

Breaking point

How unaffordable housing is pushing us to the limit



Shelter

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Acknowledgements

Shelter case studies are used throughout this report. The authors would like to thank all the Shelter clients and caseworkers who took part.

To protect the identity of the individuals and families featured in this publication, we have changed the names and certain details of their stories, and models have been used in all photographs. However, the essential facts remain true.

Research

Fieldwork for the research was carried out by YouGov, who surveyed 6,799 people between 14 and 18 March 2008.

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It's time to right housing wrongs

www.shelter.org.uk/nowisthetime

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Righting housing wrongs

The lack of affordable homes in Britain has hit millions of households hard. Many have been made homeless as a direct result of high housing costs; many more are trapped in damp, dilapidated, overcrowded or temporary housing, unable to afford to rent or buy a secure, comfortable home.

At the heart of Britain's housing problems is the failure by successive Governments to build enough homes to keep pace with demand. In 2007, Gordon Brown made a welcome commitment to build three million new homes in England by 2020, to help ease the housing crisis.

In this report, we present new evidence of the damaging effects of a chronic undersupply of affordable housing. Quite simply, it beggars belief that in our affluent nation, millions of people still lack a decent place to live.

Shelter has put together a 12-point plan to tackle the affordability crisis. Our plan includes recommendations to build more homes – particularly social rented properties, to strengthen protection for people in housing difficulty, and to end the housing divide.

We urge you to support Shelter's **Now is the Time** campaign. Together, we can right these housing wrongs.



Photo: Anita Steinstad

A handwritten signature in blue ink that reads "Adam Sampson".

Adam Sampson
Chief Executive, Shelter

Introduction

The great divide

The past decade has been boom time for the British housing market. Great news for those who bought at the right time, but the boom years have created a seemingly unbridgeable gap between those who have benefited from soaring property prices and the people left behind: the housing haves, and the have-nots.

The cost of the average home in England has tripled over the last ten years, to more than £200,000.¹ This has left most first-time buyers priced entirely out of the market.

House prices have now begun to fall but, even if the trend continues, it will be some time before buying a home becomes affordable for the majority. The downside of the recent fall in prices is that the spectre of negative equity is looming once again, and new housebuilding is stalling.

The ripple effect

The desperate lack of affordable housing hasn't just been felt by aspiring homeowners. People renting in the private and social sectors have also experienced the ill-effects.

The cost of renting privately has increased by 50% in the past ten years² and this investigation shows how people renting in the private sector are more likely than those with mortgages to struggle to pay for their housing.

Inadequate regulation in the private rented sector in England has meant that many tenants suffer from the lack of security that comes with short-term tenancy agreements, and have felt the impact of 'hidden' costs, such as charges for tenancy renewal fees or administration.

The lack of homes has also put mounting pressure on the social sector. Nearly 1.7 million households in England³ are currently on housing waiting lists (an increase of almost two-thirds in the past ten years). Social housing is no longer accessible to many of those who need it most, a double blow given that such households are unlikely to be able to afford to buy or rent privately. Those that are lucky enough to hold a social tenancy are, however, more likely than households in any other tenure to suffer in overcrowded conditions.

Crunch time

The recent credit crunch has meant lenders have increased their interest rates, so hundreds of thousands of homeowners coming off fixed-rate loans are finding it increasingly difficult to find similar deals. With so many people stretched to the limit, and given the weak safety net that exists for people who fall behind with their mortgage payments, the Council of Mortgage Lenders (CML) estimates that repossessions will rise sharply in 2008, to 45,000.⁴



Photo: Nick David

Shelter's survey

In March 2008, Shelter commissioned a YouGov survey of 6,799 people in Great Britain to establish the extent, and effects, of the current affordability crisis. Most significantly, the survey has revealed that, among a population of 25.1 million households, more than two million households in Great Britain find their rent or mortgage a constant struggle or are falling behind, and that 2.2 million spend more than half their income on housing costs.

Towards a solution

Gordon Brown has pledged three million new homes by 2020, including a target of 45,000 social rented homes each year by 2010/11, and 25,000 low-cost homes each year between 2008 and 2011.⁵ All welcome news.

But the key task now is to ensure that enough social rented homes are delivered to give those hardest hit by the housing crisis the help they need.

Shelter's **Now is the Time** campaign, launched in June 2008, aims to hold the Government to its 2020 pledge, and to ensure that enough of the new homes promised are social rented properties for those worst affected by high housing costs. The campaign will also lobby Government to strengthen safety nets for those threatened with eviction or repossession, and to improve the operation of the housing benefit system.

Finally, to counteract the destructive cycle of boom and bust, Shelter's campaign is calling on the Government to end the housing divide to make the housing system fairer for everyone.

¹ Land Registry Data, 2008.

² CLG, *Housing Statistics* 2007, 2008.

³ CLG, *Housing Strategy, Statistical appendix*, 2008.

⁴ Cunningham, J, *Housing and mortgage market forecasts 2007/08*, CML, 2007.

⁵ These targets apply to England only.

Summary

For this report, Shelter set out to discover the effects of the chronic shortage of affordable homes, addressing the following questions:

- ▷ Who is suffering the most from the lack of decent, affordable homes?
- ▷ In what way are people being affected?
- ▷ What can be done about it?

Our investigation has highlighted three trends of serious concern:

- ▷ People are struggling to meet high housing costs and, in some cases, are at severe risk of homelessness as a result.
- ▷ People are trapped in bad housing because they cannot afford to rent, let alone buy, a better quality home.
- ▷ There is growing inequality between those who own or rent a decent, affordable home, and those who don't.

New research⁶ for this investigation reveals that:

- ▷ 2.2 million households (9%) pay more than half their income on housing costs.
- ▷ One million households (4.1%) pay more than two-thirds of their

income on housing. Low-income households are far more likely to be paying a high proportion of their income on housing.

- ▷ Nearly one-quarter of households (six million) say they are suffering stress or depression because of their housing costs.
- ▷ 2.8 million households (11%) have had to borrow money to meet their housing costs in the last 12 months, split evenly between those borrowing from friends and family, and official loans.
- ▷ In the last 12 months, 4.1 million households (16%) have used a credit card to help meet their housing costs, one in nine households (three million) have sold possessions, and one in 11 households (2.2 million) have reduced spending on clothing for their children.

► Nearly six million households are suffering stress or depression because of their housing costs

⁶ The findings are based on analysis of a nationally representative (England, Scotland and Wales) survey carried out by YouGov on behalf of Shelter in March 2008. Results have a margin of statistical error, and so caution should be exercised in interpreting small differences. The numbers quoted throughout this section relate to estimated numbers of households affected.



Elizabeth's student debts forced the sale of her home

► Elizabeth and her husband were paying a mortgage on a house in Wolverhampton.

Elizabeth had worked part-time when her two children were small, but then chose to improve her long-term prospects by studying for a degree in Design.

By the time Elizabeth graduated in 2006 the household debt had grown by £26,000 and she urgently needed a well-paid graduate job. But one year on, Elizabeth was still working in a shop, and the family was crippled by debt. The couple fell behind on their mortgage, and their marriage fell apart.

Elizabeth told us she sees a direct link between her financial and personal problems:

'through wanting to better ourselves we ended up destroying ourselves.'

Elizabeth and her husband are now in the process of selling the family home. She hopes to make a fresh start with her children in a new area.

How people are struggling to meet their rent or mortgage

This section presents brand-new research examining whether people are able to afford their housing. It also looks at the strain that high housing costs place on people, and the steps people would take if they were to fall behind with their rent or mortgage.

Who is paying the highest price for housing?

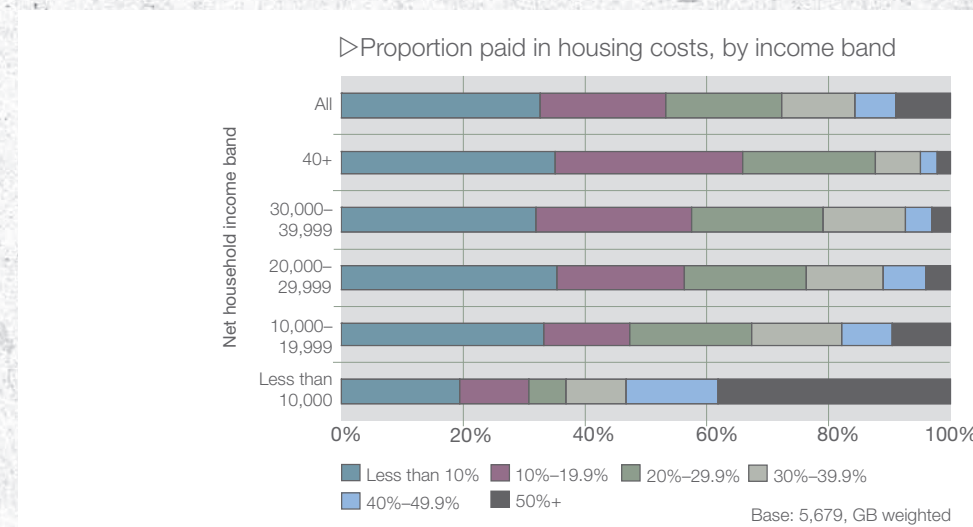
Economists argue that the cost of something is what we are prepared to pay for it. But when it comes to a necessity like housing, we can't just leave people at the mercy of the market. The cost of being without a home is simply too great.

Academics suggest that a general test for whether a household is able to afford their housing is if it costs less than 30% of their income. Those paying more than half their income on housing are particularly likely to find their housing unaffordable.

Shelter's new investigation reveals that the affordability of housing is now a nationwide problem. Across Britain, 2.2 million households (9%) are spending more than half their income on housing costs. London households seem most likely to do this (12%) with households in the North East and the South East following close behind (10%).

Our research shows that 38% of people on low incomes⁷ – a worryingly large proportion – are being forced to spend more than half their income on housing.⁸ (See the bar chart, below, for a full breakdown of housing costs as a proportion of income.)

In fact, those with the lowest household incomes (less than £10,000pa) are more than 15 times as likely as those with the highest household incomes (more than £40,000pa) to spend half or more of their income on housing costs.⁹



⁷ Shelter's definition of income in this survey was net (after tax and NI) household income. For the purposes of this survey, we define low incomes as below £10,000pa.

⁸ For the purposes of this report, Shelter defines housing costs as regular rent or mortgage payments plus regular service or maintenance charges. Council tax, utility bills, etc are not included in our definition.

⁹ The method used to calculate housing costs in this study treats housing benefit as income and therefore the lowest-income groups include housing costs covered by housing benefit. While some of this group do not pay for their housing out of their own pocket, it is a recommended method of representing housing costs relative to incomes.

Renters are more likely to be paying a higher proportion of their household income on housing than those with mortgages. Among tenants in the private sector, 24% spend more than half their income on rent, and 15% in the social sector reported that their rent accounted for more than half their income. Those who own their own home were the least likely to do so, at 7%. However, given the high number of mortgage payers in the population, even this low proportion means that homeowners account for more than one-third of all those spending more than half their income on housing.

The chart below right demonstrates how households with high housing costs are more likely to make sacrifices in order to pay their rent or mortgage.

Forcing us into debt

With so many households spending a high proportion of their income on rent or mortgage, it's little wonder that some are struggling to make ends meet. In particular, our research reveals that the high cost of housing is driving people to increase their personal debt. We discovered that:

- ▷ 2.8 million households (11%) have borrowed money to help meet their housing costs in the past year, split evenly between borrowing from friends or family, and official loans.
- ▷ 4.1 million households (16%) used credit cards to help meet their housing costs in the last 12 months.

In some of these cases, borrowing to pay the rent or mortgage may be a one-off emergency measure, but anecdotal evidence from Shelter advisers, supported by research by Citizens Advice¹⁰, indicates that this is a rising trend. It's a worrying one too, given that Britain has reached record levels of personal debt: currently £1.4 trillion, £1.19 trillion of which is secured against property.

And householders are using other means than borrowing to meet their housing costs. More than one-half (55% or 13.8 million) of all households had reduced their spending or taken other steps to help pay their housing costs at some stage in the last 12 months:

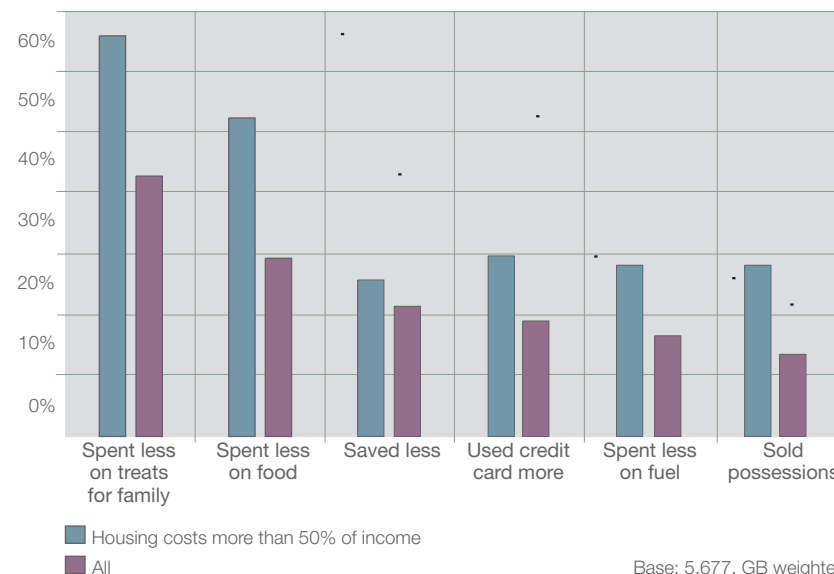
- ▷ one in four (6.3 million) households had spent less on food
- ▷ one in nine (three million) households had sold possessions
- ▷ one in 11 (2.2 million) households had reduced spending on clothing for their children
- ▷ one in 10 (2.4 million) households had taken an additional job or worked overtime.

Among private renters, 70% are making sacrifices to pay for their housing, making them the tenure group most likely to do so. In England, the region where households are most likely to be cutting back appears to be the South West, at 60%.



Photo: Penny Tweedie

▷ What have you done to help pay your housing costs?



¹⁰ Citizens Advice, *Set up to fail*, 2007.

Benefit shortfall leaves Bill overwhelmed by debt, and facing eviction

► Fifty-nine year-old Bill is a technical adviser for a construction firm. For many years he has lived with his wife in a two-bedroom privately rented flat. When an accident left him unable to work and with bad respiratory problems, Bill applied for housing benefit, but was told he only qualified for enough for a one-bedroom property – even though his breathing equipment means Bill has to sleep in a separate room.

With a £300-a-month shortfall in his income on housing and utility costs alone, Bill has used up his savings to pay the difference. He will soon begin retraining for different work, but his wife, who is deaf, is struggling to find employment. The couple have cut back on food, utilities, and their overall standard of living but, through no fault of their own, they face a very real chance of eviction.

Bill is constantly tired, and fears for the future. All he wants to do is recuperate, retrain, and get on with his life in the home he loves.



Photo: Sophie Laslett



Photo: Penny Tweedie

Living on the edge

Our research reveals that millions are being forced to tighten their belts, take extra jobs or borrow money to help pay for housing. One in 12 households (8.1% or two million) said that meeting housing costs was a constant struggle, and 1.6% or 400,000 households said they were falling behind with rent or mortgage payments. The table to the right breaks down these figures according to selected household types.

London households seem most likely, at 13%, to struggle to pay for housing or to fall behind with their rent or mortgage.

Lone parents are also much more likely to be struggling or falling behind with their rent or mortgage than other households.

Black and minority ethnic households, at 17%, are nearly twice as likely as White British households (9%) to say they are constantly struggling or falling behind with their housing payments.

Even in the social rented sector, a significant proportion of people struggle with their payments. This is partly because they are on low incomes – 55% of social housing tenants have a total gross household income of no more than £10,000pa.¹¹

However, problems with the administration of housing benefit are also a frequent cause of financial difficulty among private and social tenants alike, and thousands of

households fall into arrears because of housing benefit mistakes. In addition, the way in which housing benefit is calculated creates a poverty trap, which is a disincentive to work.

Household characteristic	% constantly struggling or falling behind with mortgage or rent
Low income (less than £10,000pa)	17%
Middle income (£10,000–£40,000pa)	10%
Higher income (more than £40,000pa)	5%
Owned with mortgage	11%
Social rented	17%
Private rented	18%
Paying 50% or more of income in housing costs	27%
Paying 30–50% of income in housing costs	18%
Paying less than 30% of income in housing costs	8%
Lone parent	17%
Couple with children	11%
All households	10%

Base: 5,677 GB weighted



Photo: Nick David

► **Two million** households – that's one household in twelve – said that meeting housing costs was a constant struggle, and **400,000 households** said they were falling behind with rent or mortgage payments

¹¹ CLG, *Survey of English housing preliminary results: 2006/07, 2007.*

Housing costs take their toll on Angela

► Angela and her eight-year-old son were living near Peterborough in a small flat owned by her ex-boyfriend. A year ago, the ex-boyfriend sold the flat, making Angela and her son homeless. The council put them in a hostel – where families may stay for only six weeks – so Angela was soon put under pressure to take on an expensive private tenancy, because it was the only housing available.

Angela's part-time job pays around £600 a month, but her high rent means that after essentials she is already £32 short every week. She often goes without food and utilities, and has not been able to pay her council or water rates for a year. She is now falling into arrears with her rent.

Angela's problem is not financial mismanagement. She has sought advice to improve her situation but, she says, *'they can see that I do not have the funds'*. As a low-income single parent, Angela simply can't afford to pay market-rate rent. She has no luxuries, she says, *'nothing'*.

Angela suffers anxiety attacks, which are having damaging effects on her son. The council has suggested that Angela stay at home and claim income support, but she has worked every day since she was 16 and wants to keep on doing so.

What Angela and her son need is affordable social housing. Reasonable rent would mean that Angela could survive on a low income and have a decent quality of life with her son.



Photo: Max Hamilton

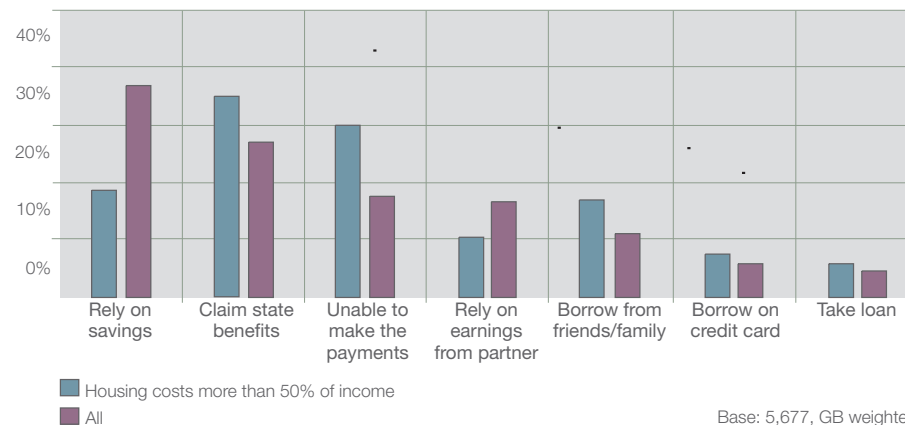
How would people cope with a loss of income?

Most households would rely on savings if they were struggling to pay for their housing – see the chart on the right. People who spend more than half their income on housing are much less likely to use savings, because they are much less likely to have them (most of those spending more than half their income on housing are on low incomes). This group is more likely to say they would not be able to meet

their housing costs if they suffered a drop in income, and more likely than average to say they would claim benefits.

More than one-quarter (28%) of people say that they would have to rely on state benefits if they were to fall behind with their housing payments. This remains high among people with a mortgage (23%) – even though those homeowners who qualify for state benefits are not entitled to mortgage payment support for nine months.

► How would you pay for housing if your income was reduced/lost for six months



Karen is stuck in a damp-ridden flat with two tiny children

► Karen, her husband and two young children have lived in their two-bedroom council flat for three years. A household income of just £16,000 a year means they could never afford to buy, or to rent privately. Even if Karen returned to work full-time, childcare costs would leave them no better off financially.

The family's flat suffers from severe damp and mould problems that have wreaked havoc on the children's health and wellbeing. Conditions are so bad that their daughter's pillow grows mould and has to be replaced every few weeks, and their ten-month-old son has developed respiratory problems. The stress has driven Karen to seek help from a psychiatric nurse.

'A home is somewhere that you can settle and feel safe', Karen told us, 'but we don't want to settle here, and don't feel safe'.

The council refuses to pay for effective damp-proofing, so the only option left for Karen and her family is to move. They have been on a waiting list for a new council property for the past three years.



Photo: Nick David

The human impact of unaffordable housing

Shelter's research has revealed that the struggle to meet rent or mortgage payments is causing stress and depression among millions of households – see the bar chart on the right.

- ▷ Nearly one-quarter of all households (six million) agree that paying for housing causes stress or depression in their family. Regionally, this seems most common in the North East (30%), and private renters are the tenure group most likely to agree (38%).
- ▷ One in six households (just over four million) said they had been kept awake worrying about their housing costs, and a similar number worried about losing their home.

People paying more than half their income on housing, and particularly those who are constantly struggling or falling behind with their rent or mortgage, are far more likely to agree that meeting their housing costs is causing stress or depression, or having other damaging effects on their lives.

Despite the Government's desire to promote housing choice, our research shows that many households had very little say over the location of their home, or any control over the extent, or the standard, of essential repairs to the properties they live in.

- ▷ 9% of all households said they couldn't afford to live near their family.
- ▷ 11% are unable to live near work.
- ▷ 14% said they have to live in housing that is too small for them.
- ▷ 15% said they are unable to afford essential repairs.
- ▷ Close to one in five (19%) are not satisfied with their home or the area it is in. This rises to more than one-third (35%) among those constantly struggling or falling behind with their rent or mortgage.

In addition, one in four (23%) felt they are getting ripped off because they are paying too much for their housing. This rises to more than four in ten of those paying more than half their income on housing, and more than half (54%) of those constantly struggling or falling behind with rent or mortgage.



Photo: Sophie Laslett

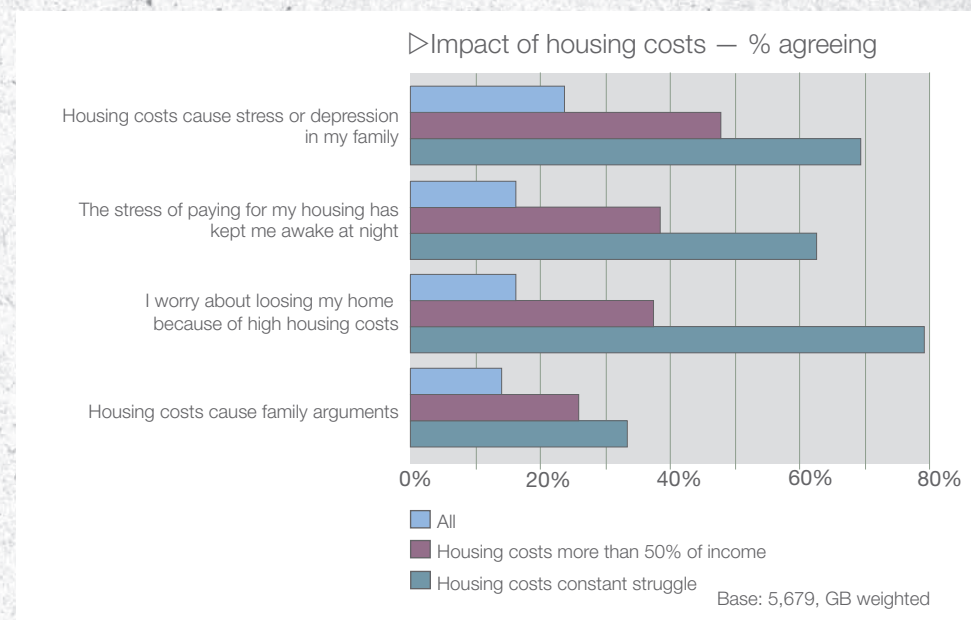


Photo: Nick David

FAMILY: Youngsters living on streets or in unfit homes – shock report

Home horror of 150,000 children

First-time buyers' struggle is hardest ever

By **Becky Barrow**

FIRST-TIME buyers are facing the 'hardest-ever battle' to get on the housing ladder, a report warns today.

The average price of a home has jumped more than 200 per cent over the last decade, while the average income has climbed only 53 per cent.

The report, from the housing charity Shelter, says an impossible situation is being made even worse by Britain's mortgage meltdown.

Although house prices are falling, young people are unable to meet stricter lending conditions. It is impossible to buy without a minimum deposit of 5 per cent, and a bigger deposit of at least 25 per cent is needed to get the cheapest deals.

It is a far cry from the loans of up to 125 per cent of the value of a home which were being

1.6m children 'live in bad housing'

ONE in seven children is growing up homeless or living in 'bad housing', a report claims today.

The figure amounts to 1.6million youngsters, according to homeless charity Shelter. It is calling on the Government to build 20,000 extra social housing units each year to give children a better start in life. A spokesman said: 'It is a scandal that children are being affected by homelessness and bad housing.'



COPING: Lesleyanne shares a room with her mum and



CROWDED: Stephanie, Keiran, Kerry, Lesleyanne and Chloe

The n of first buyers all-tir

Soaring loan co

First-time buyers 'in perfect storm'

By **JOEL TAYLOR**

HOUSE prices up 200 per cent in the past decade and current soaring mortgage costs caused by the credit crunch have combined to catch first-time buyers in a 'perfect storm', a report said today.

Since 1997, the average price of a home bought by a first-time buyer across Britain has risen from £52,674 to £159,494, according to housing charity Shelter.

In London, the situation is even worse – up 250 per cent to nearly £260,000 today.

But the average weekly income of a family in Britain has increased by just 53 per cent over the same period, to an average of £900.

As a result, it is now 78 per cent harder for first-time buyers to get on

to the property ladder than it was ten years ago. Shelter warned the situation meant a generation of young people were being 'locked out of the housing market'.

Even news that prices are falling will bring little comfort to hard-pressed first-time buyers as any savings they make from cheaper prices are being negated by higher mortgage costs as a

repayment has also soared – up 21 per cent of the average household's income, compared with just 12 per cent a decade ago.

Also, lenders are now making increasingly large deposits

1,300 children have no home

CREDIT CRUNCH LOCKS OUT FIRST-TIME BUYERS

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soared by 172 per
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A home life that's misery

Report shows thousands of region's children are in temporary housing

THOUSANDS of children in the North East are living in overcrowded or temporary homes, according to Shelter.

A report by the homelessness charity has found youngsters squeezed into overly-small houses with their parents and siblings, or living in stop-gap properties.

And Shelter officials say children in bad housing are twice as likely to be ill and unhealthy, to be excluded from school, to leave school with no GCSEs and to be persistently bullied.

In the North East, more than 35,000 children are living in overcrowded homes, with more than 500 living in temporary accommodation, according to the survey, carried out to mark 40 years

60,000

REPOSSESSIONS THIS YEAR
AS HOMEOWNERS HIT BY
FAILURE TO PAY BIG DEBTS

33,000 'could be made homeless'

TENS of thousands of homeowners could be made homeless this year as repossessions soar, economists are warning today.

About 33,400 people could lose their homes – 23 per cent more than last year – according to the Centre for Economics and Business Research. Mortgage deals would remain expensive and hard to get despite interest rate cuts by the Bank of England and its £50billion bail-out of cash-strapped banks, it added.

'The stark rise in repossessions

"When we have an economic downturn, it translates into a housing crisis. We're seeing a big increase of those in trouble with their mortgage"

Adam Sampson
(below)

Tenants at risk
as landlords
lose homes

by Lisa Bachelor

HUNDREDS OF tenants are at risk of being forcefully evicted without notice as growing numbers of landlords hit by the credit crisis are having their properties repossessed.



Housing concern

One in seven children is growing up homeless or in bad housing, according to the charity Shelter. The figure of 1.6 million, in a report published to mark the charity's 40th anniversary, is based on official statistics. Shelter defines bad housing as temporary, overcrowded or unfit accommodation.

Perils of going private

COUPLES FLEECE IN FAKE LANDLORD SCAM

RAVNEET AHLUWALIA
for thehondogazette

WHEN looking for a rented property, avoiding the letting agencies and looking for a home privately can be tempting. But there are pitfalls, as seven couples found when they all paid an impostor rent for the same flat without the real landlord knowing – and were left thousands of pounds out of pocket. The one-bedroom pad at Clapham Junction was

advertised on the Gumtree website and the couples met a man at the property.

and has passed this information to police. Tom Crawshaw, policy officer at housing charity Shelter, said: "Landlords' register and code of standards would give tenants peace of mind." If you have any information on this incident, call police on 0208 247 8888



PRECAUTIONS WHEN RENTING

1. Ask landlords what they ask of you. Check their photo ID and bills in their name for their address
2. Run a Land Registry check to confirm those who say they own the building actually do
3. Put the deposit into the tenancy deposit scheme, an insurance-backed

People at the sharp end of the affordability crisis

In this section we look at who is being affected by the lack of affordable homes, and examine the wider effects of the crisis on individuals and communities.

For some individuals, their housing situation is difficult; for others it is desperate or even dangerous. But from the homeless person in temporary accommodation to the aspiring first-time buyer living with their parents, people in every type of housing are experiencing the distress of being trapped in unsuitable accommodation because of a lack of affordable homes.

Overstretched homeowners

A dramatic rise in house prices over the past ten years, together with increased availability of new mortgage deals in the sub-prime sector, has meant that many people have overstretched themselves to get a foot on the housing ladder. Such people are far more susceptible to being tipped into the red by a rise in interest rates or a sudden change in circumstances, such as job loss, illness or relationship breakdown.

For those who are struggling to pay their mortgage or threatened with repossession there is, at present, not enough help available.

Aspiring first-time buyers

House prices for first-time buyers throughout the UK have risen by 200% in a decade. Over the same period, the average price paid by first-time buyers has rocketed from £52,674 to £159,494. This means that house price to income ratios have doubled from 1.72 to 3.4, pushing the price of buying a home for the first time increasingly out of reach.¹²

Unsurprisingly, therefore, the proportion of homes being sold to first-time buyers is at an historical low. The Council of Mortgage Lenders recently reported that only 18,000 mortgages were approved for first-time buyers in



Photo: Nick David

¹² Figures relate to the period between 1997 and 2007 and are taken from the ROOF Affordability Index, ROOF magazine, May/June 2008.

January 2008, down from a peak of 35,000 in August 2007¹³. It's causing a lifestyle shift: many young people are continuing to live in student-style shared houses, or at home with their parents, well into their thirties.

People in rural communities

An acute shortage of affordable housing in rural areas is forcing local residents – particularly younger people – to move away from the areas in which they grew up. The exodus of locals is tearing many rural communities apart.

In some areas, the problem is exacerbated by an influx of second-home owners, who push house prices out of the reach of locals and, during the winter months in particular, create ghost towns when they disappear back to their main residence.

People in the private rented sector

Many people in our survey said they are being forced to remain in homes that are cramped or in urgent need of repair, because it is all they can afford – and this problem is most likely to be felt by people in the private rented sector. Shockingly, one-half of all private rented homes in England fail to meet the Government's Decent Homes Standard, in addition to just over one-third of social rented and owner-occupied housing.¹⁴

Rent levels in the private sector are often significantly higher than in social housing, and tenants must budget for additional costs that include deposits, administration charges and, in many cases, housing benefit shortfalls. For many families, the insecurity of short-term private lets is a major concern – they don't want to risk being forced to move again in six months' time.

Shelter's research has shown that many households in receipt of housing benefit find it difficult to access private tenancies.¹⁵ Landlords often refuse to take such households

as tenants, fearing difficulties with benefit administration.¹⁶

People in overcrowded housing

The shortage of affordable homes means that many people are forced to live in severely overcrowded housing because they cannot afford to rent or buy a home big enough for their needs. More than half a million households in England are overcrowded. The latest figures show that nearly one million children live in overcrowded conditions.¹⁷

Overcrowded families endure chaotic and disruptive sleeping arrangements. A Shelter survey in 2005 found that in three-quarters of overcrowded families, children shared a bedroom with their parents, and more than one-quarter of the households surveyed had children sleeping in living or dining rooms.¹⁸

The impact of overcrowding can be devastating for these children's health, education and wellbeing. In her introduction to a Shelter report on the subject, psychologist Dr Tanya Byron wrote that overcrowding 'presents significant barriers to healthy child development'.¹⁹



Photo: Amy Wallace



Photo: Ines Billings

¹³ CML, Table ML2, first-time buyers: lending and affordability, <http://tinyurl.com/29ct3a>

¹⁴ CLG, *English house condition survey 2006 headline report*, 2008.

¹⁵ Reynolds, L, *The path to success?* Shelter, 2006.

¹⁶ Rugg, J, *A route to homelessness? A study of why private sector tenants become homeless*, Shelter, 2008.

¹⁷ CLG, *Survey of English Housing 2004–2006*.

¹⁸ Shelter, *Full house? How overcrowded housing affects families*, 2005.

¹⁹ Shelter, *I'm so crowded: this is my story*, 2006.



Photo: Nick David

Meeting housing costs is a constant struggle for Bryony

► When she discovered she was pregnant, 17-year-old Bryony's relationship with her parents was already at breaking point – and pregnancy proved the final straw. Along with her boyfriend, Bryony went briefly to stay at a friend's house until the council found her a residential place at a special unit for expectant young mums.

But separated from her supportive partner, Bryony felt increasingly vulnerable. Bullied by other residents, she left the unit after just one month. Bryony turned to the council's housing department, but they deemed her 'intentionally homeless' and refused to help.

From the fourth month of pregnancy until her labour, Bryony slept in a car with her boyfriend. It was two months before her parents would even let her into their house for a bath. Her situation was cramped, claustrophobic, and terrifying, and Bryony was constantly haunted by the fear that she might lose her baby.

Happily, Bryony gave birth to a healthy boy. The council finally placed the family into temporary accommodation and a couple of weeks later, found them a two-bedroom maisonette to rent from a housing trust. However, despite the subsidised rent, the family is deeply in debt and money remains a problem.

Although Bryony's boyfriend has a job and she is seeking work, high childcare costs mean the family will be only a little better off. They often go without food or sufficient heating to give their son a proper meal. For Bryony, life remains a daily struggle. She doesn't really know how she made it this far, but she's determined to keep trying.

► Many people told us they are living in homes that are cramped or in urgent need of repair because it's all they can afford

Photo: John Angerson



People in temporary accommodation

Even those at the front of the queue for social housing have been hit hard by the shortage of affordable homes. At the time of writing, around 79,500 households were stuck in temporary housing in England. Families can spend months, or even years, in so-called temporary accommodation; in England, one in seven households leaving this type of housing has spent more than two years without a permanent home, a figure that rises to 45% in London.

Living in a state of limbo can have catastrophic effects on people's lives, especially when families are shunted repeatedly from one temporary home to another. One boy interviewed by Shelter had moved schools six times in two years because his family was forced to change temporary accommodation so frequently.²⁰

People in hostels

A lack of affordable homes and supported accommodation means that many people in hostels who are ready to move on have nowhere suitable to go. Research shows that 45% of hostel bed spaces in England and Wales are occupied by people who are waiting to move on.²¹

Rough sleepers

The most visible casualties of the lack of affordable homes are rough sleepers.

The latest Government figures estimate that 498 people sleep rough on any given night in England – nearly half of these in London.²²

However, during 2006/07, nearly 4,000 people sleeping rough were contacted in London by outreach teams and other services.²³

► House prices for first-time buyers in the UK have risen by **200%** in decade, rocketing from an average £52,674 in 1997 to £159,494 in 2007



Photo: Sophie Laslett



Photo: Nick David

²⁰ Minton, A. and Jones, S. *Generation squalor*, Shelter, 2004.

²¹ Homeless Link, *National Move On report*, 2005.

²² CLG, *Homelessness Statistics September 2007 and Rough sleeping – 10 years on from the target*, Policy Briefing 20, 2007.

²³ Broadway, *Street to Home key findings report for 2006/07*.

Spiralling debt and failing health offer grim prospects for Mark and his family; and they're gearing up for another move

► Mark, who is disabled, lives with his wife and their two children in Lancashire. Mark's wife is his full-time carer. When harassment from a gang of local yobs forced the family out of their council home, the local authority couldn't find them another suitable property. Mark's only option was to take a privately rented flat – a flat which had no adaptations for a disabled tenant.

Desperate to give his family some security, Mark signed up for an unusually long five-year lease, but when his housing benefit came through, it fell far short of the rent. Mark has since fallen into debt, and his landlady has failed to carry out the modifications he needs to live independently. Mark can no longer use the shower or the kitchen, making him even more reliant on his wife.

The family has cut back on everything, even food, to meet the rent. The landlady has now decided to put Mark's home up for sale, so another move is inevitable. Mark is suffering depression and panic attacks. He barely eats, and sleeps on the couch.

Mark told us: *'I'm getting more and more depressed and in pain. I just don't see a future for myself... I think I'll be dead before I'm 40.'*

► House price to income ratios have doubled in a decade, from 1.72 to 3.4



Photo: Sophie Laslett



The inequality of the housing system

In England today there is a conspicuous divide between those who can afford a suitable home, and those who can't. This divide is more than simply financial. Living in bad or unsuitable housing affects health, education, and opportunity. For children growing up in such homes, the outlook is bleak.

According to the Economic and Social Research Council, inequality in the UK is nearly the worst in the European Union.²⁴ Housing inequality is a large part of this.

Housing is the single greatest repository of wealth of individuals in the UK. So, given that many first-time buyers rely on their parents for a deposit, children from low-income families are effectively locked out.

However, housing inequality is more complex than a simple division between those who own property and those who don't. Others who are also likely to be on the wrong side of the housing divide include:

Children born into bad housing...

One in seven children in Britain lives in overcrowded, dilapidated or

temporary housing. Children living in bad housing are almost twice as likely to suffer from poor health.²⁵ They are also more likely to miss school, be unhappy and run away from home.

When these children grow up, they are more likely to develop long-term illnesses, to be out of work or on low pay, and to suffer from depression.

People whose parents aren't homeowners...

Children whose parents do not own a home will find it much harder to get on the housing ladder than children whose parents do.

Analysis has shown that children born to parents who don't own their home will inherit almost nothing and will be given no financial help throughout their lives.²⁶

²⁴ Inequality in the UK Factsheet, www.esrcsocietytoday.ac.uk

²⁵ Rice, B, *Against the odds*, Shelter, 2006.

²⁶ Shelter, *The great divide*, 2005.

People living in the 'wrong' place...

House price gains have not been even across the country. Prices have risen more steeply in the most expensive areas: in Kensington, for example, average house prices have risen by more than £738,000 since 1996, whereas in Burnley they have risen by less than £61,000 over the same period.²⁷ The result is that people are unable to buy or rent a similar type of property in different areas of the country, and people's ability to move from one area to another to pursue better jobs is limited. This undermines opportunity and, ultimately, damages the economy.

People 'locked out' of housing wealth...

Current housing inequality points towards a dismal future for the children on the wrong side of the housing divide. Before the introduction of the Government's new target to build three million homes, housebuilding levels were so low that the Government itself made the depressing prediction that if we stick with current building levels, only 30% of today's 10-year-olds will be able to afford to buy a home by 2026, when many of them will already have families of their own.²⁸



Photo: Sophie Laslett

Martin slept in a camper van when his home was repossessed

► Martin lives in Birmingham with his partner, Claire, and their two children. Three years ago, he was made redundant, and struggled to find new work. After six months of unemployment, Martin's mortgage protection insurance ran out and the family began to fall into arrears. Eventually, Martin found a new job, but it paid less than his old one, which meant the debts continued to mount up. Martin's home was finally repossessed – and sold at a loss. But the council refused to rehouse the family, claiming they had made themselves 'intentionally homeless'.

Martin and Claire moved into a van parked outside Claire's parents' house, miles from their original home. The children, who had been forced to change schools, slept indoors with their grandparents. Mortified at being separated from his kids, Martin turned to Shelter.

We persuaded the council to reconsider, and Martin's family was allocated a temporary flat, but it was in such a rough area that the children refused to move, preferring to stay with their grandparents.

Martin had racked up huge debts trying to keep his family afloat. His son had given up football for the sake of an extra £5 a week. But Martin's luck turned when he found a more suitable flat to rent through a friend. Now settled, Martin's family are paying off their debts, and hoping to take their first family holiday in three years.



Photo: Nick David

²⁷ CLG, Housing statistics, live tables.

²⁸ ODPM, Summary response to Barker review, 2006.

Why are homes unaffordable?

The lack of affordable homes is the result of several trends. Firstly, the rate of housebuilding has not kept pace with rapidly increasing demand. Secondly, the supply of affordable options, such as local authority and housing association homes, has been gradually eroded by the sell-off of social homes under the right to buy, and by successive Governments' failure to replace this stock. Prices are now falling, but the underlying issues have not changed.

Demand: demographics

Changes in the population and in the way people live mean that there are more households who need homes.

- ▷ People are **living longer** than they used to, and net migration has increased. More people are choosing to live on their own or in **smaller household units**.

Demand: the market

Homes have become valuable financial commodities, not just places for people to live. The competition for home ownership has driven up demand.

- ▷ The development of new types of mortgage products and lower interest rates brought home ownership into the reach of more

people and made housing an **attractive investment prospect**. This led to increased demand in the market.²⁹

- ▷ As a result, more and more people scrambled to stake their claim in the **buy-to-let and second home** markets. In some cases, affluent second-home buyers and buy-to-let landlords are in direct competition with first-time purchasers, making it even harder for first-timers to get on the bottom rung.
- ▷ There was a **decline in the perceived appeal of other investment options**, such as stocks and shares. In addition, people began to see housing as an attractive supplement, or even alternative, to a pension.



Photo: Sophie Laslett

²⁹ Whitehead, C, and Gaus, K, *At any cost? Access to housing in a changing financial marketplace*, Shelter, 2007.

- ▷ **As demand increased, house prices rose**, and expectations about future price rises also increased, fuelling high demand.

Supply

Housebuilding has not kept pace with household growth, and the number of affordable options has decreased.

- ▷ **Only 1.45 million new homes were built** in England between 1997 and 2006. During the same period, the number of households rose by 1.7 million.
- ▷ In England, **more than 1.75 million properties have been sold under the right to buy** since its introduction, representing 35% of the country's social housing stock. More than one-quarter of these have been sold since 1997.³⁰
- ▷ Social housebuilding in England hit a low of 13,000 in 2003. Since then it has increased steadily to 22,000 in 2007. However, these numbers are still relatively low and simply **not enough affordable homes are being built to meet need**. In England, the Government has introduced several low-cost home ownership products, but there is a confusing array of them and take-up remains low, with fewer than 20,000 bought in 2006/07.³¹ Low-cost home ownership does

not appear to be delivering ownership to those on lower incomes – the average individual salary of shared-ownership buyers in 2004/05 was £26,500pa³² only slightly less than the average income for first-time buyers³³, and only 7% of shared-ownership buyers in London had household incomes below £20,000pa.³⁴



Benefit limbo left Lucy living hand to mouth, and with the threat of eviction hanging over her

▶ At 16, Lucy was a quiet adolescent who suffered from low self-esteem. At this difficult point in her life, a serious car accident left Lucy needing several operations. She has relied on incapacity benefit ever since.

At 23, Lucy was living in a two-bedroom rented flat with her three-year-old son. When her landlord decided to sell up, Lucy was under pressure to find a new place quickly, and mistakenly signed up to a larger apartment than was covered by her housing benefit. She soon downgraded to a one-bedroom flat to save money, but her housing benefit was then cut beyond her original allowance, and Lucy fell into arrears.

Three months ago, Lucy told the benefits agency she felt ready to take a job. Without warning, her incapacity benefit was stopped. In limbo while waiting for her income support to come through, Lucy was left literally penniless. She struggled during these months to pay for even the basic necessities for her child. Family and friends helped out when they could, but they had little to give, and Lucy felt too humiliated to ask them for more.

Unable to support her son, Lucy felt crushed. She was hardly eating so that she could give him food, and lost more than a stone in weight. When her desperate housing situation finally drove her to thoughts of suicide, Lucy's mum persuaded her to seek counselling.

There is hope on the horizon: Lucy is hoping to begin work as a carer for young adults, and is fighting to get her income support backdated. But unmanageable housing costs mean that Lucy still lives a hand-to-mouth existence, with the prospect of eviction never far away.

³⁰ CLG, Housing Statistics, Live tables.

³¹ National Housing Federation <http://www.tinyurl.com/5a2yvj>

³² *ibid.*

³³ The average salary for a first-time buyer in 2006 was £29,610. <http://tinyurl.com/45fl9e>

³⁴ GLA, *Review of intermediate housing in London*, unpublished.



► 1.45 million new homes were built in England between 1997 and 2006. During the same period, the number of households rose by 1.7 million.

Safety nets

Many people are feeling the impact of unaffordability more keenly than they should, because government protection for people in housing difficulty is inadequate – across all tenures.

- ▷ For homeowners, the safety net has worsened. Most low-income homeowners facing **repossession** who qualify for state assistance – Income Support for Mortgage Interest (ISMI) – have to wait nine months before they receive it. Private insurance, which could cover this period, is often not taken out by those who need it most.³⁵
 - ▷ Research shows that had the current safety net for homeowners been in place in 1992, when repossessions reached a record high, the number of mortgages more than six months in arrears might have been almost **25% higher** than it was.³⁶
 - ▷ While **sale-and-lease-back schemes** can appear to be a route out of difficulty for struggling homeowners, the packages offered by many so-called ‘mortgage rescue’ firms merely leave people worse off.
- Such companies often buy homes at far less than their true market value, and rent them back at exorbitant rates, taking advantage of householders’ desperate circumstances at a time when they are most vulnerable to exploitation.
- ▷ Continuing problems with **housing benefit** and its administration have had serious implications for how people in the private and social rented sectors, and those in temporary accommodation, sustain their housing costs. Shelter research has found that maladministration of housing benefit was a key reason for private tenants becoming homeless.³⁷ Moreover, housing benefit does not always cover the whole cost of private rented sector housing, leaving tenants to make up the shortfall.
 - ▷ **Low-cost home ownership** was billed as the affordable answer for people on low-to-middle incomes who couldn’t afford to buy outright. But take-up, in many cases, has been very low, and some have overstretched themselves. Evidence suggests that those who have bought through low-cost home ownership schemes have a higher risk of arrears and repossession.

³⁵ Ford, J, and Wilcox, S, *Managing risk and sustainable home-ownership in the medium term: reassessing the options*, Joseph Rowntree Foundation, 2005.

³⁶ Stephens, M, Dailly, M, and Wilcox, S, *Developing safety nets for homeowners*, Joseph Rowntree Foundation, 2008.

³⁷ Rugg, J, *A route to homelessness? A study of why private sector tenants become homeless*, Shelter, 2008.

So how do we make housing more affordable?

The problem of housing affordability is acute but it is not unsolvable. Shelter believes that in order to tackle this problem we must:

- ▷ **build** more affordable homes
- ▷ **protect** people from bad housing and homelessness
- ▷ **end** the housing divide



Shelter's

► Our 12-point plan to make homes affordable

Build homes

Without more affordable housing, many people have no realistic hope of accessing a decent, secure home.

1. The Government has pledged three million new homes in England by 2020. It should set targets for what proportion of these will be social rented and for low-cost home ownership.
2. The housing sector and local authorities must work with regional and national Government to maximise delivery of new homes and to meet the target to build 45,000 social rented homes each year in England by 2010–11.
3. House-builders, planners and Government should ensure that all new homes are built as part of mixed and sustainable communities. The homes themselves should meet rigorous design, space and environmental standards.
4. The Government and housing providers should create a simpler range of low-cost home ownership schemes, affordable for people on below average incomes, and ensure that such schemes do not reduce the social housing stock.

recommendations

Protect people

People who are badly housed, or at risk of homelessness because of high housing costs, need robust protection from eviction, repossession, and homelessness.

- 5.** Lenders should only use repossession as a last resort, providing more active support to homeowners to prevent their difficulties from escalating, and working with advice agencies to facilitate access to independent advice.
- 6.** The Financial Services Authority should improve the enforcement of rules on lenders' repossession behaviour, and should regulate sale-and-lease-back schemes.
- 7.** New guidance should be issued so that courts grant possession only if they are satisfied that the lender has looked at all the options and has no reasonable alternative.
- 8.** The Government should strengthen the safety net for people in danger of being repossessed, by improving both state and private mortgage protection.
- 9.** Landlords, local authorities and the Government should consider innovative models to improve the security and affordability of private renting.
- 10.** The Government should improve the housing benefit system by addressing shortfalls in the private rented sector, increasing administrative efficiency, and tackling poverty trap effects.

End the housing divide

The gap between housing haves and have-nots is widening and there is a danger of this inequality becoming entrenched for generations.

- 11.** The Government must review and reform property taxation to make the system fairer. This should include consideration of council tax, stamp duty, inheritance tax and capital gains tax.
- 12.** The Government should take measures to prevent unsustainable house price rises. This should include examination of the way housing demand is influenced by the ease of access to mortgage finance.



Righting housing wrongs

We are the fourth richest country in the world, and yet millions of people in Britain wake up every day in housing that is run-down, overcrowded, or dangerous. Many others have lost their home altogether. Bad housing robs us of security, health, and a fair chance in life.

Shelter believes everyone should have a home.

We help more than 170,000 people a year fight for their rights, get back on their feet, and find and keep a home. We also tackle the root causes of bad housing by campaigning for new laws, policies, and solutions.

Our website gets more than 100,000 visits a month; visit www.shelter.org.uk to join our campaign, find housing advice, or make a donation.

We need your help to continue our work.
Please support us.

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