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# Shelter

## Research: report Homes for the future

A new analysis of housing need and demand in England



# Shelter

## A new deal for housing: Shelter's recommendations

- England is facing a severe shortage of affordable homes, a problem that lies at the heart of the country's housing crisis. As the population increases, this shortage will only get worse, unless we can increase the delivery of affordable homes.
- Shelter's new research shows that to meet newly arising need and demand, we must build a greater proportion of social rented and intermediate homes than currently envisaged.
- To deliver the volume of affordable housing required, the Government and opposition parties need to rethink how this will be funded. The housing market downturn has created a different environment that needs a new approach, with higher levels of public subsidy than at present. In short, we need a new deal for housing.
- Social rented and intermediate housebuilding should be increased sharply over the next few years. This would start to tackle housing need and help keep the construction industry going in the current economic climate.
- The Government must provide decisive leadership now to ensure that we build sufficient numbers of social rented homes over the long term to meet the growing housing need highlighted in this research. Without a renewed commitment, there will not be adequate homes to house the families of the future and more people will be living in overcrowded conditions, and stuck on housing waiting lists and in temporary accommodation.

### New estimates of housing requirements

- The number of households in England is projected to increase by nearly 4.5 million between 2006 and 2026. This translates to an increase of between 220,000 and 225,000 households each year.
- The Government is working towards building 240,000 new homes per year. Shelter's new research shows that this is about the right overall level to take account of household growth and adjustments for vacant and second homes and the loss of social rented homes through Right To Buy sales. However, the Government does not expect to achieve these levels until 2016 at the earliest, so there remains a significant shortfall.
- To meet newly arising need and demand, a much greater proportion of new housebuilding (40 per cent) also needs to be affordable housing than currently envisaged.
- This research indicates that newly arising need and demand will require 67,000 social rented homes, 30,000 intermediate homes and 145,000 market homes each year to 2020. The map opposite breaks down the number of new homes required by sector across all the regions.<sup>1</sup>
- In addition, there is a backlog of more than 500,000 households requiring social rented homes, who are currently homeless, living in overcrowded, temporary or other unsuitable accommodation. At least 150,000 of these households require net additions to overall housing stock.

### The housing crisis in England

- The shortage of affordable housing affects all regions across the country, in both urban and rural areas. As the housing crisis deepens, the numbers of households stuck on social housing waiting lists, or living in overcrowded, unfit or temporary accommodation continue to grow. This is illustrated by the figures in the table below.
- The number of concealed households (those sharing a home with another household) and people forced to live in overcrowded conditions is rising. Since 1988, overcrowding in England has risen by 14 per cent. The problem is particularly acute in cities such as London, Leicester and Liverpool. More than one family being forced to share a home and adult children unable to leave home are all too common stories.
- The number of households on social housing waiting lists are at record levels. There are now a staggering 1.67 million households in England waiting for a social rented home – a rise of 64 per cent since 1997.
- People in all regions are struggling to meet high housing costs. Across England there are nearly two million households spending more than 50 per cent of their income on housing costs, and more than two million households are constantly struggling or falling behind with their mortgage or rent payments.<sup>2</sup>

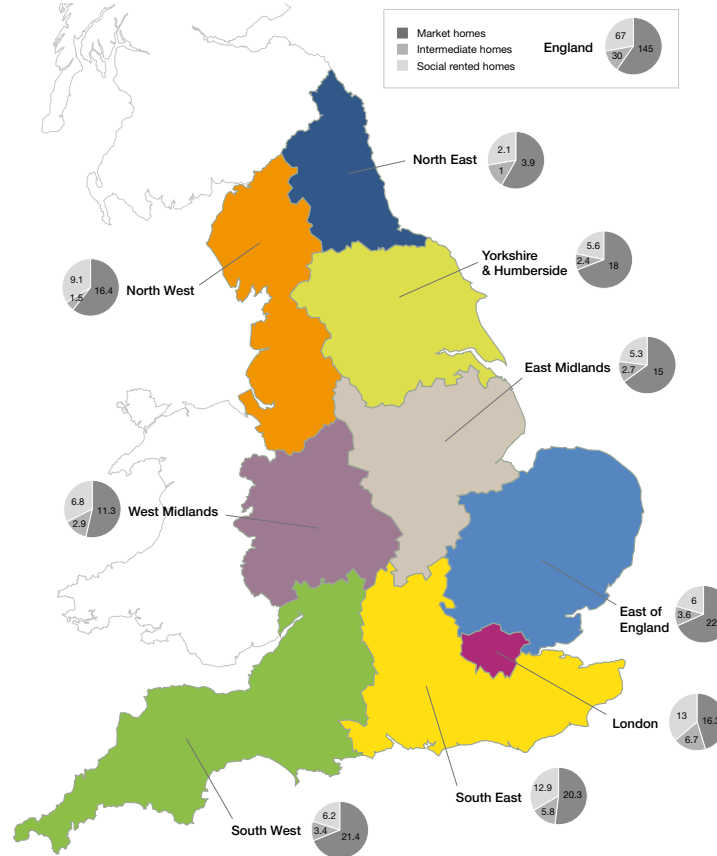
### Indicators of the housing crisis in England

	Households on social housing waiting lists, 1 April 2007	Households in all sectors living in overcrowded conditions, 2007/08	Households living in temporary accommodation, 2nd quarter 2008
■ North East	90,570	19,000	380
■ North West	212,600	64,000	1,930
■ Yorkshire and Humberside	270,070	37,000	1,840
■ East Midlands	134,420	29,000	1,250
■ West Midlands	121,050	61,000	1,500
■ East of England	146,250	42,000	4,080
■ London	333,860	203,000	53,870
■ South East	208,420	66,000	5,890
■ South West	157,180	33,000	3,960
■ England	1,674,420	554,000	74,690

Note: These figures cannot be added across columns due to the overlap between categories. See footnotes on page 26 of main report for definitions of overcrowding and temporary accommodation.  
Sources: Communities and Local Government (CLG), Housing Strategy Statistical Appendix (HSSA), 2007; CLG, Survey of English Housing, 2007/08 (rounded to nearest thousand); CLG, Statutory homelessness, 2nd quarter 2008, England, September 2008.

1 Conversions, changes in use and demolitions have been taken into account. However, it should be noted that reliable data on the detailed impact of demolitions on the tenure mix in each region was not available.  
2 Shelter, *Breaking point – How unaffordable housing is pushing us to the limit*, 2008.

### Newly arising need and demand for net additions to housing stock, annual averages for 2006 to 2026 (thousands)



# Foreword

Eddie MacDonald



In 2007, significant steps were taken to tackle the shortage of affordable homes in Britain. The Government made a long-term commitment to build three million new homes by 2020, and backed this up with direct investment of over £8 billion in new affordable homes between 2008 and 2011. For the first time in over a decade, the need to increase housing supply, and in particular the availability of affordable homes, has been given serious political attention.

The 2007 commitments must now be viewed through the prism of the current economic downturn. Now, more than ever, we must deliver high and rising numbers of affordable homes to meet housing need, but, at least in the short term, output is likely to go down rather than up. It is critical that we estimate accurately the scale of housing need over the long term, and ensure that plans are in place now to deliver the required homes over the next two decades.

This report draws on the latest evidence to derive up-to-date estimates of housing need and demand. The resulting message is clear: the rise in the projected number of households in England, together with limited capacity of certain households to pay for their housing, means that higher levels of investment in housing overall are required, as well as a significant increase in the proportion of affordable homes. Our new estimates indicate that around 40 per cent of new housing stock should be affordable.

In the face of current economic challenges, it is even more important that we strengthen our commitment to increasing the supply of affordable homes over the long term.



Adam Sampson  
Chief Executive, Shelter

Research: report

## Homes for the future

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# Key findings

- Official projections suggest that the number of households in England will have risen to at least 26 million by 2026 – an increase of between 220,000 and 225,000 new households each year. Around 70 per cent of these will be one-person households.
- The requirement for additional housing is higher than the number of households because allowances have to be made for vacant dwellings and second homes, and in the social rented sector for the loss of properties to the market through Right to Buy sales. To ensure reasonable flexibility and to meet identified requirements in terms of numbers of homes, 242,000 additional dwellings are required each year.
- These figures are based on projecting current behaviour and taking account of changes in age structure, household composition and tenure, but there is also the issue of affordability to consider. Low-cost home ownership and renting in the intermediate sector can help first-time buyers who find themselves priced out of the market. Taking affordability into account, this analysis estimates a requirement for additional housing each year of 145,000 market homes (60 per cent of total); 30,000 intermediate homes (12 per cent); and 67,000 social rented homes (28 per cent).
- The estimates suggest that higher levels of investment in housing overall are required than currently envisaged. A significantly greater level of government funding is also needed.
- The analysis shows a need for significantly more affordable homes, including social rented homes, in all regions of the country.
- The main housing requirements remain concentrated in the south and east of the country – with more than half of the required homes in the four southern regions. The need for social rented housing is particularly concentrated in London, and to a lesser extent the South East.
- There is also a backlog of unmet need for social rented homes. This is made up of a proportion of households living in temporary accommodation, concealed households, households living in overcrowded accommodation and some households on social housing waiting lists. The total backlog of those requiring social rented housing is more than 500,000, of which around 150,000 of these households require net additions to housing stock. Almost two-thirds of the total backlog is in the south of England.
- If the current slowdown in output continues for more than a couple of years, it is unlikely that the Government's current targets to deliver two million additional homes by 2016, increasing to three million by 2020, can be met. Achieving these volumes would require the construction industry not only to recover, but also to build substantial further capacity thereafter.
- Taking a realistic estimate of housebuilding output against the Government's targets suggests a shortfall of at least 500,000 homes by 2020.
- There is also a shortfall between the Government's targets, and newly arising housing need and demand of an estimated 450,000 homes. This results in an overall shortfall of nearly one million homes by 2020.
- Over the same period, the shortfall between government plans and affordable housing requirements is estimated at more than 300,000 homes, accounting for almost one-third of the overall shortfall.
- If we fail to address this shortfall, the backlog of unmet need for social rented homes will continue to grow in all the regions.

# Introduction

The severe, and worsening, shortage of affordable homes in England is at the heart of the country's housing crisis. The Government has set targets to build three million homes by 2020, with two million of these to be delivered by 2016. These targets include a pledge to deliver 45,000 social rented homes each year by 2010/11 and 25,000 low-cost homes for ownership and rent each year between 2008 and 2011. But will this be enough?

This report looks at the latest evidence to establish the likely requirements for both market and affordable housing up to 2026. On the basis of the rise in the projected number of households in England, together with the limited capacity of certain households to pay for their housing, the estimates suggest that higher levels of investment in housing overall are required. A significantly greater level of government funding than currently envisaged is also needed.

## Research aims

- To estimate the number of extra households expected to form up to 2026, and their probable composition.
- To estimate newly arising need and demand for housing and the split between the market, intermediate and social rented sectors.
- To produce a revised figure for the backlog of unmet need for social rented housing.
- To draw out the implications for the Government's housebuilding targets, housing investment, and the need for government subsidy.

## Methodology

The estimates of housing need and demand clarify the requirements for new housing over the next two decades up to 2026. They are presented first for England as a whole and then for the regions

separately. Although the margins of error are greater at the regional level, estimates of regional requirements and their composition are important because of the significant variation between the regions, not just in terms of total numbers, but also tenure and subsidy requirements.

Two decades is a sufficiently long period for the effects of downswings and upswings in the housing market to balance out. It is the long-term trends that are important. The housing market slump since 2007 is not a reason to reject estimates of housing need and demand that are well above the probable levels of new housing output over the next two or three years. Furthermore, swings in the housing market over the next few years will not diminish the long-term need for housing at below-market prices and rents, but may even increase it.

The analysis of housing need and demand in this report falls into two main sections: newly arising need, and demand and the backlog of existing unmet need for social rented housing.

### Newly arising need and demand

The growth in the population and the number of households are the most fundamental influences on the number of additional dwellings that are required. This study uses official government projections of population and household numbers to provide the demographic basis for estimating future housing need and demand.

The analysis is undertaken in the following stages:

- provide household projections up to 2026 by household type and age
- project the number of households in both market and social sectors based on the current tenure of households by household type and age, and adjust for changes in the mix of households and age over the period (eg fewer married couples)
- estimate the number of new dwellings required based on the number of households, adjusting for changes in the number of second and vacant homes, and the replacement of housing stock lost from the social sector through Right to Buy sales
- estimate the proportion of dwellings needed for the intermediate sector based on incomes and lower-quartile house prices
- build up regional estimates using the same method.

### The backlog of unmet need

The report also clarifies the scale of the backlog of unmet need for social rented housing. The analysis separates out the proportion of the backlog that requires net additions to overall housing stock, and that which could be met within existing housing stock.

Full details about the methodology behind this research are provided in Appendix 1 on page 22.

### Terminology

**Housing demand** is defined as the demand for market housing, whether owner-occupied or privately rented, without financial assistance from the Government. This is also referred to as the **market sector** in the report.

**Housing need** is the need for housing with some public subsidy, including both social renting and private renting with the help of housing benefit. This is also referred to as the **social sector** in this report.

**Newly arising need and demand** is the requirement for new housing stock to meet need and demand from future household growth, changes in building use/demolitions/conversions, demand for second homes, changes in the number of vacant dwellings, and adjustments for the replacement of social relets lost through Right to Buy sales.

**The backlog of unmet need** is the existing unmet need for social rented homes. This can be subdivided into households that require new homes, and those that can be housed through reallocations within existing housing stock.

**Social rented sector** refers to rented housing provided at social rents by local authorities and registered social landlords.

**Intermediate sector** refers to dwellings, either rented or owned, provided for households who can afford more than social sector rents but cannot afford full owner-occupation or market rents. This is also referred to as **low-cost home ownership and renting** in this report.

**Affordable housing** includes both the social rented sector and the intermediate sector.

# How many households to be housed?

Successive estimates of the future population in England have been raised upwards because people are living longer and also because of higher rates of net migration and increasing fertility.<sup>1</sup> These revisions to the population projections feed through into household projections, increasing the estimates of the number of households to be housed.

The current official household projections published by Communities and Local Government (CLG) were derived from 2004-based population projections.<sup>2</sup> The official 2004-based household projections are summarised in Table 1 below.

The number of households is projected to increase by nearly 4.5 million between 2006 and 2026, to a total of 25.9 million households. This translates to an increase of between 220,000 and 225,000 households per year, around 70 per cent of which will consist of one-person households. Fewer

than 10 per cent of these one-person households are young (under 35) households; the rest are divorced, separated and single men and women aged 35 and over, who will be living alone.

Table 1 also shows a projected increase of more than one million one-person households aged 65 and over. This is mainly the result of the ageing of those who began to live alone in middle age, rather than the separation of couples when aged 65 or over.

**Table 1: 2004-based household projections for England, 2006 to 2026**

Household type	Total number of households, thousands			
	2006	2016	2021	2026
Married couple households	9,415	9,050	8,978	8,898
Cohabiting couple households	2,181	2,944	3,204	3,424
Lone parent households	1,655	1,830	1,882	1,928
Other multi-person households	1,452	1,629	1,708	1,775
One-person households	6,816	8,384	9,200	9,951
<b>Age of one-person households</b>				
Under 35 years	1,050	1,289	1,345	1,322
35 to 64 years, excluding widowed	2,746	3,658	4,126	4,521
65 years and over, excluding widowed	835	1,307	1,572	1,899
Widowed men and women	2,186	2,129	2,158	2,208
<b>All households</b>	<b>21,519</b>	<b>23,837</b>	<b>24,973</b>	<b>25,975</b>

Source: Household projection detail provided by CLG.

- 1 See Office of National Statistics (ONS), 2006-based subnational population projections for England, 2008; CLG, New projections of households in England and the regions to 2029, 2007; Holmans, A and Whitehead, C, *New and higher projections of future population in England*, Town and Country Planning (TCPA) tomorrow series paper 10, TCPA, 2008.
- 2 More recent 2006-based household projections were not used for this research because they are not yet published in sufficient detail for this analysis (see page 22 for details).

# Future households by sector

Taking the estimates for the number of households requiring housing, the analysis now addresses how these households are likely to be split across the market and social sectors. The results suggest that most of the increase in household numbers will be accommodated in the market sector.

The division of households between the market and social sectors relates to the way in which households' tenures differ according to the type of household and the age of the household head. The estimated numbers of households in the two sectors up to 2026 are shown below in Table 2. These figures suggest that 73 per cent of households will be housed in the market sector, with the remaining 27 per cent in the social sector.

The figures also show that almost 80 per cent of the increase in households over the 20-year period can be expected to be accommodated in the market sector.

What these estimates mean for additional housing provision in each sector is determined by adjusting for other factors, such as empty and second homes, inter-tenure transfers in dwellings, and affordability.

**Table 2: Projected numbers of households in the market and social housing sectors in England, 2006 to 2026**

	Total number of households, thousands				Change between 2006 and 2026	
	2006	2016	2021	2026	Total increase	Annual increase
Market sector	15,519	17,291	18,203	19,026	3,507	175
Social sector	6,000	6,546	6,769	6,949	949	47
<b>Total</b>	<b>21,519</b>	<b>23,837</b>	<b>24,972</b>	<b>25,975</b>	<b>4,456</b>	<b>223</b>

Source: Household projection detail provided by CLG; Survey of English Housing 2003/04–2005/06.

# Newly arising need and demand

In this section, the analysis assesses the number of additional dwellings to housing stock that will be required in both the market and social sectors to meet newly arising need and demand for housing. These additions take into account new dwellings, conversions (eg family house into flats), demolitions, and dwellings that arise from change of building use (eg from warehousing to housing).

The main component of additional housing requirements comes from the projected increase in households in the market and social sectors. The other components taken into account are:

- 1) the increase in the number of dwellings used as second homes
- 2) the change in the number of vacant dwellings
- 3) the replacement of social rented sector relets lost as a consequence of Right to Buy sales
- 4) provision in the social rented sector to offset any decline in the volume of private rented accommodation available to households receiving housing benefit.

Of these, 1) only affects the market sector; 2) affects the total increase in housing stock in the two sectors,

but differently; and 3) and 4) affect the division of new housing stock between the market and social sectors, but not the overall total number of additions to stock. On this occasion no adjustment was thought necessary for 4) (see page 23).

Table 3 below shows the estimated requirements for additions to housing stock to meet newly arising need and demand in the social and market sectors over the period from 2006 to 2026. It suggests that more than 90 per cent of the total requirement arises because of the increase in the numbers of households. It also suggests that once the additional components are taken into account, 30 per cent of the requirement would be for social sector housing. The next step is to adjust this estimate to reflect current affordability.

**Table 3: Newly arising need and demand for housing in the social and market sectors in England, 2006 to 2026**

	Market sector	Social sector	Total
Net increase in households	3,507,000	949,000	4,456,000
Second homes	240,000	0	240,000
Vacant dwellings	115,000	20,000	135,000
Replacement for lost social rented sector relets	-486,000	+486,000	0
<b>Total net increase in housing stock required</b>	<b>3,376,000</b>	<b>1,455,000</b>	<b>4,831,000</b>
<b>Annual averages</b>	<b>169,000</b>	<b>72,000</b>	<b>242,000</b>

Sources: (second homes) Council Tax-based data on second homes, 2007, supplied by CLG; (social rented sector vacancies) CLG, Live tables on housing: Tables 611 and 613; (private sector vacancies) CLG, Housing Strategy Statistical Appendix 2005/06; for replacement of social sector relets, see Holmans, A *et al*, *Homes for the future: technical document*, Annex A (forthcoming, see [www.cchpr.landecon.cam.ac.uk](http://www.cchpr.landecon.cam.ac.uk)).

# Intermediate housing

The estimates of housing requirements up to this point in the analysis have been based on past trends in tenure by household category rather than on whether those households can afford their accommodation. Bringing affordability into the equation, the analysis now looks at the proportion of households in both the market and social sectors that might be better accommodated in intermediate housing, were it available.

The surge in house prices since the late 1990s has made affordability an essential factor in the assessment of housing need and demand. Home ownership is now out of reach for a large number of households that would previously have been expected to be able to buy or rent a home in the private market. This is where intermediate housing has become relevant, and increasing proportions of affordable homes provided through the planning system are intended for this market.

The need for intermediate housing is estimated from the number of new households with incomes within a certain range. The lower boundary of this range is determined in relation to average registered social landlord (RSL) rents (by region) with an addition of £25 a week, and the upper boundary is determined in relation to lower-quartile house prices (as a proxy for prices paid by first-time buyers).<sup>3</sup> Spending up to 30 per cent of the household net income is assumed to be affordable. Intermediate housing could be for rent, shared ownership or shared equity.

Based on this analysis, the intermediate sector is made up of those in the market sector who might require some financial assistance and a (much smaller) proportion of those in the social sector who might be able to afford intermediate housing. Because house prices in London and the South are so much higher relative to incomes than in the Midlands and the North, the income range for intermediate housing is much larger in the South. The national estimate of households needing intermediate housing has therefore been built up from regional estimates (see page 24).

An estimated 139,000 new households per year will be within the income range for intermediate housing: 57,000 are owner-occupiers, 73,000 are tenants of private landlords, and 9,000 are social rented sector tenants.

Assumptions must be made about how many of these households would prefer intermediate housing. Not all would want to or, because of fluctuating incomes, would be able to. Adjustments outlined in Appendix 1 and in the technical document that accompanies this report<sup>4</sup> estimate that an average of 30,000 intermediate homes need to be added to housing stock each year.

The analysis of newly arising need and demand in the market and social sectors in Table 3 can be brought together with the estimate of annual need for intermediate housing to provide an estimate of how the required net increase in housing stock might be allocated across the three sectors: market, intermediate and social rented. This is done in Table 4.

3 Sourced from Dataspring, Cambridge Centre for Housing and Planning Research, University of Cambridge.

4 Holmans, A et al, *Homes for the future: technical document*, Shelter, 2008 (forthcoming, see [www.cchpr.landecon.cam.ac.uk](http://www.cchpr.landecon.cam.ac.uk)).

**Table 4: Additions to housing stock required to meet newly arising need and demand for housing in England, annual averages 2006 to 2026**

	<b>Number</b>	<b>Percentage</b>
Social rented	67,000	28
Intermediate	30,000	12
Affordable subtotal	97,000	40
Market	145,000	60
<b>Total</b>	<b>242,000</b>	<b>100</b>

Sources: Tables 2 and 3 (pages 10 and 11 in this report), plus Survey of English Housing (CLG), CORE (The COntinuous REcording System) and Land Registry.

The total increase in housing stock required – 242,000 dwellings per year – remains unchanged by the inclusion of intermediate housing within the total. What changes is the mix of provision to ensure both adequate numbers of dwellings and that people are not financially overstretched. Thus 145,000 new homes would be required to satisfy demand in the market sector from households able to afford the housing out of their own resources. The other 97,000 dwellings would require some element of subsidy.

While the total number of new homes required each year is roughly equal to the Government’s target to reach 240,000 new homes by 2016, this research suggests a much greater proportion of affordable homes are needed than the Government’s plans currently reflect. We explore the implications of these new estimates of housing requirements on the Government’s targets later in the report on page 19.

# Regional analysis

There are large variations between the regions not only in the number of new households to be housed, but also in the tenure and subsidy requirements of those households. For this reason, it is important to establish regional estimates for housing requirements.

The analysis of newly arising need and demand for housing at a regional level is undertaken using the same methods as the national analysis. It is subject to a greater margin of uncertainty because of the smaller sample sizes involved and sampling variation from year to year.

As with the national estimate, the starting point for the analysis is the regional household projections. These are consistent with the national projections in Table 1 (page 9), which are derived from official regional population projections.<sup>5</sup> The projected increases in households in the north of England and East Midlands are comparatively higher than in past projections, mainly because of revised assessments of the movement of immigrants away from London.

Regional estimates for increases in the number of second homes and vacant dwellings were generated in a similar way to the national figures (see Table 3

on page 11). The offset to the loss of social rented housing relets (through Right to Buy sales) is divided between regions in proportion to the numbers of owner-occupiers in each region who purchased their homes through the Right to Buy scheme.

Conversions, changes in use and demolitions are taken into account. However, it should be noted that the detailed impact of demolitions on tenure mix in each region has not been taken into account because of limitations in the data. Regions with large-scale demolition may need to carry out further work to inform new-build targets for social rented and intermediate housing to replace the demolished homes.

Regional figures for intermediate housing were the basis for the national total and can be used to provide an analysis across the three sectors at a regional level. Table 5 shows the result of this analysis.

**Table 5: Newly arising need and demand for net additions to housing stock, annual averages 2006 to 2026, by region**

	Market sector	Intermediate sector	Social rented sector	Total (number and percentage)	
North East	3,900	1,000	2,100	7,000	3%
North West	16,400	1,500	9,100	27,000	11%
Yorkshire and Humberside	18,000	2,400	5,600	26,000	11%
East Midlands	15,000	2,700	5,300	23,000	10%
West Midlands	11,300	2,900	6,800	21,000	8%
East of England	22,400	3,600	6,000	32,000	13%
London	16,300	6,700	13,000	36,000	15%
South East	20,300	5,800	12,900	39,000	16%
South West	21,400	3,400	6,200	31,000	13%
England	145,000	30,000	67,000	242,000	100%

Source: Tables 2 and 3 (pages 10 and 11), plus Survey of English Housing (CLG), CORE and Land Registry.

<sup>5</sup> Regional household projections supplied by CLG; regional population projections from CLG household estimates and projections.

Table 5 shows that 15 per cent of the overall annual requirement of 242,000 dwellings is located in London and more than 50 per cent in the four southern regions. The proportion of social housing required in the South overall is roughly proportionate to the total – but is considerably higher in London and the South East.

As would be expected from the geography of house prices, the need for intermediate housing is disproportionately high in London and the South, with two-thirds of the requirement concentrated in the four southern regions. Thus the regional distribution shows the greatest need for both intermediate and social rented housing in the part of the country where house prices and construction costs are highest. This has implications for the overall levels of government subsidy required to meet need across the country and reflect the higher costs in the South.

# The backlog of unmet housing need

In this section, the analysis updates previous estimates of the backlog of existing unmet need for social rented housing.<sup>6</sup> For the first time, a clear distinction is made between the proportion of the backlog that requires additional homes to be built, and that which can, in principle, be housed within existing stock.

The backlog of unmet need for social rented housing can be broken down into three categories:

- need for net additions to social rented housing stock that, if met, would add to the overall total number of housing units
- need for additional units of social rented housing that would free up owner-occupied and private rented housing, but does not lead to a net increase in total housing stock requirement (unless the released privately owned dwellings were hard to let or sell, or the increased availability of housing allowed more households to form). This need could be met by a transfer of tenure from the market sector to the social rented sector.
- need for suitable accommodation for households already in the social rented sector, but housed unsuitably. Much of this category of need might be met by reallocations within the social rented sector, although new building or purchase might be required if existing stock could not satisfy the need for dwellings of particular types or sizes.

The numbers of households and potential households in these three categories are estimated from survey information for 2003/04 to 2005/06<sup>7</sup>, administrative data (accepted homeless households in temporary accommodation)<sup>8</sup>, household projections (see page 9), and the 2001 census<sup>9</sup>. A detailed discussion is provided on page 26.

These estimates assume that stock in poor condition can be improved without the need for new dwellings to be built.

The estimate of the backlog of current unmet need for social rented housing is set out in Table 6.

6 For previous estimates, see Holmans, *A et al, Building for the future – 2005 update*, Shelter, 2005.

7 CLG, Survey of English Housing 2003/04–2005/06: see [www.communities.gov.uk](http://www.communities.gov.uk) for more details.

8 CLG, Housing Strategy Statistical Appendix, 2006; CLG, Live tables on homelessness: Table 627.

9 See [www.ons.gov.uk/census](http://www.ons.gov.uk/census) for details.

**Table 6: Estimate of the backlog of unmet need for social rented housing**

<b>Households and potential households without self-contained accommodation</b>	
Homeless households in bed and breakfasts, hostels and refuges	13,000
Concealed households wanting separate accommodation <sup>10</sup>	54,000
Private sector tenants in non-self-contained accommodation	65,000
Single people in hostels <sup>11</sup>	20,000
Subtotal	152,000
<b>Owner-occupiers and private renters in need of social rented housing</b>	
Private sector tenants in overcrowded accommodation	130,000
Owner-occupiers and private sector tenants with disabilities on social housing waiting lists	120,000
Other owner-occupiers and private sector tenants on social housing waiting lists	85,000
Homeless households and accommodated in private sector temporary accommodation	59,000
Less: overlaps	41,000
Subtotal	354,000
<b>Social rented sector tenants in unsuitable accommodation</b>	
Social rented sector tenants in overcrowded accommodation	227,000
Households with dependent children living in flats above the ground floor	176,000
Less: number of households that could be rehoused within existing social rented housing stock	403,000
Subtotal	0
<b>Total (gross)<sup>12</sup></b>	<b>505,000</b>

Note: Figures rounded to nearest thousand. Estimate given for each category is not the total, but a portion of the total estimated according to the authors' methodology (see page 26). 'Homeless households' refers to households accepted as homeless by a local authority. For definitions of overcrowded and temporary accommodation, see footnotes on page 26. For sources, see pages 26 and 27.

To meet the needs of those in the first category in the table above requires additions to overall housing stock, while those in the second category require new social rented homes, but would leave another home vacant. Those in the third category can, in principle, be accommodated through reallocations within the social rented sector, which is the assumption here. However, many of those who are overcrowded in this category may need larger family homes, which could make it more difficult to rehouse them within existing housing stock.

It is not possible to formulate estimates of the backlog of unmet housing need for individual regions because the sample sizes for many elements of the data are too small to be robust. Table 7 overleaf gives estimates of the backlog of unmet need for social rented accommodation for three broad groups of regions and London.

10 Families living as part of someone else's household who want separate accommodation.

11 Data for this category is sourced from: Homeless Link, Survey of Needs and Provisions (SNAP) 2008, and may be too high.

12 Note point in footnote 11 above.

**Table 7: Regional estimates of the backlog of unmet need for social rented housing**

	North	Midlands	South (excluding London)	London
<b>Households and potential households without self-contained accommodation</b>				
Homeless households in bed and breakfasts, hostels and refuges (1)	1,000	1,000	4,000	6,000
'Concealed' households (2)	14,000	11,000	18,000	11,000
Private sector tenants sharing (3)	12,000	6,000	21,000	26,000
Single people in hostels (4)	4,000	3,000	7,000	6,000
<b>Owner-occupiers and private renters in need of social rented housing</b>				
Overcrowded private sector tenants (5)	28,000	21,000	33,000	48,000
Owner-occupiers and private sector tenants with disabilities on social housing waiting lists (6)	42,000	24,000	38,000	16,000
Other owner-occupiers and private sector tenants on social housing waiting lists (7)	24,000	14,000	30,000	17,000
Homeless households in private sector temporary accommodation (8)	1,000	1,000	10,000	47,000
<b>Total (gross)</b>	<b>127,000</b>	<b>81,000</b>	<b>161,000</b>	<b>177,000</b>
Less overlaps	10,000	6,000	12,000	13,000
<b>Net total</b>	<b>117,000</b>	<b>75,000</b>	<b>149,000</b>	<b>164,000</b>

Note: Regional estimates for category 3 in Table 8 (Social rented sector tenants in unsuitable accommodation) are not included because it is assumed that they can be rehoused within existing stock. For sources, see pages 26 and 27.

## Addressing the backlog

Guidance to local authorities about planning for meeting housing needs suggests that the total backlog figure should be converted into an annual flow to be met over five years, although longer timescales can be used.<sup>13</sup> If a five-year period is taken, this means that 20 per cent of current unmet need should be addressed each year.

An annual build figure is not added to the estimated annual requirements for newly arising need in this report. However, we would expect that additions to the social rented stock would begin to address the backlog over time.

<sup>13</sup> CLG, *Strategic Housing Market Assessments Practice Guide: version 2, 2007*.

# Implications for the Government's housing targets

In 2007 the Government set new housing targets to deliver three million additional homes by 2020. The estimates generated from the analysis in this report indicate that these targets are not sufficient to meet projected housing requirements. This section discusses the implications.

## Estimates of housing need and demand from this analysis

- Net additions to housing stock required each year to meet newly arising need and demand: 242,000 homes
- Of these:
  - 97,000 would need to be affordable housing (67,000 social rented and 30,000 intermediate housing)
  - 145,000 would be to meet market demand
- Estimated backlog of unmet need for social rented housing: more than 500,000 households
- Of these, around 150,000 households require net additions to overall housing stock

## Targets and expected shortfalls

This section compares the Government's current housing targets with the estimates of newly arising housing need and demand generated by the analysis in this report and expected housing delivery to 2020. The comparison indicates significant shortfalls in the provision of housing overall and specifically of affordable homes.

## Government targets and newly arising need and demand

Table 8 indicates that the shortfall between newly arising need and demand and the Government's targets for housebuilding up to 2020 is 500,000 homes. Table 9 shows government ambitions for affordable housing and projected shortfalls against newly arising need and demand to 2014.

**Table 8: Comparison of government housing targets with estimates of additions to housing stock required to meet newly arising need and demand – totals up to 2016 and 2020, and the shortfall**

	Government targets	Additions to housing stock required	Shortfall between totals
2016	2 million	2.42 million	420,000
2020	3 million	3.5 million	500,000

Source: CLG, Housing Green Paper, 2007; authors' calculations based on research estimates.

**Table 9: Government targets for affordable housing and shortfall from estimates of additions to affordable housing stock required to meet newly arising need and demand, 2008 to 2014**

	Government plans		Shortfall from estimated requirements	
	Social rented homes	Intermediate homes	Social rented homes	Intermediate homes
Total 2008 to 2011	110,000	75,000	91,000	15,000
2011/12	45,000	25,000	22,000	5,000
2012/13	45,000	25,000	22,000	5,000
2013/14	50,000	25,000	17,000	5,000
Total shortfall 2008 to 2014			152,000	30,000

Note: Targets from 2011 are based on government announcements, not formal targets.  
Source: CLG, Housing Green Paper, 2007.

## Government targets and potential outcomes

The current economic climate does not bode well for housebuilding. The net increase in the dwelling stock in 2007/08 is likely to have been close to the 2006/07 figure of 199,000 – though probably slightly lower. However, in 2008/09 and 2009/10 the increase will certainly be considerably lower. In these estimates, we have assumed that government support will enable an average of at least 130,000 homes to be delivered each year over the next three years, even if the numbers fall below this level in 2008/09.

Figure 1 sets out three possible trajectories of government targets and potential outcomes for total new dwellings up to 2020:

- To deliver government targets: this requires a very rapid recovery of the housing market, in addition to achieving a much higher level of output in later years than at present.
- Optimistic: this is a very positive outlook in which the upturn in the housing market comes relatively quickly and does not impact negatively on future net additions to housing stock.
- Realistic: this is a more realistic view that allows both for a period of recession and some impact on confidence into the future.

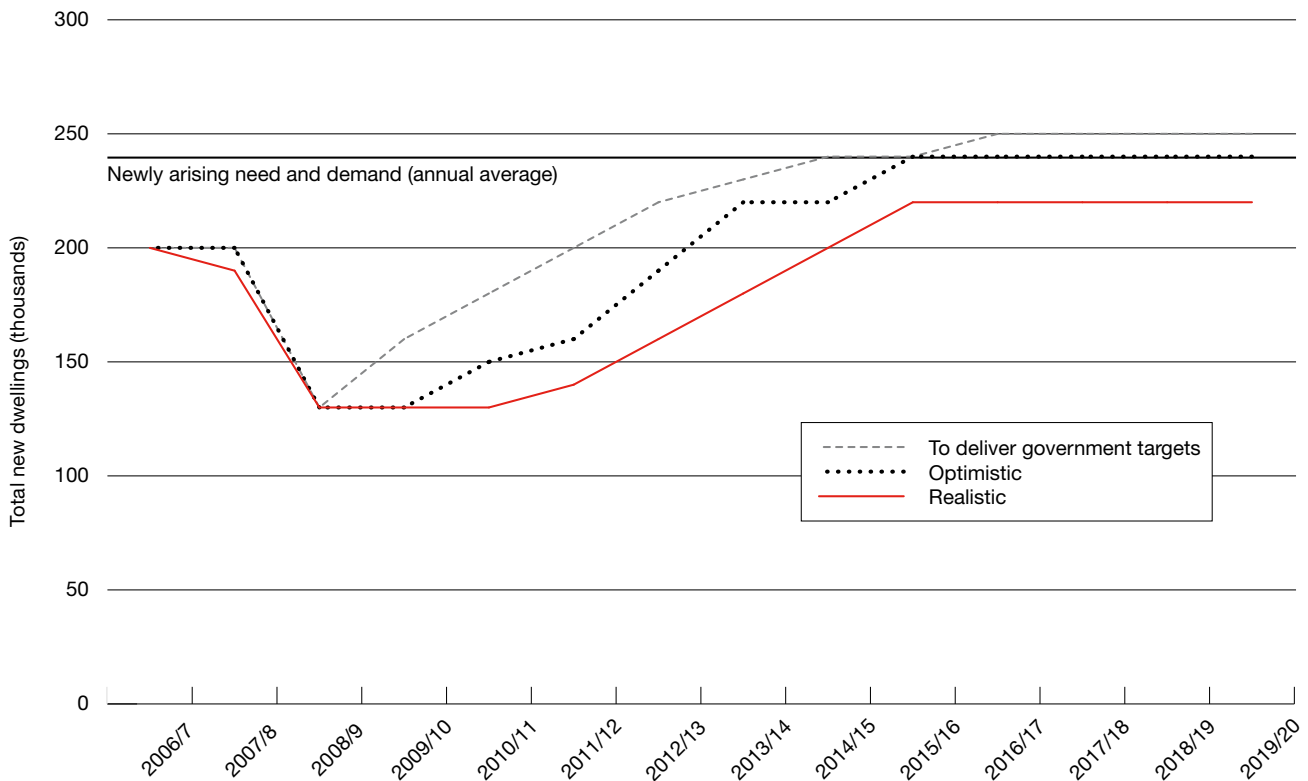
The realistic version would result in an overall shortfall of about 450,000 on the targets by 2020; the optimistic trajectory would result in a shortfall of around 200,000. Taken together with the extent to which the Government's targets fall below requirements, the realistic forecast suggests an overall shortfall of at least one million homes by 2020.

## Affordable housing targets and the shortfall

Last year around 51,000 units<sup>15</sup> of affordable housing were delivered, which was made up of 30,000 social rented homes and 21,000 intermediate homes. This is 46,000 below the estimated overall requirement of 97,000; 37,000 below that for social rented housing; and 9,000 below that for intermediate housing. Even with the ambition to increase social rented housing delivery to 45,000 by 2011, there would be a shortfall of around 100,000 over the three-year period 2008–2011 in relation to the affordable housing requirement estimated in this analysis.

In the next Comprehensive Spending Review period, the Government has announced that it will aim to provide 50,000 social rented homes each year by the end of the period to 2014. If we assume provision of 25,000 intermediate homes each year on top of this,

**Figure 1: Trajectory of government targets and potential outcomes for total new dwellings, 2006 to 2020**



Note: Total new dwellings include new-build social, market and intermediate housing, conversions, changes in use and demolitions. Source: Authors' estimates and Table 9 (page 19).

15 Housing Corporation, *Housing Corporation annual report 2007/08*, 2008.

there would be a total of 75,000 affordable homes in the final year of the next Comprehensive Spending Review – still a shortfall of some 22,000 homes against requirements to meet newly arising need and demand. Therefore, by 2014 the Government's plans fall short of affordable housing requirements by some 180,000 units (see Table 9 on page 19).

Assuming 75,000 affordable homes are delivered in the six years to 2020, the shortfall against affordable housing requirements would be more than 300,000 homes. This equates to nearly 30 per cent of the total shortfall of one million homes by 2020.

## Delivering these volumes

The figures above give rise to a number of concerns. First, to achieve the Government's affordable housing target for the period 2008–11 against a realistic trajectory, more than 50 per cent of total housing output would have to be in the affordable sector. Second, it is uncertain whether these affordable homes could be delivered even if the housing market were to pick up rapidly. This is especially true of intermediate housing, but also applies to all sites where the emphasis is on mixed communities. Third, by 2020, around 30 per cent of the shortfall between expected housing delivery (based on the realistic trajectory in Figure 1 opposite) and newly arising need and demand will be in the affordable housing sector. This will therefore continue to expose the poorest households to inadequate housing.

Despite these concerns, targets for social rented and intermediate housing have meaning in that there are organisations that can deliver them if the Government is prepared to provide the necessary funding. The three million new homes by 2020, including 240,000 annual additions by 2016, are national totals within which guidance is given to regional planning authorities. Regional planning should ensure that enough land is allocated to enable the targeted number of homes to be delivered. If insufficient land is allocated during the economic

downturn there will be a longer-term impact on the number of future homes that can be delivered.

Overall targets that include market as well as affordable housing cannot be assured by the Government, but depend on market demand. The numbers of homes required are at the top of the possible range given that in 2005/06 and 2006/07, both years of strong demand, 145,000 homes were completed for private enterprise. This output was higher than in any of the previous 30 years, with the exception only of the boom years of the late 1980s.

Funding the 97,000 affordable homes that our estimates suggest are required each year obviously poses problems. A higher proportion than currently projected would have to be in the south of England, where costs are higher. Moreover, the fall in house prices means that there is much less scope for cross-subsidy out of development gains through section 106-type arrangements.

Table 10 outlines the capital costs of delivering new social rented and intermediate housing to meet newly arising need. These are estimated using information from the Housing Corporation's annual report and accounts for 2007/08.<sup>16</sup> These estimates are necessarily very broad, but they do give some indication of the cost to the public purse that might be necessary to deliver the required number of affordable homes. The estimates are conservative because the future grant per dwelling is likely to be higher than in 2007/08. Further research needs to be done to calculate more specific cost ranges.

Whether in terms of quantities or financial requirements, the housebuilding volumes outlined in this report are clearly far more than can be achieved in the short term within the current economic environment and current government funding plans – but the need will not go away. In the short run, the Government and other stakeholders must ensure that funding is sufficient and is used effectively to help those in housing need. In the long run, these levels of commitment will be necessary to fulfil the basic need of a decent affordable home for everyone.

**Table 10: Estimate of potential public expenditure required**

	2007/08 (actual)	Required (estimate)
<b>For social rent</b>		
Number (thousands)	27	67
Capital cost (£ million)	1,577	3,680
<b>For intermediate housing</b>		
Number (thousands)	19	30
Capital cost (£ million)	442	681
<b>Total (£ million)</b>	<b>2,019</b>	<b>4,361</b>

Source: Tables 2 and 3 on pages 10 and 11, plus Survey of English Housing (CLG), CORE and Land Registry.

<sup>16</sup> Housing Corporation, *Annual report and accounts 2007/08*, 2008.

# Appendix 1: Methodology

This appendix provides more detail on the methodology used for this analysis.

## Household projection figures

Communities and Local Government (CLG) is understood to be planning to publish new household projections in early 2009, derived from the 2006-based population projections.

Unofficial estimates of what 2006-based projections might be, based on available evidence, suggest that by 2026 the number of households will be perhaps 800,000 higher than the current 2004-based projections.<sup>17</sup> However, there are reasons for working with the 2004-based projection for present purposes, particularly in the context of estimating the need for social and affordable housing. Technically, the method for dividing future household totals between market and social sectors requires a very detailed household projection, which can only be obtained from the official projections. There are also reasons for thinking that even the 2004-based projection might be overstating the actual increase in households relative to population. In particular, the 2004-based projections do not make allowance for lower household formation rates relative to the population among recent immigrants. They also appears to overstate projected households in 2006 in relation to the actual number of households, although that might be a short-term effect related to house price rises between 2001 and 2006 being above trend relative to income.

## Households by sector

The division of the total number of households in future years between the sectors is undertaken through a two-stage process:

- the first stage is to allocate the total number of households between the social and market sectors
- the second is to identify the potential allocation to the intermediate sector, which includes those who require some limited subsidy if they are to be reasonably housed.

The market sector is made up of owner-occupation and private renting without government assistance. A proportion of these households will be overstretched or unable to achieve acceptable standards of housing.

The intermediate sector would mainly provide for these groups. It could also include those in the social sector who can afford to pay more.

Among the current population, married couples are the most likely to be in the market sector, and lone parents the least. In the younger age groups, we can assume that the pattern of tenure by age and type of household remains constant over the estimated period. However, among couple households the highest proportions in the market sector are in the middle-aged groups. Comparatively few households move between owning and renting at ages above the mid-40s (except through purchase as sitting tenants, mainly through Right to Buy sales). So, for example, the market sector proportion among couples aged 55 to 59 in 2006 will be close to the proportion among couples aged 65 to 69 in 2016 and 75 to 79 in 2026. This implies that with the passage of time the proportion of older households in the market sector will rise. Division between the market and social sectors at higher ages may be forecast by 'rolling forward' the proportions in the base period. Each of the household age categories is divided in this way between the social and market sectors, and then combined for all households.

The net increases in households in each sector shown in Table 2 (page 10) can usefully be divided into:

- the increase there would be if the tenure proportions remained the same as in the base year
- the effect on sector proportions of changes in the mix of household types and ages (eg the reduction in married couple households and the increase in cohabiting couples)
- projected changes in sector proportions within household types and age groups ('rolling forward').

This analysis is in Table 11, opposite. It shows that the proportional shift towards market housing arises mainly from the cohort effect of higher owner-occupation in middle age rolled forward into older age groups. Changes in the mix of household types and ages partially offset this impact.

<sup>17</sup> Holmans, A, with Whitehead, C, *New and higher projections of future population in England*, Town and Country Planning Association, 2008.

**Table 11: Analysis of increase in households in each sector, 2006 to 2026**

	Market sector	Social sector	Total
Overall increase in households with unchanged sector population	+3,213,000	+1,243,000	+4,456,000
Projected change in mix of household types and age groups	-390,000	+390,000	0
Projected changes in sector projections through 'rolling forward'	+684,000	-684,000	0
<b>Total change</b>	<b>+3,507,000</b>	<b>+949,000</b>	<b>+4,456,000</b>

The effect of projected changes in the mix of household types is mainly the result of the reduction in the proportion of households that are married couples, from 44 per cent in 2006 to 34 per cent in 2026. The effect of 'rolling forward' sector proportions to reflect the impact of ageing is important, but not as great as in previous estimates. This indicates that the growth of owner-occupation through the turnover of generations of households has begun to stabilise.

The explanation for the increase in one-person households may lie partly in the increasing prevalence of 'living apart together' – that is, being in a partnership or relationship, but with separate residences. In 2005, it was estimated that 1.1 million women and 0.8 million men who were householders had a regular partner who lived elsewhere.<sup>18</sup> This group is a sizeable factor in the estimated future increase in households that require separate accommodation.

## Second homes, vacant dwellings and replacement of lost social relets

The increase in second homes is estimated from the increase between 2002 and 2007 in second home council tax, as reported by CLG. The change in the number of vacant dwellings is estimated by assuming that the vacancy rate in the social and market sectors separately will remain as in 2006. Since the dwelling stock in both sectors will need to increase to match with the growth in household numbers, an increase in the number of vacant dwellings is implied.

Replacement of relets lost as a result of Right to Buy sales is estimated from dissolutions of owner-occupier households that were originally social rented sector tenants who bought their homes. If they had remained tenants their dwellings would

have become available for reletting to other social tenants when their households dissolved, but because they have become owner-occupiers, their dwellings enter the market sector and so will need to be replaced. The method for estimating the number of such owner-occupier households dissolved is given in the technical document for this analysis.<sup>19</sup>

Offsets to reflect reduced availability of private rented accommodation were included in previous estimates of the need for social rented sector provision because between the mid-1990s and 2002, the number of private sector tenants receiving housing benefit fell by a greater amount than could be explained by declining unemployment and improved employment opportunities. This fall halted between 2002 and 2005. When estimates of housing need were reviewed in 2005, it was decided that the halt to the fall in the number of private sector tenants receiving housing benefit had not lasted long enough to justify taking out the offset for this category altogether. It was retained, but marked down from 10,000 to 5,000 a year. The number of private sector tenants receiving housing benefit has since been stable, so on this occasion the offset for this category has been marked down to zero. Research on pilot schemes using the new local housing allowance has produced ambiguous indications about its effect on the availability of rented housing to households that need housing benefit, so it would be premature to make an allowance for its possible effect here. Evidence may well have become available when housing need and demand is next reviewed.

The figures in Table 3 (page 11) are net increases in housing stock. The number of dwellings that would have to be provided is greater than the net increase in stock. This is because some dwellings in the social rented sector are demolished, while others are sold with vacant possession to the private sector. The number of dwellings reported as sold to the private sector by housing associations was 3,081 in 2005/06 and 3,257 in 2006/07. Only some

18 Haskey, J, 'Living arrangements in contemporary Britain', *Population trends*, Winter 2005.

19 See Holmans, A *et al*, *Homes for the future: technical document*, Shelter, 2008, Annex A (forthcoming, see [www.cchpr.landecon.cam.ac.uk](http://www.cchpr.landecon.cam.ac.uk)).

of these are sold with vacant possession; where they are tenanted, they do not reduce the number of dwellings available for meeting need. Separate figures for sales of vacant and tenanted dwellings are not available, but clearly vacant dwellings could only amount to two to three thousand per year. Logically they are on a par with demolitions in their effect.

## Regional incomes and ranges for intermediate housing

Table 12 shows the income ranges appropriate for intermediate housing by region. It also indicates the proportion of new households who have incomes below, within, and above these ranges.

Of the estimated 139,000 new households a year within the income range for intermediate housing, 57,000 are owner-occupiers, 73,000 are tenants of private landlords, and 9,000 are social sector tenants. It is important to recognise that not all of these households would want intermediate housing if it were available and offered to them. Although some of the owner-occupiers may be straining their finances, others may be able to buy using their own capital or gifts or loans from family or friends. In addition, some of the private sector tenants may be renting on advantageous terms. Perhaps a more important

issue is that private sector renting has grown relative to owner-occupation among younger age groups. This makes it increasingly doubtful whether new households who rent do so mainly because they cannot afford house purchase.

The number of new households in the social rented sector with incomes within the range for intermediate housing comes from projecting forward current social tenants on the basis of the income distribution within the sector. This includes a small proportion with fairly high current incomes. There is no suggestion that social tenants in this position 'ought' to take up intermediate housing. Some may be households with fluctuating incomes; others may have personal reasons that make intermediate housing undesirable; others may simply prefer social renting.

Assumptions have to be made about how many of the new households with incomes within the range for intermediate housing who are owner-occupiers or private sector tenants actually need intermediate housing or would take it up if offered. Although up-to-date information is not available, on the basis of survey data we have taken 10 per cent of owner-occupiers and 40 per cent of private sector tenants to be in the group needing intermediate housing. These proportions are obviously debatable, but the incomes of new households are such that

**Table 12: New households and their income in relation to income ranges for intermediate housing**

	Income range		New households (thousands per year)			
	Lower boundary (£/week)	Upper boundary (£/week)	Below	Within	Above	Total
North East	360	480	21	5	5	31
North West	370	540	39	8	14	61
Yorkshire and Humberside	360	550	25	10	9	44
East Midlands	380	700	19	14	6	39
West Midlands	380	680	25	10	6	41
East of England	420	930	23	19	6	48
London	500	1,300	45	28	9	82
South East	450	1,050	36	29	5	70
South West	400	930	22	16	4	42
England	–	–	255	139	64	458

Sources: Survey of English Housing 2003/04–2005/06, Land Registry and CORE.<sup>20</sup>

<sup>20</sup> For Survey of English Housing, see [www.communities.gov.uk](http://www.communities.gov.uk); for CORE, see [www.core.ac.uk](http://www.core.ac.uk); for Land Registry, see [www.landregistry.gov.uk](http://www.landregistry.gov.uk)

reducing the upper boundary for eligible incomes would not have much effect on the number of households in the range for intermediate housing.

These assumptions suggest that perhaps 6,000 new owner-occupier households and 29,000 private sector tenant households – a total of 35,000 a year – might need intermediate housing. In addition, some 9,000 social sector tenants might have the appropriate income levels, increasing the total to 44,000.

The 35,000 or 44,000 a year are estimates of the possible flows of households into intermediate housing. The number of new units of intermediate housing required would, however, be lower if some were accommodated in existing dwellings available for resale or reletting on intermediate housing terms. There is increasing interest in providing intermediate housing in high-cost areas, especially rural and semi-rural, on terms that keep it permanently in use as intermediate housing. Over a time period as long as 20 years, it might be reasonable to reckon that 10,000 a year of the need for intermediate housing would be met from resales or relettings. The volume of new provision required might, therefore, be around 25,000 or 34,000 a year, depending on whether social tenants are included.

## Regional household estimates by tenure

Table 13 shows the projected net increase in households in 2006 to 2026 in each region, divided between the market and social sectors. The proportions of households in the market sector at the beginning and end of the period are also shown.

The regional differences in the proportions of the increase in households in the social and market sectors are partly explained by variations in the mix of household types and ages, but regional differences in the tenure profile with respect to age are also important. When compared to Yorkshire and Humberside and East Midlands, the market sector proportion in the South does not currently decline as much with age, so rolling forward the market sector proportions has less effect on tenure structure. The biggest proportional increases in market housing are in the eastern part of the country. In the South East there is a decline in the proportion of market housing, although not of course in the total, which increases by more than half a million households by 2026.

**Table 13: Projected net increase in households by tenure and proportions of households in the market sector**

	Net increase in households			Proportions in market sector	
	Market sector	Social sector	Total	2006	2026
North East	113	9	122	62.1	65.2
North West	386	127	513	70.6	71.4
Yorkshire and Humberside	395	72	467	71.3	73.7
East Midlands	371	71	442	74.7	76.5
West Midlands	289	75	364	68.1	69.7
East of England	505	90	595	74.7	76.8
London	446	214	660	65.7	66.0
South East	516	202	718	78.3	77.2
South West	486	89	575	78.5	79.7
England	3,507	949	4,456	72.1	73.2

Source: CLG household estimates and projections by region.

## The backlog of unmet need

### Households without self-contained accommodation who want a separate home

The first part of the backlog of unmet need for social rented housing consists of the following:

1. homeless households accepted by local authorities living in bed and breakfast accommodation, hostels, and refuges
2. concealed households (couples or lone parents) living as part of someone else's household and wanting separate accommodation
3. private sector tenants in shared housing and strongly preferring separate accommodation
4. hostel residents not included in category 1 (ie not accepted as homeless by local authorities).

**Category 1:** The number of households accepted as homeless by local authorities and accommodated in bed and breakfasts, hostels, and refuges in 2006 was 13,300.<sup>21</sup> More recent (and lower) figures are available, but it is preferable to keep to the same date as other estimates.

**Category 2:** The most up-to-date information about concealed households comes from the official household projections published for 2006 by CLG. These suggest that there were around 150,000 concealed households, not all of whom would want to live separately. The only source for the proportion of concealed households who want to live separately is the 1990 Shared Accommodation in England survey by the Office of Population Censuses and Surveys (OPCS), which would produce a figure of 54,000 households who want and need separate accommodation.

**Category 3:** The CLG's Survey of English Housing is used as the source for households in shared accommodation and gives an estimate of 127,000 private sector tenants in shared accommodation. On the basis of data from the OPCS 1990 Shared Accommodation survey about preferences for separate housing and the extent to which tenants share with owner-occupiers, 65,000 is probably close to the maximum number of these who could be assumed to want self-contained accommodation.

**Category 4:** Single hostel residents not accepted as homeless by local authorities could be an additional category of need. The Survey of Needs and Provisions (SNAP), by Homeless Link and the Resource Information Service, suggests that there are more than 50,000 bed spaces in hostels and other accommodation mainly provided by the voluntary sector. Some of these will be vacant at any given time and many residents may either be ineligible or not want separate accommodation. A conservative estimate might suggest that there are around 20,000 single homeless residents in hostels in need of separate accommodation.

These four categories do not overlap, so a reasonable estimate of the overall total of households requiring additional housing is around 152,000.

### Need for social housing for owner-occupiers and private sector tenants

The second part of the backlog comprises:

5. private sector tenants in overcrowded accommodation<sup>22</sup>
6. owner-occupiers and private tenants with disabilities on social sector housing waiting lists
7. other owner-occupiers and private sector tenants on social housing waiting lists
8. households accepted as homeless by local authorities, living in private sector temporary accommodation.<sup>23</sup>

Private sector tenants and owner-occupiers in physically unsatisfactory housing are not included because improvement work is usually likely to be more effective and cost-efficient than a move to social rented sector housing.

**Category 5:** Private sector tenants in overcrowded housing is estimated at 130,000 from the Survey of English Housing 2004/05 to 2006/07.

21 CLG, Housing Statistics 2007, Table 7.7.

22 Overcrowded accommodation is defined by the Bedroom Standard. This standard is based on a notional number of bedrooms allocated to each household in accordance with its composition by age, sex, marital status, and relationships of family members. This is not the statutory measure of overcrowding, but this way of measuring has been used in social surveys for many years.

23 Under current legislation, local authorities must ensure that suitable temporary accommodation is available for homeless households that are unintentionally homeless and in priority need, until settled accommodation is found. Temporary accommodation can consist of housing leased from private landlords; local authority and registered social landlord stock; hostels and bed and breakfast hotels.

**Category 6:** Owner-occupiers and private sector tenants who are on social rented housing waiting lists are estimated from the Survey of English Housing 2003/04–2005/06. Information is very limited, but it is possible to estimate the number of households that report long-term limiting illness or disabilities at 53,000 owner-occupiers and 67,000 private sector tenants. They are presumably on social housing waiting lists because they cannot find or afford suitable private sector accommodation.

**Category 7:** The 1988 and 1991 Queuing for Housing and Routes into Local Authority Housing Surveys found many owner-occupiers and private sector tenants on local authority housing waiting lists for reasons other than illness and disability.<sup>24</sup> Earlier surveys suggest taking one-third of the total of owner-occupiers and private sector tenants on social housing waiting lists who do not have a long-term illness or disability. This gives 26,000 owner-occupiers and 59,000 private sector tenants.

**Category 8:** In 2006, some 59,000 households were accepted as homeless by local authorities and accommodated in private sector accommodation, mostly leased by local authorities and registered social landlords. This reflects the fact that there were insufficient directly owned social sector dwellings to accommodate them.

Households accepted as homeless and living in social rented accommodation are not added to the requirement for new dwellings because it is assumed that they can effectively be accommodated within the existing stock.

This group accounts for some 394,000 households. However, there may well be significant overlap between those in category 5 and, in particular, 8 with categories 2 and 3, ie with concealed or sharing households. A firm estimate of the possible overlap would require detailed information that is not available, but an indication based on a range of data suggests that the overlap might be as high as 41,000. The number currently accommodated in the private sector requiring social rented housing would therefore be around 354,000.

## **Social rented sector tenants in unsuitable accommodation**

The third part of the backlog includes social rented sector tenants in accommodation not suited to their circumstances. There may not be anything physically wrong with the dwelling and it could be suitable for other households, including new tenants from the private sector. It comprises:

9. social rented sector tenant households in overcrowded housing
10. social rented sector tenant households with dependent children in flats above the ground floor.

**Category 9:** The number of social rented sector tenants in overcrowded accommodation is estimated at 227,000 from the Survey of English Housing 2003/04 to 2005/06.

**Category 10:** Social rented sector tenant households with dependent children living in flats above the ground floor are estimated at 176,000 from the Survey of English Housing 2003/04 to 2005/06.

These two categories total 403,000, clearly reflecting the limitations in the social rented sector to provide suitable accommodation. However, we have excluded them from the backlog on the grounds that they could be accommodated by the reallocation of accommodation within the sector.

24 Prescott-Clarke, P, Allen, P and Morrissey, C, *Queuing for housing: a study of council housing waiting lists*, HMSO, 1988.

# Appendix 2: Further research

This analysis has identified further research that could be undertaken to improve the estimates of housing need.

The estimate of housing need has three parts:

- newly arising need for social rented housing
- need for intermediate housing
- backlog of current unmet need.

## Social rented housing

The estimate of newly arising need for social rented housing depends on household projections and on the future proportions of social rented sector tenants in household categories defined by type, age and gender of the household head. Work that might be undertaken includes:

- examination of social or market sector proportions of households to see how valid is the assumption that the proportions remain stable at ages 40 to 44 and below
- similarly, examination of how the proportions in the higher age ranges agree with the 'rolling forward' assumption
- study of the housing of single, divorced and separated men and women aged 40 and over, living as one-person households (the projections reflect a large increase in their number, but little is known about them, including about their incomes and expenditure on housing)
- sourcing of more detailed published data breaking down demolitions, changes in use and conversions, which would enable a more sophisticated regional consideration of these factors and the impact of changes on tenure mix outcomes.

## Intermediate housing

Estimates of need for intermediate housing depend on the number and tenure of new households that have incomes within specific ranges (determined by housing costs in relation to incomes) and assumptions about the proportion of households that would want intermediate housing. The basis for these assumptions could be more robust. Research might study the characteristics of households entering intermediate housing and how they relate to the

assumptions. It would be more difficult, but equally useful, to study the need for intermediate housing by current private sector tenants: this would probably have to be researched through a study of the circumstances of private sector tenants, particularly those who have moved recently.

## The backlog of unmet need

The backlog estimate depends on information from national sources, notably the Survey of English Housing (for sharing households and overcrowding) and the household projections (for concealed households). When the backlog estimates were first undertaken, they depended exclusively on the 1988 and 1991 surveys of housing waiting lists and new tenants. A new survey on these lines would be very valuable. A local study (or more than one if funds permitted) of housing waiting lists would be worthwhile, particularly of people who had joined in the previous year. A sample would be drawn of names and addresses of people on the waiting list, who would be asked if they were prepared to participate in a survey, and if so, they would be visited to be asked about their housing circumstances and reasons for putting their names on the list. Finding out about the situation where the named person could not be found would be important but difficult. Information for one or two areas could not be generalised, but information about how large the 'live' list is in relation to the reported total (Housing Strategy Statistical Appendix), who is on it and why, would make it easier to interpret changes in the aggregate of waiting lists.