households and families to share in this wealth and to develop resilience. For example, homeownership allows people to reach a stage towards the end of their working lives where they no longer have significant outgoings for housing costs. Housing assets can also be an important way of saving, whether to cover future social care costs, help younger generations or supplement a retirement income.

As ownership becomes concentrated so the distribution of wealth also concentrates, particularly in older generations (Willett 2011). And as increasing numbers of young people are shut out of homeownership and live instead in rented accommodation, wealth is also being distributed from non-homeowners to (largely older) homeowners (Smith and Searle 2006). As well as exacerbating intergenerational inequality, these trends may also have a significant impact on social mobility. As the trend towards first-time buyers being reliant on family or friends in order to buy their first home continues, there is a danger that owner-occupation becomes increasingly the preserve of children of existing homeowners. This limits wealth redistribution from wealthier middle class families to people from poorer families, as well as reinforcing intergenerational poverty (Grannam 2006).

Looking forward, many of the trends identified in this report are likely to continue. Average house prices are projected to rise and average rents in the private sector are forecast to increase by almost a fifth (19.8 per cent) between 2011 and 2016 (NHF 2012).

Predictions for how this will impact on living patterns are also markedly negative. Analysis using demographic trends data as well as interviews with young people and stakeholders by the Joseph Rowntree Foundation predicts multiple changes in the housing market. By 2020, the total number of young people owning their own properties is expected to decrease by approximately 1.1 million to 1.3 million. The number of people in their 30s living with their parents is set to grow by half a million, and an additional 1.5 million 18 to 30-year-olds could live in the private rented sector. The number of homeless people aged under 25 is projected to rise to 81,000 (Clapham et al 2012).

Without action to increase supply, young people's experience of the housing market will continue to blight their lives in ways that have real meaning to them – and with major consequences for society as a whole. This includes whether young people are able to move into independence and self-sufficiency, to form their own families and have their own children, and to meet their work and life ambitions. Our analysis also suggests that continuing undersupply may lead to less cohesive communities, as greater numbers of households rent their homes on short-term contracts and feel less able as a result to put down local roots.

Finally, our analysis has shown that young people on low incomes or from low-income families are particularly disadvantaged in the housing market, and particularly affected by its impacts. In the short term, the increased instability for people on low incomes and those without family relationships are of critical concern. As these trends continue, it is likely that their disadvantage will be compounded. This has significant impacts on social mobility and on the life chances of the most disadvantaged households and their children. Without action, these already significant problems are likely to get worse.

7. WHAT NEEDS TO BE DONE?

Our analysis has found that as a result of undersupply, the housing market for young people has fundamentally changed. High prices for ownership and for rented accommodation have a profound and negative impact on the decisions and lived experiences of a significant majority of young people. As their parents are increasingly confronted with this reality, the balance of attitudes towards new housing developments may shift.

Through the voices of young people, our research has shown that many are resigned: they recognise that homeownership is out of reach or, if they are ever able to own, that they are likely to have to make significant compromises. Underneath this resignation lie frustrations and significant real-life consequences.

Our research highlighted:

- That housing supply has not kept pace with the number of households. On the basis of current levels of output and demographic and social trends, this imbalance is likely to worsen.
- A significant majority of young people aspire to own their home, but many are resigned to this being little more than an ever-delayed aspiration.
- The undersupply of housing is holding young people back: for many, their housing negatively affects their ability to reach their own meaningful life goals.
- Housing is affecting relationships: for some, this means delaying having children until they can secure more stable housing. For those looking to move on from their adolescent or student lifestyle it may be harder to form partner relationships, socialise or connect with family.
- Young people feel a lack of safety and security: high housing costs lead to a greater reliance on debt to meet housing costs, while an inaccessible housing market leads people to rely on family relationships for support, which not all young people have at their disposal.
- Community cohesion is suffering as a result: those renting their home feel a much weaker sense of community belonging. Those who own their home not only feel more connected to their community but are also more willing and able to contribute.

Recommendations

A range of actions will be needed to address the many issues and challenges highlighted in this research. However, it is hard to see significant progress being made without a sharp and sustained increase in the number of houses being built in this country. And these new houses need to be *homes* that people want to live in. There is certainly scope to make better use of existing properties, such as by reducing underoccupancy and making it easier to transfer properties from commercial to residential use.

But that won't be anywhere nearly enough. To create the best possible chance of achieving a significant increase in house-building, the following changes are needed.¹¹

- **A planning system that builds consent for new homes:** The slimmed down National Planning Policy Framework leaves more scope for local residents to directly shape the terms of proposed developments. This space should be used to put bespoke offers and demands on the table, between residents and developers, as the best way of finding a mutually beneficial agreement. This approach is rooted

¹¹ The proposals that follow draw on IPPR's recent work on housing, in particular *Together at Home: a new strategy for housing* (Hull and Cooke 2012). The centrepiece of that plan was the mobilisation of local energy and understanding, through a major decentralisation of power, responsibility and resources for housing to local areas. The full report is available: <http://www.ippr.org/publication/55/9279/together-at-home-a-new-strategy-for-housing>

in a commitment to high-quality homes supported by the necessary services and infrastructure to make neighbourhoods flourish. Put simply, if a proposed new development enhances the local area then it is likely to gain support; if it doesn't then it won't. In addition, local authorities need to show real leadership to meet the pressing housing needs of people in their area (including conducting regular assessments of the level and type of such need). To create further scope for meeting long-term housing demand, consideration should be given to reclassifying low-grade greenbelt land, while protecting areas of real natural beauty and importance, and identifying sites for strategic planning interventions that could realise the ambition for a new wave of attractive and sustainable 'new towns' or 'garden cities'.

- **New sources of investment to boost house-building:** There is a strong case for increasing the level of capital investment in new house-building. The economic benefit of such expenditure is well made and widely shared (Pryce et al 2011), but our analysis confirms the *social* gains that would also be triggered (especially in widening opportunities in the housing market for young people). In the short term, access to mortgage finance is a real constraint on house-building, but in the long term looser credit and first-time buyer initiatives should not be relied upon. These measures tend to simply inflate prices and leave households overexposed. Instead, the priority should be securing finance for development. There is already a growing move to unlock the potential for pension fund investment in housing, including those held by local authorities,¹² which could be supplemented by a properly capitalised British Investment Bank (see Dolphin and Nash 2012). In addition, given the fiscal pressures, the government should be troubled by the current balance of public spending between subsidising rents (95 per cent) and building homes (5 per cent). This locks in high costs and diverts money away from the problem of undersupply. An institutional means should be developed for rebalancing public funds, such as through decentralising housing expenditure to cities or combined local authorities.
- **Pathways to sustainable homeownership for young people:** In addition to measures that would help to increase overall housing output, there should also be a focus on developing pathways to sustainable homeownership for young people – which our research confirms is what the substantial majority wants. This could include providing options for young people in the private rented sector to build up equity stakes through overpaying rent or to build up discounts as their tenancy extends (with the development of bespoke products to meet this need). Sitting tenants could also be given first refusal on purchase if their landlord decides to sell. Another option would be auto-enrolling young people into a long-term savings product, such as for pensions or housing, once their student loan is repaid.
- **Opportunities for greater stability in the private rented sector:** Our research also showed that many young people value the flexibility offered by the private rented sector, especially through their early youth. However, it does not provide the security or sense of control desired by those, often in their later 20s or early 30s, for whom owning is not an option. Reforming the private sector – by, for example, developing a new class of 'family tenancy', perhaps offering a five-year tenure and longer notice periods¹³ – could go a long way towards alleviating some of the stress experienced by young families. Local authorities and housing associations might be well-placed to meet this new social and housing need in the years ahead.

12 See CLG 2012b, Future Homes Commission 2012, Smith Institute 2012

13 For more see Hull and Cooke 2012

Our research highlights that young people are finding ways to get by and make the best of the situation they find themselves in. They are making sacrifices and trade-offs, just as those who came before them did. However for some young people, the negative impacts of their housing circumstances are significant, the challenges many, and the barriers seemingly insurmountable. Looked at in the context of other pressures – from high unemployment, to rising student debt, and the retrenchment of state support – it is hard to argue that there is not something particular, intense and pervasive in what this current generation of young people face as they move into adulthood.

This research has highlighted the scale of the challenge and suggested some ways to tackle the direct impact of housing undersupply. But the social consequences highlight a need to consider wider policy change. In other work, IPPR has recommended a job guarantee for young people to mitigate the long-term ‘scarring effect’ of being out of work for a significant period (Dolphin et al 2011). Responding to the financial pressures that many young families face, particularly around childcare costs, we have made the case for universal childcare provision (Ben-Galim 2011). Together with a more family-friendly work agenda, these types of policy changes could contribute to better support for young people to fulfil their potential, particularly at critical times.

Conclusion

Housing has an obvious intrinsic importance, providing a place to live. But it has a range of instrumental purposes too, enabling people to be and do the things they value. As our analysis has shown, the type, quality, size, cost and location of housing plays a major role in either supporting or preventing young people from making a success of their lives and fulfilling their aspirations. This affects millions of individual lives – but also imposes real costs and presents lost potential for society as a whole. This poses a test for politics and its ability to meet today’s real challenges.

For the lucky few young people with wealth behind them, housing facilitates independence, a career, relationships, a sense of community, and broader life satisfaction (not to mention further wealth). But for the large majority who do not, it acts as a barrier and a block. In the worst cases, housing poses a risk to young people’s health, safety and family life. As the gulf between supply and demand widens, and homes become scarcer, the polarisation of the housing market between incumbents and entrants – the insiders and the outsiders – intensifies, with the odds increasingly stacked against the latter. This polarisation is often manifest across generations within families, with parents caught between protecting their housing wealth and opposing new developments but also deeply concerned about their children’s future prospects.

There has been much public debate about the economic side of this story, but this report has drawn attention to the social dimension. In particular, it has shown how housing undersupply – in combination with a number of other social, economic and cultural forces – is having real and substantial effects on the lived experience and future aspirations of young people.

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APPENDIX

REGRESSION DATA

Table A1

Ordered logistic regression: belonging to neighbourhood (five-point scale)

	β	S.E.
Homeowner	0.28*	(0.13)
Male	-0.20†	(0.12)
Age	0.03**	(0.00)
Married	0.40**	(0.12)
Tenure length (years)	0.02**	(0.01)
Degree	0.17	(0.15)
Parent	-0.27*	(0.14)
Class (IV ref)		
I	-0.08	(0.30)
II	-0.41*	(0.18)
III.1	-0.19	(0.18)
III.2	-0.29	(0.19)
V	0.26	(0.27)
Urban	-0.26†	(0.14)
Region (East Midlands ref)		
North East	0.27	(0.31)
North West	0.13	(0.24)
Yorkshire and the Humber	-0.07	(0.26)
West Midlands	-0.05	(0.26)
East of England	-0.16	(0.25)
London	-0.10	(0.24)
South East	-0.30	(0.24)
South West	0.17	(0.25)
Wales	-0.38	(0.32)
Scotland	0.10	(0.26)
†1		
†1	-2.70	(0.35)
†2		
†2	-1.44	(0.32)
†3		
†3	0.62	(0.31)
†4		
†4	2.50	(0.32)
Pseudo R-squared		
Pseudo R-squared	0.06	
N		
N	1,248	

** p<0.01; * p<0.05; † p<0.10

Data: Understanding Society: Wave 1, 2009–2010

Note: Outcome variable question: How strongly do you agree or disagree with each statement?... 'I feel like I belong to this neighbourhood... (Strongly agree, Agree, Neither nor disagree, Disagree, Strongly Disagree)'

Table A2

OLS regression: life satisfaction (0–10 scale)

	β	S.E.
Homeowner	0.59**	(0.16)
Male	-0.20	(0.14)
Age	0.02**	(0.00)
Married	0.31*	(0.14)
Tenure length (years)	0.00	(0.01)
Degree	-0.12	(0.18)
Parent	-0.55**	(0.16)
Class (IV ref)		
I	0.88*	(0.34)
II	0.50*	(0.21)
III.1	0.25	(0.20)
III.2	0.55*	(0.22)
V	-0.10	(0.31)
Urban	-0.04	(0.16)
Region (East Midlands ref)		
North East	-0.14	(0.37)
North West	-0.33	(0.28)
Yorkshire and the Humber	-0.71*	(0.31)
West Midlands	-0.21	(0.30)
East of England	-0.21	(0.30)
London	-0.53†	(0.28)
South East	-0.34	(0.28)
South West	0.06	(0.30)
Wales	-0.23	(0.37)
Scotland	-0.47	(0.30)
Constant	6.11	(0.36)
R-squared		
R-squared	0.09	
N		
N	1,229	

** p<0.01; * p<0.05; † p<0.10

Data: Understanding Society: Wave 1, 2009–2010

Note: Outcome variable question: How satisfied are you with your life overall? 0–10 scale; 0 being least satisfied and 10 most satisfied