# Analysis of UK Housing Policies over the past 20 Years

## Introduction

Shelter is a basic human need. Unfortunately, access to dignified and affordable housing remains a major challenge around the world, including in Western nations. In 2015, there were approximately 236,000 homeless people in the UK (Hilber and Schoni, 2016, p. 28). The population of homeless persons in the UK is expected to double to roughly 575,000 by 2040, unless the central government and local authorities address the shortage of affordable houses for UK residents. Cullingworth et al (2014) summarized UK, particularly London and the greater southeast England is facing a severe housing affordability crisis that has been developing gradually over the last four decades.

Hilber (2015) described that in comparison with largest metropolitans around the world, the cost of housing space per square metre, in regards to both purchasing and renting, is twice as much in London as it is in New York, Paris and Singapore. Besides high housing prices, housing spaces in London and other UK cities are approximately 40% smaller that housing spaces in other densely populated Western metropolitans. Consequent to the housing crisis, the UK governments have engaged in identifiable policy changes intended to avail dignified, spacious, and affordable houses to UK citizens. Thus, this paper examines policy changes for the UK housing sector over the past 20 years.

## Housing trends in the UK

Over the past 20 years, the UK governments, both central and local government authorities, have implemented suboptimal policy objectives intended to solve the perennial problem of low supply of affordable houses. According to Hilber (2015), suboptimal policy initiatives by the UK governments are attributable to key factors underlying housing markets in the UK including increase in the number of home owners and vested economic interests among private landlords seeking to maintain the current exorbitance of housing prices.

Hilber and Schoni (2016) reported that in 2016, there were 27,089,900 housing units in the UK compared to 23,738,500 in 1996. In 2016, 65.47% of all housing units in the UK were owner-occupied while 16.51% and 8.51% of houses were privately-rented and local authority houses respectively. King (2010) explained that the high number of owner-occupied homes in the UK means home owners, who make a majority portion of voters in the UK, have limited interests in motivating government authorities to increase housing supply. Thus, the problem of housing shortage has remained lowly visible every political cycle over the last two decades.

In 1980s, UK used to experience housing supply approximating 380,000 new homes annually. In 2012, only 135,400 new homes were completed in the UK against a demand of 245,000 homes annually. According to Hilber and Schoni (2016), the on-going gap in demand versus supply is projected to cause a shortage of 750,000 homes in the UK by the year 2030. According to Picaone (2009), the sharp demand for housing was attributable to residential mobility and demographic changes in UK societies. In regards to residential mobility, more young British citizens were moving into London and other major cities in the UK to look for jobs upon completion of their tertiary education. Also, residential motilities manifest as the rising number of immigrants. Overall, residential mobility into urban areas exert pressure on housing supply.

Regarding demographic changes, marriage and arrival of the first child necessitates UK citizens to look for spacious homes amidst the perennial shortage of spacious housing units. Moreover, Disney and Luo (2017) highlighted that family breakdowns, divorces, and the rise of single-person households were placing more pressure on the supply of housing units. Cullingworth et al (2014) recorded that between 1996 and 2008, the number of one-person households in the UK rose from 26% to 34%, and the figure is expected to rise to 42% by the year 2030. Therefore, residential mobility and demographic changes continue to increase demand for houses while UK governments continue to utilise ineffective policies to solve the housing shortage.

## Policy changes to address housing shortage over the last 20 years

In the UK, land planning and housing policies are enacted and implemented by local authorities and community-based housing associations while the central government provide supportive initiatives to complement housing plans by the local authorities. Ball (2016) accounted that in the early 1980s, the administration of Margaret Thatcher in collaboration with local authorities introduced the Right-to-Buy policy. According to Cullingworth et al (2014), the Right-to-Buy policy was responsible for the rise in home ownership across the UK from 47% in 1995 to 67.47% in 2016. The Right-to-Buy policy initiative encouraged occupants of social housing units to convert from being tenants to home owners through subsidised mortgage schemes. According to Hilber (2015), social housing schemes, which commenced after World War 2 to help war veterans get decent houses, supply less than 10% of housing units in the UK. Thus, the Right-to-Buy policy initiative helped increase home ownership but failed to tame the problem of low supply of affordable housing units.

In the mid-1990s amidst the rising demand and skyrocketing house prices, local authorities amended the Town and County Planning Act to yield Section 106 agreements. Section 106 agreements provided leeway for private-developers to develop affordable housing units; hence, bridge the shortage of affordable houses. Section 106 agreements allowed local authorities to lessen the strictness of issuing construction permissions to private developers committed to supply affordable houses across urban centres. According to Picaone (2009), lessening the standards for issuance of housing development permits involved unlocking new housing zones in urban centres and lowering the standards of housing developments across national designated lands, especially across green belts. Unfortunately, the supply of affordable houses by private developers under the Section 106 agreements failed to tame the rising demand for houses. Residential mobility and demographic changes continued to drive up demand for homes; hence, necessitating new policy approaches to solve housing shortage and housing affordability crisis in the UK.

In 2001, the central and local governments launched the Starter Home Initiative intended to help low-income workers access houses amidst the dramatic rise in house prices between 1997 and 2003. The Starter Home Initiative, which was later replaced by the Key Worker Living Scheme in 2004, targeted aspiring home owners below 40 years. Disney and Luo (2017) described that the Starter Home Initiatives only targeted first-time home buyers who were prevented by high market prices of houses from acquiring their first homes. Through the Starter Home Initiatives, UK governments granted first-time home buyers 20% discounts on their home purchases relative to the market prices for similar properties. Expectedly, Starter Home Initiative only increased home ownership and failed to address the persistent shortage of supply for affordable housing units.

In 2011, the Conservative Party in partnership with the National Planning Policy Framework, unveiled the New Homes Bonus intended to motivate local authorities and financial institutions to approve development of more housing units by private developers. According to Ball (2016), the New Home Bonus policy framework encouraged local authorities to lower the thresholds for issuing development permissions in the hope that more housing units among private developers would translate to increased tax revenues from the real estate markers to the local authorities. Unfortunately, Disney and Luo (2017) reported that the credit crunch attributable to the prolonged effects of the 2008 Recession disadvantaged private developers while attempting to acquire capital for housing developments. Consequently, private developers only managed to deliver 112,000 homes in 2010 across London and southeast England against a demand of 240,000 homes per year. Thus, the New Homes Bonus also fell short of addressing shortage of affordable houses.

## Drivers of housing policy changes over the last 20 years

Housing policies in the UK over the last 20 years have been ineffective because of low visibility of the housing problem, and the increased privatisation of the real estate sector. Regarding low visibility of housing shortage, the rise of home ownership has made the housing problem less of an immediate concern to not only to the voting public but also to the politicians. According to Disney and Luo (2017), high home ownership means the homeless people make a minority portion of the UK population. Consequently, housing crisis has failed to arouse sufficient political urgency every election season. On the other hand, the increased privatisation of the housing market means political discourses on housing supply are centred on protecting the capitalistic interests of private developers and home owners at the expense of developing social policies to facilitate equitable access to affordable houses among UK citizens. Therefore, the unresponsiveness of the electorate to housing shortage and the vested interests of private home owners have demotivated development of effective housing policies in the UK over the past two decades.

On the wider context of urban planning, the effectiveness of housing policies over the past 20 years has been inherently constrained by unavailability of land for housing development across the UK. Disney and Luo (2017) recorded that 13% of land in England (approximately 1,635, 400 hectares) is national designated land. Under the National Planning Policy Framework, designated lands including National Parks, sites of specific scientific interests, and areas of outstanding natural beauty, are not available for housing developments. Therefore, the land mass available to host new housing units is limited. Consequent to scarcity of land, the policies intended to increase supply of new housing units have yielded suboptimal results.

## Conclusion

Overall, the UK will continue to face severe shortage of affordable houses for the foreseeable future. Over the past 20 years, UK cities including London have recorded unprecedented rise in housing prices per square metre of living space. The rising house prices in the UK was attributable to identifiable factors including but not limited to rising demand and constrained supply of new houses. Increase in one-person households and residential mobility into urban areas was driving up the demand of new houses in the UK to 240,000 houses per year. On the contrary, factors including scarcity of land and vested capitalistic interests among private home owners was limiting the supply of new homes to roughly 135,000 per year. Over the last 20 years, the central government and local authorities have tried to respond to the problem of housing in the UK through policy initiatives including but not limited to the Right-to-Buy policy, Section 106 agreements, and the Starter Home Initiative. Unfortunately, these policies have proved ineffective courtesy of drivers including low visibility of the housing problem among the electorate and the privatisation of the housing market in the UK.

## Reference List

BALL, M. 2016, ‘Housing provision in 21st century Europe,’ *Habitat International*, vol. 54, no. 3, pp. 182-188

CULLINGWORTH, B., DAVOUDI, S., HART, T., NADIN V., PENDLEBURY, J., TOWNSEND, T., VIGAR, G AND WEBB, D. 2014, *Town and Country Planning in the UK (15th Ed*), London: Routledge

DISNEY, R AND LUO, G. 2017, ‘the right-to-buy public housing in Britain: a welfare analysis,’ *Journal of Housing Economics*, vol. 25, pp. 51-68

HILBER, C AND SCHONI, O. 2016, ‘housing policies in the United Kingdom, Switzerland, and the United States: lessons learned,’ *ADBI Working Paper Series*, no. 569

HILBER, C. 2015, ‘UK housing and planning policies: evidence from economic research,’ *CEP Election Analyses Series*, EA 033

KING, P. 2010, *housing policy transformed: the right to buy and the desire to own,* Cardiff: Policy Press

PICAYUNE, M. 2009, *urban geography: a global perspective (3rd Ed)*, London: Routledge