



Immigration and Housing

Housing: MW 438

Summary

1. Immigration is one of the key reasons for the current shortage of homes in England. In the past ten years, growth in the number of households headed by someone born abroad amounted to 90% of the total growth in households. As demand for housing has outpaced supply, rents have risen and young people in particular are priced out of being able to buy their own homes.

Introduction

2. This paper considers the impact of recent immigration on the demand for housing in England. It also focuses on:

- changes in housing tenure, in particular amongst young people.
- changes in rental prices.
- the impact of immigration on London and the consequences for the surrounding regions of Southern and Eastern England.

3. Some key results stand out:

Younger people

- The number of households headed up by those aged 25-34 who own their own home (either owning the property outright or with a mortgage) fell from around 57% in 2006/07 to around 38% in 2015/16 (paragraph 10).

- Nearly half of all such households – 46% - now live in the private rented sector, almost double the figure of 24% ten years ago (paragraph 19). While some of the change results from the fact that migrants are more likely to rent, the number of households formed by UK-born renters has also increased substantially.

The private rented sector

- The proportion of households in England living in the private rented sector has increased from 12% of households in 2006 to 20% in 2015/16 (paragraph 18).

- Since 2005 the number of households in the private rented sector with a foreign born household reference person (HRP¹) has increased by over 700,000, more than doubling from 503,000 to 1.2 million in 2015 and now accounting for one third of privately rented households in England (paragraph 20).

London

- In London, immigrant households now account for nearly two thirds of all households in the private rented sector (Paragraph 25).

- Also in London, the proportion of social housing occupied by immigrant households is close to 50%, up from 40% ten years ago. This implies that the majority of new allocations over that period have gone to immigrant households (paragraph 29).

The shortage of homes

4. It is widely accepted that England needs more homes. In 2004 the Barker Review concluded that the UK needed to build 260,000 private sector homes a year in order to meet demand and reduce the long-term trend in house prices to 1.1%, the EU average.² At the time of writing, official population projections (2002-based) were that the population would increase from 59.2 million in 2002 to 62.1 million by 2016. The population in mid-2016 was in fact 65.6 million, some 3.5 million higher than was projected in 2002 as a result of the significant difference between projected and actual net migration. House building on the scale recommended by the Barker Review did not take place and the total number of new homes completed in England (across all tenures) has averaged only 130,000 a year in the past ten years.³

1 Household Reference Person is essentially the 'Head of the Household'. It is the member of the household in whose name the accommodation is owned or rented, or is otherwise responsible for the accommodation. In households with a sole householder that person is the household reference person. In households with joint householders the person with the highest income is taken as the household reference person. If both householders have exactly the same income, the older is taken as the household reference person.

2 https://web.archive.org/web/20080513212848/http://www.hm-treasury.gov.uk/consultations_and_legislation/barker/consult_barker_index.cfm#report

3 Department for Communities and Local Government Tables on house building, Table 244: permanent dwellings started and completed by tenure https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639560/LiveTable244.xlsx

5. As a result of this shortfall in house building, developers, landlords and property investors have benefitted financially while those needing somewhere to live have lost out by being priced out of purchasing a home and from having to bear the costs of higher rents. Young people in particular have been negatively affected with many having to stay longer in shared accommodation or remaining in the family home with their parents.⁴ This delay in settling down in their own home can lead to other important life decisions being delayed, such as having children.⁵ Others have to move away from their local area to find somewhere affordable or else spend a very substantial proportion of their income on rent.

6. In 2016, the House of Lords Economic Affairs Committee investigation into housing again confirmed that the UK needed to build many more homes, at least 300,000 homes a year to meet demand, the majority of which would be needed in England.⁶

Impact of immigration on housing demand

7. In the last ten years (2007-2016) net migration has totalled 2.5 million. The vast majority, 2.3 million, has been to England. Previous Migration Watch UK analysis relating to the UK as a whole found that between 2001 and 2012 around 85% of population growth was due to net migration and births to immigrants.⁷

8. There is a clear link between the heavy demand for housing in England and massive levels of immigration. This link is demonstrated by the growth in households where the head of the household (or HRP – see footnote 1 above) was born abroad. Between 2005 and 2015 the number of households in England with a foreign born HRP rose by nearly 1.1 million, compared with total growth of 1.2 million. More recently, in the last five years (since 2010), there has actually been a fall in the number of households headed by a UK born person with all the growth coming from the foreign born.⁸

Changes in Housing Tenure

a) Home Ownership

9. This section considers the changing nature of housing tenure in England and the role of immigration. The majority of householders in England own their home, either outright or with a mortgage. Home ownership peaked in 2002 when around 69% of housing stock in England was occupied by someone who owned the property outright or was purchasing it on a mortgage.⁹ In the last ten years such owner-

4 There has been a decline in the likelihood of some younger age groups becoming the household representative as shown in DCLG household projections.

5 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4685765/>

6 House of Lords, Economic Affairs Committee, Building More Homes, July 2016, URL: <http://www.publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/2002.htm>

7 Migration Watch UK, The impact of immigration on population growth, November 2014, URL: <https://www.migrationwatchuk.org/briefing-paper/15.3>

8 Migration Watch UK, The impact of immigration on Housing Demand in England, November 2017, URL: <https://www.migrationwatchuk.org/briefing-paper/424>

9 DCLG, Housing Statistics, Table 104: Dwelling Stock by tenure. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

occupation has fallen from 68% to 62% (2016) and is now at its lowest level since 1984.

10. However, the decline in the number of younger people owning their own homes has been much greater. In the last ten years the proportion of households headed up by those aged 25-34 who own their own home (either owning the property outright or with a mortgage) fell from 57% in 2006/07 to 38% in 2015/16.¹⁰ This fall mirrors the reduction in the number of first time buyers in England.¹¹ The average age of a first time buyer in England (excluding London) has increased from 31 to 32 in the last ten years. In London the average age of first time buyers is 33, the same age as ten years ago. However, it would seem that schemes such as the Help to Buy scheme have in more recent years helped young people to get on the housing ladder as the average age of first time buyers in London two years ago was 36.¹²

House Prices

11. There has been little research linking immigration and house prices, most likely because changes in house prices are driven by a range of other factors, including the availability and cost of credit, making it difficult to separate out particular effects.

12. Some studies have counter-intuitively found that international immigration at the local level can lead to a decrease in house prices in those local areas receiving most immigration, as some of the existing population move out of these areas. However, as this will have increased demand in the areas to which the existing population move, the lowering effect disappeared at a regional level. It is also notable that this research examined a period ending in 2010, so encompassing the recession-induced house price crash. Since then, net migration has surpassed all previous records.¹³

13. There seems little doubt that population growth, fuelled by immigration is increasing demand for homes and this will be having an impact on house prices which have increased dramatically in England in recent years, pushing them beyond the reach of many young people and others who did not already own property.

14. Another factor driving up house prices has been competition from buy to let landlords. Since 2000 there has been considerable growth in the private rented sector, facilitated by an expansion of buy-to-let mortgages since the late 1990s. As of 2015, over 1.7 million buy-to let mortgages were issued since 1999.¹⁴

15. In London there are additional factors driving house prices. London property is now regarded as a safe investment and overseas buyers are purchasing property for investment. Properties purchased include both high end properties sold for over a £1 million but also properties costing between £200,000-500,000 which are then let out to renters but which could otherwise be bought by first time buyers or

10 English Housing Survey 2015/16, Annex Table 1.4 Age of HRP by Tenure 03/04-15/16, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658479/2015-16_Section_1_Households_Annex_Tables.xlsx

11 English Housing Survey 2015/16, Annex Table 1.6, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658479/2015-16_Section_1_Households_Annex_Tables.xlsx

12 Annex Table 1.7 Average age of recent first time buyers, London and outside London, 2003-04 to 2015-16, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658479/2015-16_Section_1_Households_Annex_Tables.xlsx

13 <http://www.migrationobservatory.ox.ac.uk/resources/briefings/migrants-and-housing-in-the-uk-experiences-and-impacts/>

14 <https://www.cml.org.uk/news/news-and-views/buy-to-let-the-past-is-no-guide-to-the-future/>

lower-earners.¹⁵ A recent publication highlighted a number of new housing developments in which over half of the properties were sold to overseas buyers, including those at more affordable prices. It also noted that this phenomenon is not confined to London but has also been observed in Manchester.¹⁶

16. However, increases in stamp duty for second homes and changes to the way in which rental income is taxed could in the future reduce the competition that buyers face from buy to let investors as they face greater taxation.

b) Private Rented Sector

17. The resulting higher cost of purchasing properties has contributed to more people being forced into the private rented sector.

18. The proportion of households in England living in the private rented sector has increased from 12% in 2006 to 20% in 2015/16 and the number of households that are in the private rented sector has increased from 2.6 million to 4.5 million over the same period.¹⁷

19. The number of households in the private rented sector is 600,000 more than the number in social housing.¹⁸ Close to half - 46% - of all households where the HRP is aged 25-34 now live in the private rented sector, almost double the figure of 24% ten years ago.¹⁹

20. Immigration has, itself, also been a huge driver in the growth of the private rented sector. The majority of immigrants who arrive in the UK move into the private rented sector.²⁰ Since 2005 the number of households with a foreign born HRP living in the private rented sector has increased from 503,000 to 1.2 million in 2015, an increase of over 700,000 additional households.²¹

21. Households with a foreign born HRP now account for one third of all households in the private rented sector across the whole of England, as shown in Figure 1 below. (See Annex A for full data)

15 Guardian, 'Foreign Investors snapping up London homes suitable for first time buyers', 13th June 2017, URL: <https://www.theguardian.com/society/2017/jun/13/foreign-investors-snapping-up-london-homes-suitable-for-first-time-buyers>

16 Chris Philp, 'Homes for Everyone', December 2017, URL: <http://www.cps.org.uk/files/reports/original/171212092648-HomesforEveryoneChrisPhilpMP.pdf>

17 English Housing Survey 2015, Annex Table 1.1 Trends in Tenure, 1980-2015/16, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658479/2015-16_Section_1_Households_Annex_Tables.xlsx

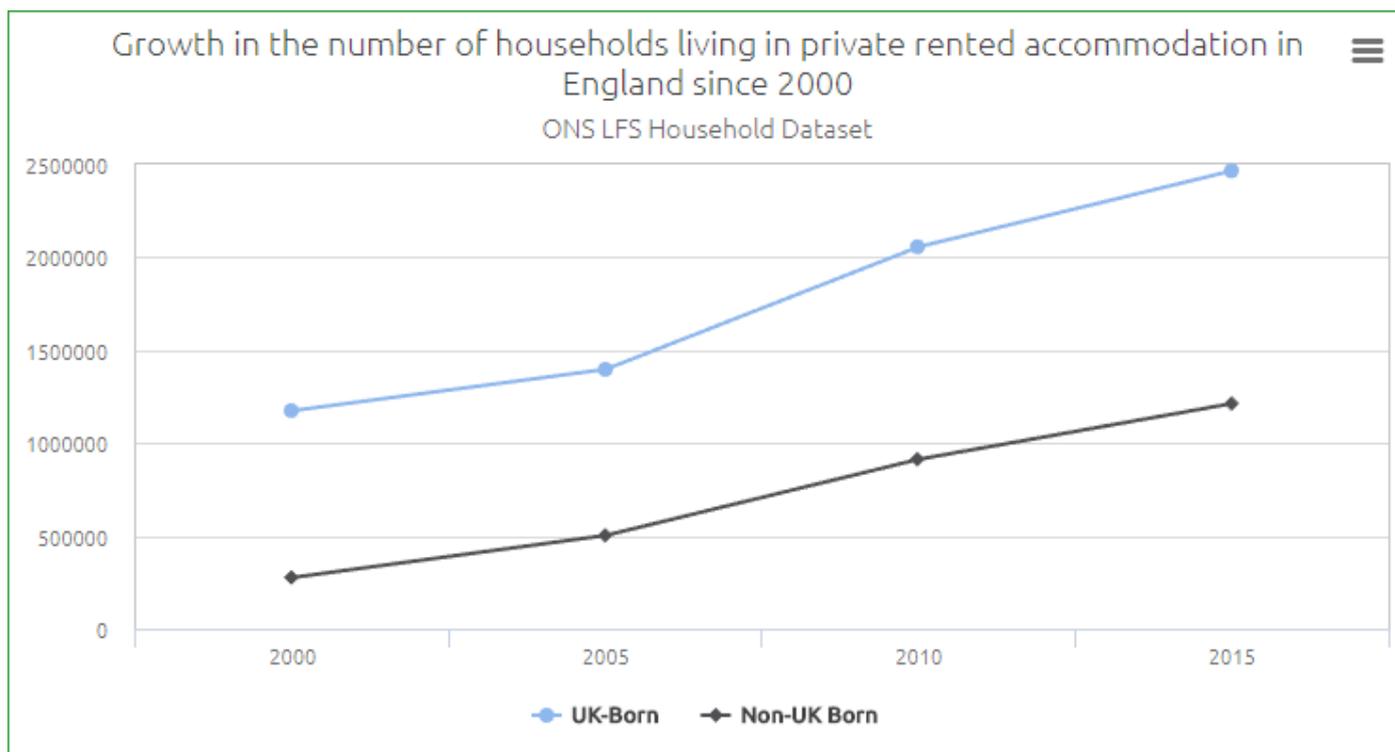
18 Ibid.

19 English Housing Survey 2015/16, Annex Table 1.4 Age of HRP, by tenure, 2003/04 – 2015/16, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658479/2015-16_Section_1_Households_Annex_Tables.xlsx

20 Migration Observatory, <http://www.migrationobservatory.ox.ac.uk/resources/briefings/migrants-and-housing-in-the-uk-experiences-and-impacts/>

21 ONS, Labour Force Survey Household Dataset, Tenure by Country of Birth of HRP, 2000-2015 based on three year averages centered on 2000, 2005 and 2015. See Annex A.

Figure 1: Growth in the number of households living in private rented accommodation in England since 2000. Source: ONS LFS Household Dataset.



Rents

22. As the supply of property has not kept pace with the growth in demand, landlords have been able to increase rents. In the last ten years the average rent across England has increased by 23%²², slightly faster than average earnings have risen, which went up by 21% over the same period.²³ Across England, rent now averages over 25% of gross household income.²⁴ Given that housing costs are the biggest expenditure for most households, rising rents can have a very detrimental impact on peoples' standard of living.

22 ONS, Experimental Index of Private Housing Rental Prices, January 2008 – January 2017, URL: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/previousReleases> data here: <https://www.ons.gov.uk/file?uri=/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/october2017/17614c5d.xls>

23 Data on earnings refers to Great Britain, ONS LFS, EARN01 January 2008-January 2017, URL: <https://www.ons.gov.uk/file?uri=/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsearn01/current/earn01nov2017.xls>

24 <https://homelet.co.uk/assets/documents/November-2016-HomeLet-Rental-Index.pdf>

The Impact of Immigration on London and the Surrounding Regions

23. London attracts the highest proportion of immigrants from abroad. Net migration to the UK totalled 2.5 million in the last ten years, of which one million, or an average of 100,000 a year, was to London. However, there has been an annual average of just 28,000 net additional dwellings to the London housing stock each year in the last decade.²⁵

24. This growth in the migrant population in London has put huge strain on the housing stock. There are now more renters than homeowners in London²⁶ and a 2016 PwC report projected that around 60% of Londoners will be renting a property by 2025.²⁷

25. Rents in London have risen by 36% in the last ten years, considerably faster than average earnings have increased, rising by 21% over the same period.²⁸ The rise in rents in London has slowed recently to 0.8% in the 12 months to October 2017. However this is little consolation for those living in London and struggling to save for a deposit. The average rent in London is over 70% of the main householder's income.²⁹ This high demand for property and resulting high rents are almost entirely down to immigration, as shown in Figure 2 below (see Annex A for full data). Migrant households now account for nearly two thirds of all households in the private rented sector in London.³⁰

25 DCLG, Table 122 Net additional dwellings by local authority district, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/660229/Live_Table_122.xls

26 <http://www.citylab.com/housing/2016/02/londons-renters-now-outnumber-homeowners/470946/>

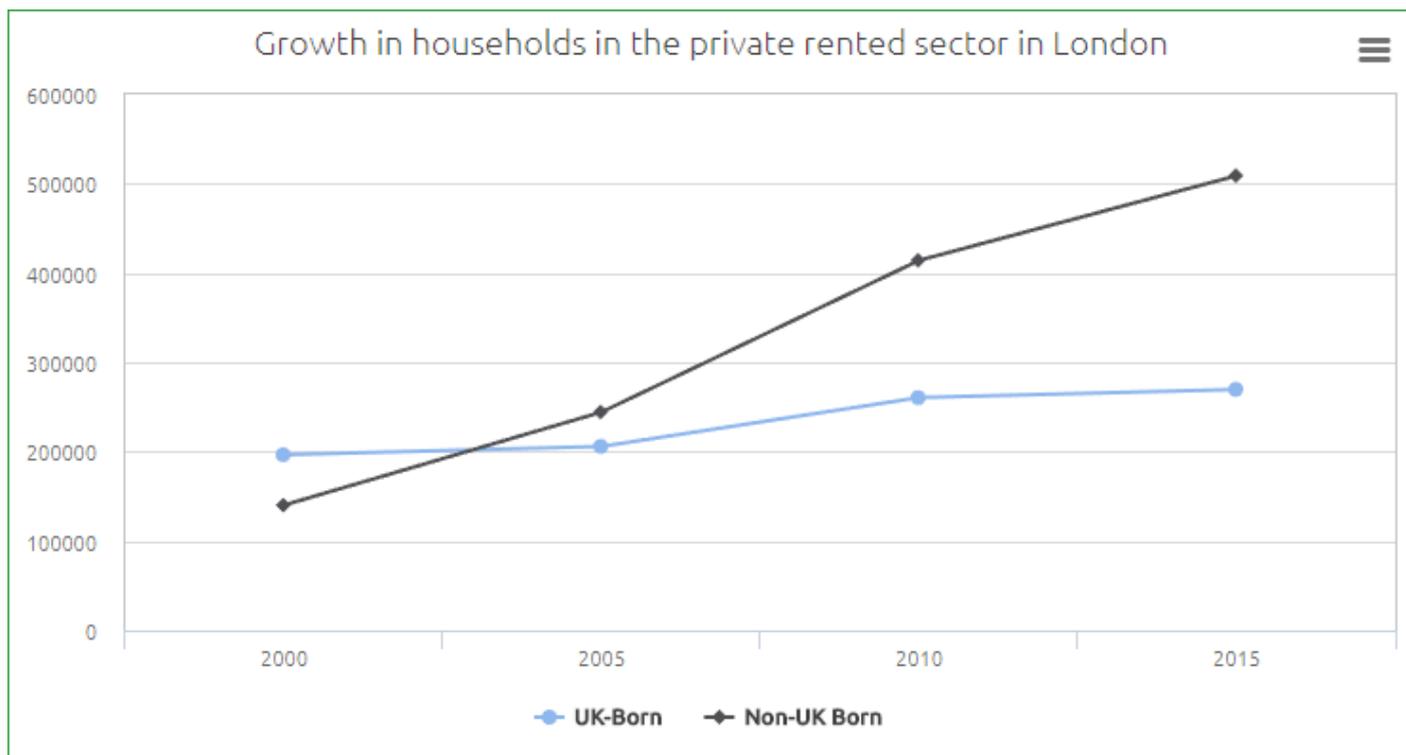
27 http://pwc.blogs.com/press_room/2016/02/london-to-be-transformed-from-city-of-home-owners-to-city-of-home-renters-in-a-generation.html

28 ONS, Experimental Index of Private Housing Rental Prices, January 2008 – January 2017, URL: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/previousReleases> data here: <https://www.ons.gov.uk/file?uri=/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/october2017/17614c5d.xls>

29 <https://www.theguardian.com/money/2015/jul/16/tenants-in-england-spend-half-their-pay-on-rent>

30 ONS, Labour force survey, housing tenure by HRP, Q2, three year averages centred on 2000 and 2015. For full data set see Annex A.

Figure 2. Growth in households in the private rented sector in London



26. Those on low incomes who struggle to buy a home have traditionally turned to the social housing sector. Unlike the private rental sector, rents in the social sector are well below market rent and are therefore affordable to those on lower incomes.

27. Many activist groups have blamed right to buy policies for reducing the supply of social housing. In fact, the size of the social housing stock in London has remained roughly the same since 2000. There were 801,000 social housing properties in that year, of which 551,000 were local authority owned and 250,000 were owned by Private Registered Providers (PRP) such as housing associations. In 2016 there were 803,000 social housing properties of which 398,000 were local authority owned and 405,000 were PRP owned.³¹

28. In the last ten years the number of homes owned by local authorities and PRPs has in fact increased from 787,000. This is because while 18,000 social housing properties were purchased under Right to Buy³², 70,000 were also built, mainly by housing associations.³³ There has been some additional demolition of unfit properties.

29. However, what has changed is the proportion of social housing homes occupied by immigrant households, which has increased to almost half of the total, from 41% ten years ago. During the same period the number of UK born households in social housing in London fell by around 78,000 meanwhile

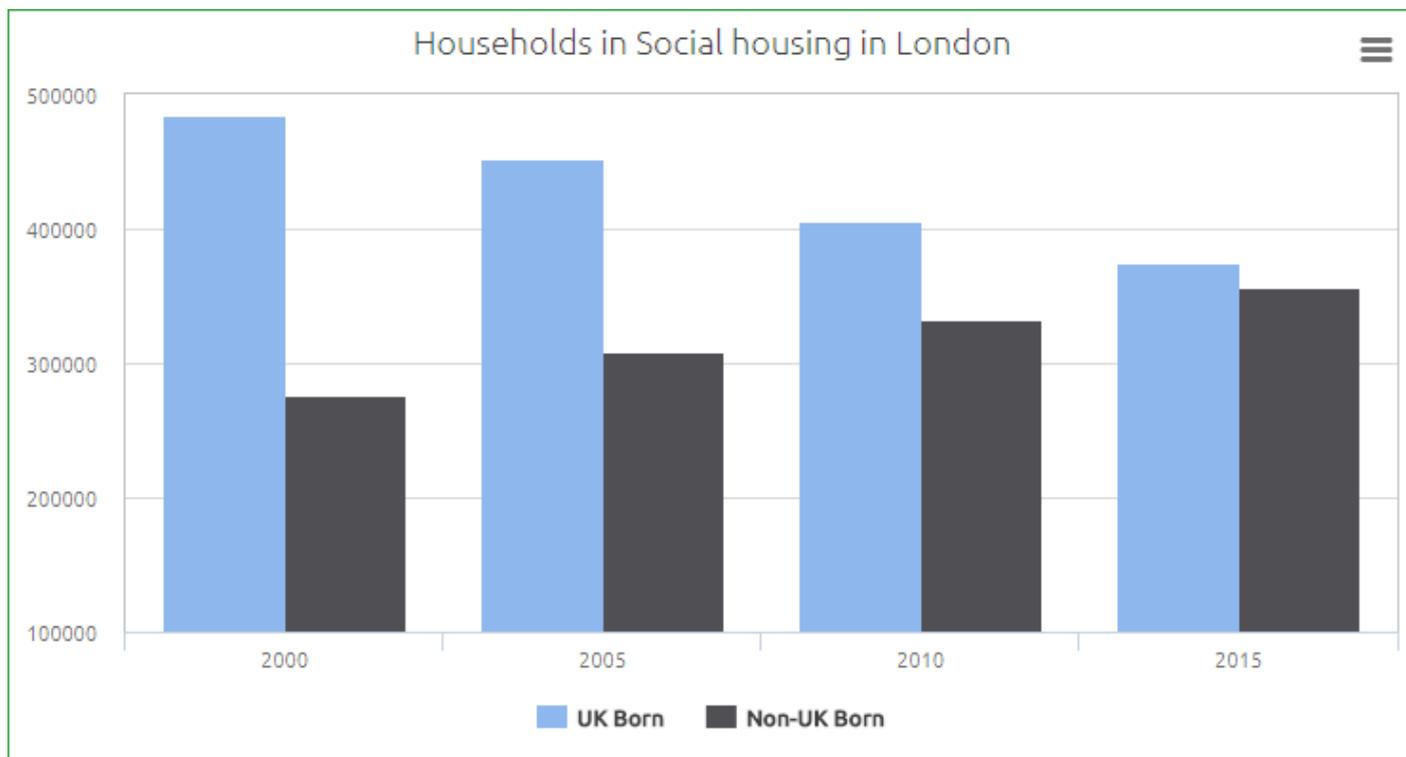
31 Table 115 and 116, PRP stock by district and local authority dwelling stock by district, URL: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

32 DCLG Housing Statistics, Table 685: Annual Right to Buy Sales: Sales by Local Authority, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661604/LT_685.xlsx

33 DCLG Housing Statistics, Table 253 House building: permanent dwellings started and completed, by tenure and district, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639564/LiveTable253.xlsx

the number of non-UK born in social housing increased by almost 48,000, as illustrated in Figure 3 below. For this trend to have occurred, it seems likely that the majority of new lets of social housing made when a property becomes available have been going to immigrant households (see Annex A for data on this).

Figure 3. Households in Social housing in London³⁴



30. As the population of London grows faster than the housing stock, people are opting to leave the city³⁵ to find suitable accommodation to rent or buy. As the ONS noted in a 2014 publication on internal migration, 'A key factor for people in their 30s and 40s who move out of London could be the cost of housing. Young couples wishing to buy their first house, or a larger one for a growing family, may find prices in London prohibitively expensive and therefore choose to live outside of London.'³⁶ So while the population of London continued to grow as a result of immigration this has been partially offset by a net loss of residents from London to elsewhere in England.

31. Over the last ten years, the South East of England has received almost one million people from London while the East of England has received around 650,000.³⁷ (See Annex B for full data) The pressure to build new homes in southern and eastern England, such as the "Garden Villages" announced by the Government in January 2017³⁸ is in large part the result of people deciding to leave London during this period of massive immigration.

34 ONS, Labour Force Survey, Housing Tenure by HRP, Q2 2000-2016, Three year averages centred on 2000 and 2015. See Annex A.

35 Ian Gordon, LSE, https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/Fitting%20a%20Quart%20into%20Pint%20Pot%20-Ian%20Gordon.pdf

36 ONS, Focus on London Moves, November 2014, URL: <http://webarchive.nationalarchives.gov.uk/20160105222726/http://www.ons.gov.uk/ons/rel/migration1/internal-migration-by-local-authorities-in-england-and-wales/year-ending-june-2013/sty-2---focus-on-london-moves.html>

37 Net movement of people. ONS internal migration data <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/migrationwithintheuk/datasets/matricesofinternalmigrationmovesbetweenlocalauthoritiesandregionsincludingthecountriesofwalesscotlandandnorthernireland>

38 <http://www.bbc.com/news/uk-38486907>

32. Some lobbyists and activists have suggested that London should have its own immigration policies.³⁹ These appear to have the aim of keeping immigration to London high if restrictions are introduced elsewhere following Brexit. Given the impact on the movement of people between London and the rest of the country this idea is very unlikely to find much support.

Conclusions

33. House prices and rental prices in particular will remain high while demand, fuelled by massive levels of immigration, continues to exceed supply. More homes need to be built in England but a key component of solving the housing crisis must be a reduction in immigration to reduce demand. If there is no reduction in immigration, then as the recent past shows, a very large proportion of future household growth in England will be continue to be a result of immigration.

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39 <http://www.citylab.com/work/2016/11/london-work-visa-brexite-immigration/507425/>

Annex A

Data for Figure 1

Households in England in Private Rented Sector by Country of Birth of HRP				
	Private landlord - UK born HRP	Private landlord - Foreign born HRP	UK-born HRP - 3 year average	Non-UK born HRP - 3 year average
1999	1,204,616	254,593		
2000	1,164,828	274,104	1,174,571	276,110
2001	1,154,268	299,634		
2002	1,251,296	363,977		
2003	1,281,423	412,404		
2004	1,338,348	406,456		
2005	1,401,132	496,542	1,396,786	502,566
2006	1,450,879	604,700		
2007	1,505,222	709,493		
2008	1,691,697	778,829		
2009	1,922,840	853,000		
2010	2,102,868	923,109	2,056,751	912,597
2011	2,144,546	961,682		
2012	2,395,289	1,082,472		
2013	2,432,461	1,124,230		
2014	2,475,420	1,184,739		
2015	2,488,521	1,172,902	2,465,983	1,212,533
2016	2,434,009	1,279,957		

Data for Figure 2

Households in London in Private Rented Sector by Country of Birth of HRP				
	UK born HRP	Non-UK born HRP	UK born HRP - 3 year average	Non-UK born HRP - 3 year average
1999	210,226	126,769		
2000	192,866	146,165	196,560	140,191
2001	186,589	147,638		
2002	197,511	182,391		
2003	189,416	213,197		
2004	202,295	206,406		
2005	199,981	241,468	205,872	244,354
2006	215,339	285,187		
2007	205,183	318,119		
2008	225,585	340,964		
2009	253,348	381,778		
2010	276,984	424,784	260,576	414,199
2011	251,397	436,035		
2012	288,930	481,549		
2013	295,392	492,010		
2014	290,869	511,134		
2015	264,349	470,833	269,644	508,997
2016	253,714	545,025		

Note on data for Figure 2 - Note the wide variation between years for the data. This is due to small sample size of LFS when confined to both London region and private rental sector. However, three year averages remove some of this variation while showing the clear trend in the data.

Data for Figure 3

Households in London in Social Housing by Country of Birth of HRP				
	UK born HRP	Non-UK born HRP	UK born HRP - 3 year average	Non-UK born HRP - 3 year average
1999	521,682	260,790		
2000	466,694	276,954	484,709	275,596
2001	465,751	289,044		
2002	470,492	305,624		
2003	451,408	306,026		
2004	466,602	299,559		
2005	452,997	316,199	452,482	308,533
2006	437,848	309,841		
2007	431,716	307,516		
2008	431,409	313,634		
2009	406,309	344,707		
2010	406,678	329,036	406,243	332,391
2011	405,743	323,430		
2012	403,132	314,683		
2013	381,305	362,711		
2014	372,722	335,607		
2015	376,776	378,864	374,129	356,143
2016	372,890	353,958		

Note on data for Figure 3 – Again note the wide variation between years for the data. This is due to the small sample size of the LFS when confined to both London region and social housing sector. However, three year averages remove some of this variation while showing the clear trend in the data. This is the best available data since the DCLG have resisted efforts to mandate the recording of the country of birth of new tenants for social housing lets.

Annex B

Internal migration data, moves from London to South East and East, YE June 2007 to YE June 2016.

Internal Migration from London to Destination		
	South East	East
YE Mid 2007	104160	68500
YE Mid 2008	98820	65320
YE Mid 2009	88960	57060
YE Mid 2010	94080	58770
YE Mid 2011	92390	57950
YE Mid 2012	100010	63710
YE Mid 2013	97470	63660
YE Mid 2014	105180	70140
YE Mid 2015	107490	72460
YE Mid 2016	110180	73890
Total	998740	651460

List of Data links for mid-2012 to mid-2016 can be found here:

[Internal migration - Matrices of moves between Local Authorities and Regions \(including the countries of Wales, Scotland and Northern Ireland\)](#)

Data relating to mid-2007 to mid-2011 can be found at the links below:

[Internal Migration by Local Authorities in England and Wales](#)