Investigation report

Know your place

Housing wealth and inequality in Great Britain 1980-2003 and beyond

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Foreword

In the last 30 years, the value of homes owned in the United Kingdom rose 50-fold, with housing becoming the greatest repository of wealth. However, increases in housing wealth have not occurred uniformly. This report starkly illustrates the growing inequalities in housing wealth and how this is leading to a society increasingly divided by where people live.

Inequalities in housing wealth have a particular impact on children. Those whose parents have housing wealth are more likely to be advantaged in childhood and to benefit from financial assistance, for example, in finding their own homes. Housing wealth per child has polarised in the last decade. There are of course those that have no housing wealth at all. Households who rent their homes, either from social or private landlords, and the nearly 100,000 households who are homeless and living in temporary accommodation, have no housing wealth at all.

In a country increasingly obsessed with house prices and home improvement, the growing inequality in housing is marginalising a whole section of society, with consequences that are only just beginning to register in the political arena.

Despite the Government's ambitious target on child poverty, and the raft of measures that are beginning to make an impact, this report argues that children born this century will be starting life more financially unequal than has been the case since Victorian times.

Shelter is undertaking a major investigation into this national crisis, which began on October 28, 2004. Journalist Fiona Millar is chairing the investigation panel as it tours the country, visiting families suffering in bad housing, and taking evidence from the professionals and politicians who see the reality of the housing crisis every day.

This research report for Shelter's Housing Investigation is the third in a series of four, each exploring a different aspect of the housing crisis. We call on government to wake up to the consequences of growing inequality in housing wealth. Far reaching and radical policies will be needed for housing inequality not to worsen in the future. The debate must start now.

Adam Sampson

Summary

This report describes the growing inequalities in housing wealth being generated through the operation of housing markets in Great Britain. Current levels of housing wealth inequality are unprecedented and, we argue, almost insurmountable by individuals – whatever efforts they might make to improve their relative situation through, for instance, employment. Whereas a generation ago it was possible for those lucky enough not to be unemployed in 1980 to move to almost any area of the country, if not any part of any area, that is no longer the situation today.

Month on month and place by place reporting of house price changes that get coverage in the media obscures the larger picture which is of a gradual trend towards ever greater levels of inequalities in housing wealth.

Between 1971 and 2002 the value of homes held by the population of the United Kingdom rose 50 fold in contemporary (not constant) prices from £44 billion to £2.4 trillion. The share of national wealth held in the form of housing has almost doubled from 22.1 per cent to 42.0 per cent over this period (and that share has become more geographically polarised as we show below).

Housing is the single greatest repository for wealth held by individuals in the United Kingdom. According to 2002 official figures, this wealth is almost twice as high as the financial worth of all life assurance and pension funds. More than five times as much wealth is held in the form of housing as in securities and shares and more than three times as much as in other forms of saving.

The maps presented in this report show the most detailed reliable mapping of house prices and housing wealth produced for Great Britain to date for a 24 year period. Average prices and estimates of housing wealth are made for some 1,282 areas.

Prices

In the 25 areas where property is now most expensive it has risen in value in the last 20 years at least seven fold. At the extreme, in the most expensive area, it has almost risen 20 times in value from 1983 to 2003. In comparison, in the 25 areas where prices are now the lowest some have barely doubled in these 20 years and at most they have increased five fold (from a very low base in 1983). For the average value of a property in Kensington you can now purchase 24 properties in Leven in Fife. In 1983 you could purchase three and, in this example, only two in 1993.

Over the period as a whole the percentage increase in property values for the best off tenth of the population (644 per cent) was almost twice that for the worst off tenth of owners (328 per cent). It is important to remember that people who rent do not derive any benefit from increases in property values. The last decade, the 1993-2003 period of change, was the most important - absolute average price rises for the best-off tenth of areas at £268,784 were more then ten times those of the worst-off tenth.

Wealth

By 2002 England and Wales had 22 times the housing wealth of Scotland (and only ten times the people). The wealthiest tenth of households possess over five times the housing wealth of the ten per cent of households with least wealth (by area), with such wealth concentrated in the southern part of England. When the richest and poorest areas are compared, rather than those which have seen the greatest and smallest increases in housing wealth, then housing wealth is found to have doubled in the poorest areas over the course of the 1990s but increased more than four fold in the best off areas.

Rising inequalities in housing wealth are of most concern when we consider children. Those children lucky enough to be born into wealthy households, or households that become wealthy simply because of where they live, receive not only some benefits during their childhood and early adult life but can also look forward to a possible windfall on their parents' death and financial help throughout their young adult lives from their affluent parents. This is especially true when these children leave home and their parents can 'downsize' to smaller properties and realise a portion of their housing wealth. Very few people get on the property ladder in the South of England without such help nowadays. Conversely, the children born to the non-wealthy, in addition to any disadvantages they may experience, will inherit almost nothing and be given almost no financial help throughout their lives.

In the best off tenth of areas the housing wealth per child has increased by 20 times more than that of the lowest decile since 1993. The children of Great Britain are clearly becoming quickly more differentiated through the relative wealth of their families. Much is written about rising student debt and similar problems. Very little is said about the increase, in just ten years, of £61,842 per child in the housing wealth of families with children living where prices have risen the most in ten years. At current prices, if the housing wealth of the best tenth of families by area is shared out amongst their children that housing wealth was £82,490 per child by the end of 2003. As house prices rise over the medium and long term (if not the short term) the real wealth gap will be much greater in future.

The data shows how quickly in ten years the average housing wealth per child of families with children in Great Britain has polarised. The share of total housing wealth of all the tenth of children living in the worse off areas of Great Britain reduced from four per cent of all housing wealth in 1993 to three per cent by 2003. The best off 30 per cent of children has recourse, through their families, to 42 per cent of all housing wealth in 1993, that rising to 50 per cent by 2003.

If these rates of change in the housing wealth of families with children were to continue decade on decade, albeit with prices dipping occasionally in affluent areas but then recovering again, the following scenario results: by 2013 the best off 30 per cent of children would have recourse, through their families, to 58 per cent of all housing wealth as distributed through children. That would rise to 66 per cent or two thirds of all housing wealth being held by the families of less than a third of children by 2023, to them holding more than four fifths by 2043. By 2043 the richest tenth of children by area by family wealth would have recourse to 51 per cent of all housing wealth and the poorest tenth to 0.5 per cent, one hundred times less housing wealth per child.

Over time, precisely where a child is born is becoming ever more important in determining the potential housing wealth of the family they are born into while the social circumstances of that family, although still very important, are declining in relevance. A child born in the early 1980s into a poor family who just managed to buy a home in a cheap part of London will have recourse in the future to more housing wealth than a child born to more affluent parents who bought a home in a part of Scotland where prices have not risen.

The implications are that Great Britain's children born in this century will be starting life acutely financially unequal. In aggregate the implications of our now huge inequalities in housing wealth are extremely far reaching. A slow down in the housing market will have little impact on those implications. A child will not easily be able to earn their way out of their social position in the future. A social position that will be increasingly determined by their parents' housing wealth, that wealth determined partly by who their parents are but mainly by where they happen to live: a postcode lottery to life writ large.

It is not an exaggeration to claim that we are moving towards a situation in which this country's children will be divided more by wealth than has been the case since at least Victorian times. For the children of the poor there will be large parts of the country to which they cannot consider moving in the future, even if they should wish to.

For children, wealth and in particular housing wealth is a national lottery of their accident of birth. Increases in direct income taxation, in inheritance tax, in benefits paid to the poor would have little influence on the results of this lottery given the sums of money involved and the abilities of the wealthiest families through trusts and other means to avoid such redistribution. To be effective, any action to reduce housing wealth inequality would have to be far more radical than is currently politically acceptable. A debate must begin on what policies may work.

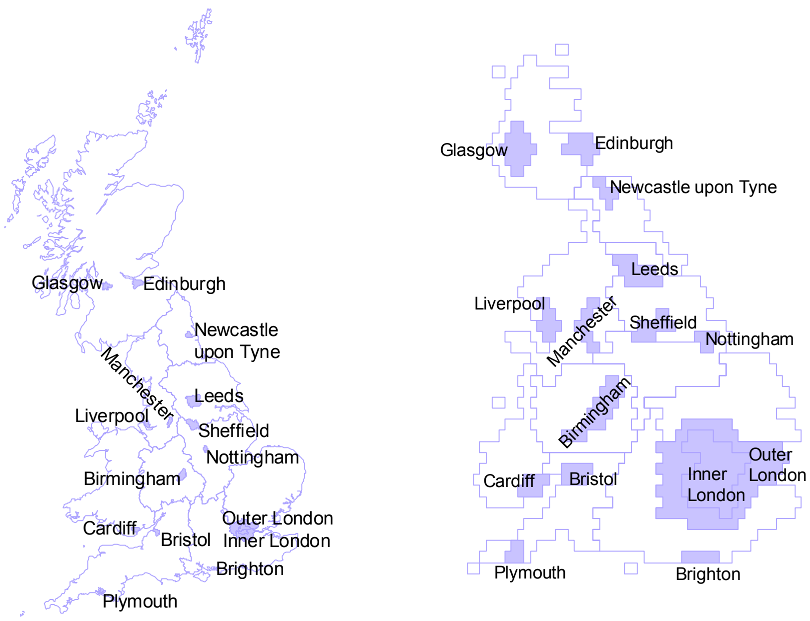
Note on maps and prices

The maps presented here show the most detailed reliable mapping of housing prices and housing wealth produced for Great Britain to date for a 24-year period. Average prices and estimates of housing wealth are made for some 1,282 areas which are shown on Figure 1 which also delimits the major cities of the country. On the maps both the conventional geography of Great Britain and a population cartogram (where the size of each area is drawn in proportion to its population) are presented. On a conventional map, cities that have a small area are not easily distinguishable. For example, in the maps shown here it is difficult to distinguish variation within London. In contrast, the cartogram approach means that urban areas are more visible and intra-city variation can be clearly discerned.

Figure 1 shows how the geography of the cartogram compares to the conventional map and shows the locations of some of the major cities in Great Britain.

Note also that at all points in this report – to avoid confusion – prices and estimates of housing wealth are given in contemporary £s for the years stated and not adjusted for inflation. As house price rises are a large part of inflation and as measures of inflation have changed over the period to exclude changes in mortgage payments we believe it is simpler not to adjust. Adjusting would dampen the trends slightly but not change the direction of any of these trends.

Figure 1: Location of some cities on conventional map and cartogram



Background

Almost everyone knows that house prices are high, having risen rapidly in recent years and that the future trend is uncertain. Countless newspaper reports speculate on the latest trends, hot spots, possible pitfalls for new buyers and benefits for established home owners. However, hardly any of this reporting of housing markets takes a step back to look at how the social and geographical distribution of housing wealth, as reflected through house prices, has changed dramatically over the course of a generation. The generation this report considers is the 24 years from 1980 to 2003. We begin in 1980 because that is the first year for which mortgage data became available and end in 2003 as that is the last full year of Land Registry house price data (at time of writing). For the calculations made here we have also had to make use of the population censuses of 1981, 1991 and 2001. The areas this report considers are some 1,282 census 'tracts' which are the smallest areas covering all of Great Britain for which we can accurately measure housing price changes year on year over 24 years.

Our report ends with 2003 so that unless extremely dramatic (and unprecedented) falls occur in the value of the most expensive homes in the country in the coming months our findings will not be influenced by current trends in housing wealth. One important suggestion from this report is that month on month, place-by-place reporting of housing markets obscures the larger picture which is of a gradual trend towards ever greater levels of inequalities in housing wealth. This is a trend hardly bucked by the fluctuations in prices by area that have occurred over this long time period and have generated so much interest in the housing market. However, it is true that in a relative sense, inequalities in apparent wealth narrowed during the housing market slump of the early 1990s, but that narrowing was quickly reversed again by the mid 1990s.

What we concentrate on here is the major underlying trend in the data which shows ever growing inequalities in wealth being generated through the operation of the housing markets in Great Britain. These levels of housing wealth inequality are unprecedented and, we argue, almost insurmountable by individuals, whatever efforts they might make to improve their relative situation through, for instance, employment. Whereas a generation ago it was possible for those lucky enough not to be unemployed in 1980 to move to almost any area of the country, if not any part of any area, that is no longer the situation today.

This report is primarily concerned with inequalities in housing wealth between people living and growing up in different areas and how those inequalities have been changing. We do not compare social groups of the population. It is important to point out that for those people who live in rented accommodation and do not own other property, their housing wealth is, by definition, zero. Because of this, inequalities in housing wealth for social groups are, at the extremes, infinite. The poorest tenth of children in Great Britain according to the wealth of their parents have recourse to no housing wealth.

1. Proportions and growth of national wealth held in the form of housing

Between 1971 and 2002 the value of homes held by the population of the United Kingdom rose 50 fold in contemporary prices from £44 billion to £2.4 trillion. The share of national wealth held in the form of housing has almost doubled from 22.1 per cent to 42.0 per cent over this period (and that share has become more geographically polarised as we show below). Table 1 gives values for intervening dates and shows that the share of wealth held in housing clearly falls when house prices fall and the stock market rises (as in the early 1990s). However, in general the proportion of our collective wealth that we hold in the form of housing has increased. Likewise that wealth, in total, in its absolute value (even if this were to be deflated to account for inflation), has risen exponentially.

Table 1: Housing wealth 1971-2002

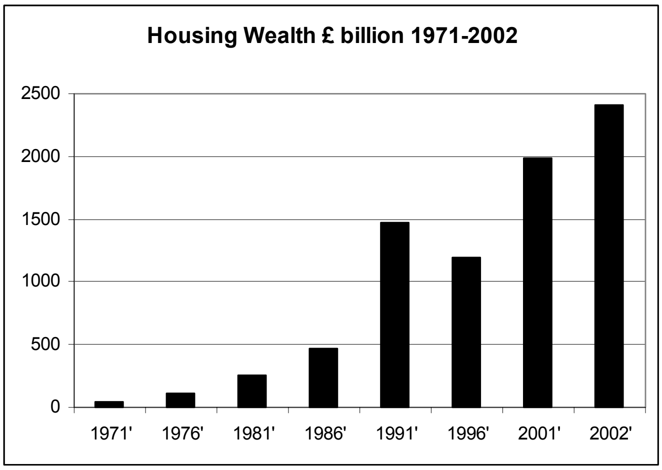
Year	Housing wealth in £billion	Housing wealth as a percentage of total wealth
1971	44	22.1
1976	113	30.0
1981	257	31.7
1986	465	31.6
1991	1473	40.3
1996	1193	29.8
2000	1908	33.2
2001	1988	35.5
2002	2409	42.0

Source: Social Trends (ST) for 1971 to 1989: dwellings net of mortgage debt: ST21,1991 and ST23,1993; and for 1991-2002: non-financial assets less loans secured on dwellings as a proportion of total assets, (ST34).

Housing is the single greatest repository for wealth held by individuals in the United Kingdom. According to 2002 official figures, this wealth is almost twice as high as the financial worth of all life assurance and pension funds. More than five times as much wealth is held in the form of housing as in securities and shares and more than three times as much as in other forms of saving. It is in housing that we, as a nation, store the largest proportion of our wealth, that housing wealth being now roughly £40,000 for every person living in the country.

Although housing wealth is not as easily accessed as securities and shares or other forms of saving it is more easily accessed than are life assurance and pension funds (to realise them you either die or reach retirement age, not simply sell your home). Once the nearly one trillion pounds of national financial liabilities (debt) are taken into account, by 2002 housing accounted for exactly half of all wealth in the United Kingdom. People with high housing wealth are more likely to have high wealth in other forms than is the rest of the population and thus the distribution of housing wealth is indicative of the distribution of overall wealth also.

Figure 2: Housing wealth 1971-2002



Source: Table 1

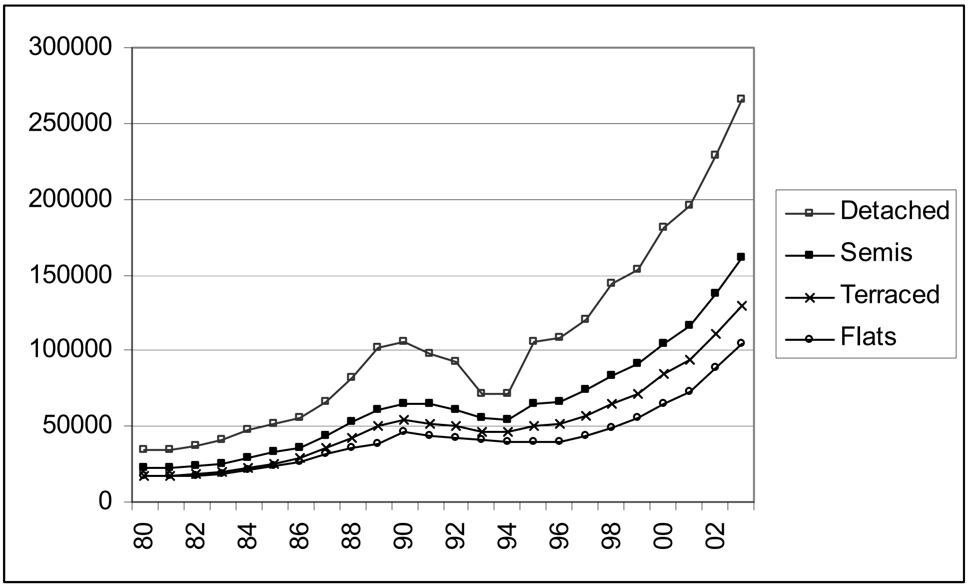
2. The geography of housing price changes 1980-2003

To know where housing wealth is most concentrated and how that concentration has changed over time it is first necessary to have detailed information about house prices. House prices vary most by time, area and type of property. For the period of interest here we have used mortgage data from building societies up to the year 1994 (up to 1996 in Scotland) and Land Registry data on house sales from 1995 to 2003 (and from the Registers of Scotland 2002-3).

Figure 3 uses this data for England and Wales to show the average national prices of the four types of property for each year. At all points we use contemporary prices. Over the course of this period the average detached house rose in price eight fold, semi-detached and terraced housing seven fold and flats increased in price six fold. Thus by 2003 the average flat sold in England and Wales changed hands for just over £104,000 and the average detached house for £266,000.

However, it is very important to realise that these figures do not represent the average value of such property in these countries, simply the average of those properties of that type sold in that year. If more flats are sold than is usual in London and more detached properties in the South East, then national average prices appear to rise quickly. Only by calculating prices for small areas can this problem of price rises and falls, being partly an artefact of the changing national mix of property being sold by type and area, be overcome. Similarly, in an area which has more flats than average, simple average prices will be lower than would otherwise be the case, which would not reflect the true cost of 'housing' in that area. Thus in the tables which follow, average 'housing' prices are calculated for each area for each year as the weighted average of the price for each of these four types of property sold in that place in that year on the open market, with the weights being proportional to the national mix of these four types.

Figure 3: Housing price changes (£) by type of property in England and Wales 1980-2003



Source: Data used for this report not adjusted for changes in the numbers of properties sold in different places at different times (which is partly why the dip in 1993-94 is steep for detached).

The average prices of property in the 25 tracts where prices are now most (Table 2) and least (Table 3) expensive in Great Britain are shown below which includes the average price of housing there in 1993 and 1983 as well as 2003. The tables give the name of each census tract and the local authority district it lies in as well as how many times the average property has increased in value there over these 20 years (the column labelled 'Change').

In the 25 areas where property is now most expensive it has risen in value at least seven fold. At the extreme, in the most expensive area, it has almost risen 20 times in value from 1983 to 2003. In comparison, in the 25 tracts where prices are now the lowest some have barely doubled in 20 years and at most they have increased five fold (from a very low base in 1983).

For the average value of a property in Kensington you can now purchase 24 properties in Leven in Fife. In 1983 you could purchase three and, in this example only two in 1993.

Half of the areas in the cheapest 25 tracts in the country are now in Scotland while all the most expensive areas are in the South East of England, almost all in or near London.

Table 2: Census tracts where average housing prices were highest in 2003

	Tract	£ 1983	£ 1993	£ 2003	Change	District
1	Kensington	49741	60283	858936	17	Kensington & Chelsea
2	Chelsea	47276	75847	833819	18	Kensington & Chelsea
3	Highgate	41425	74034	627450	15	Camden
4	Hyde Park	49744	64796	590987	12	Westminster
5	Walton	70294	87711	584127	8	Elmbridge
6	Golders Green	51175	76165	556535	11	Barnet
7	Richmond North	48148	78162	514532	11	Richmond upon Thames
8	Regent's Park	38730	70889	486711	13	Westminster
9	Wimbledon North	50209	75417	480924	10	Merton
10	Fulham	45193	67241	458131	10	H-smith & Fulham
11	Weybridge	53325	74616	436274	8	Runnymede
12	Amersham	56313	75601	431803	8	Chiltern
13	Fortis Green	40039	73562	429427	11	Haringey
14	Sunningdale	50919	80280	428863	8	Windsor & Maidenhead
15	Holborn	36623	64722	409828	11	Camden
16	Brentford	40095	61991	407563	10	Hounslow
17	Kensal Town	31093	62537	405748	13	Kensington & Chelsea
18	London Central	46212	65974	394324	9	City of London
19	Leatherhead	54559	80819	391419	7	Mole Valley
20	Guildford Rural	45674	72512	387766	8	Guildford
21	Beaconsfield East	54145	76643	386108	7	South Bucks
22	Henley South	54359	81046	385293	7	South Oxfordshire
23	Putney East	34502	73095	383454	11	Wandsworth
24	Beaconsfield West	48111	78750	380656	8	Wycombe
25	Battersea East	34354	67181	380559	11	Wandsworth

Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Table 3: Census tracts where average housing prices were lowest in 2003

	Tract	£1983	£1993	£2003	Change	District
25	Cumnock & Doon Valley	17690	40891	50486	3	East Ayrshire
24	Undercliffe	12135	34000	50457	4	Bradford
23	Glasgow Ibrox	17843	45611	50385	3	Glasgow
22	Motherwell	23564	49819	50128	2	North Lanarkshire
21	Dundee South-East	16040	42677	50066	3	Dundee City
20	West Derby West	9179	36249	50000	5	Liverpool
19	Kirkcaldy North	19480	40263	49642	3	Fife
18	Rhymney	13654	40959	49467	4	Merthyr Tydfil
17	Wavertree West	13818	30336	49281	4	Liverpool
16	Shotts	18196	51077	49211	3	North Lanarkshire
15	Cumbernauld	16442	45433	49043	3	North Lanarkshire
14	Irvine	17129	44833	48714	3	North Ayrshire
13	Cowdenbeath	19436	49781	47955	2	Fife
12	Linwood	17189	38310	47583	3	Renfrewshire
11	Aberdare South	13547	32147	47097	3	Rhondda; Cynon; Taff
10	Rhondda South	12937	29184	46050	4	Rhondda; Cynon; Taff
9	Brynmawr	11433	32227	44933	4	Blaenau Gwent
8	Glasgow Parkhead	16142	40887	44673	3	Glasgow
7	Ardwick	12356	36840	43292	4	Manchester
6	Middlesbrough East	12339	33402	40147	3	Middlesbrough
5	Walton South	12888	30619	39627	3	Liverpool
4	Hull West	12002	33501	38772	3	Kingston upon Hull
3	Rhondda North	13337	21331	36834	3	Rhondda; Cynon; Taff
2	Glasgow Easterhouse	17487	36056	35943	2	Glasgow
1	Leven	16793	35516	35374	2	Fife

Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

While Table 2 and Table 3 highlight the extreme areas, 50 out of a total of 1,282, and show extreme polarisation, they cannot be used to determine the extent to which housing prices have polarised overall between areas over time. To know that we would need to consider all areas but they are far too numerous to list. Instead we have divided tracts in Great Britain into ten groups. Each group contains an equal number of outright owners of property and thus we are comparing similar numbers of people for whom these prices represent what can be assumed to be their housing wealth. The poorest tract will also contain a very large number of people who are renting and so this is a very conservative estimate of changing inequalities in prices between places over time. The tracts are grouped by average housing price at each point in time, so slightly different groups of places are being compared at each point in time but at each point in time we are comparing the same proportions of owners at the same position in the housing market.

As Table 4 below shows, in 1983 the poorest tenth of outright owners by tract lived in areas where housing was worth, on average, £14,768; by 2003 it was on average in these areas worth £63,241 and slightly more of the rise in value occurred in places such as these in the 1980s rather than the 1990s. In contrast, the richest tenth of outright owners held property worth, on average £46,238 in 1983 which rose in price to £344,047 by 2003 and most of the rise in value of their properties occurred in the 1990s (but they still nearly doubled in value in the 1980s). Over the period as a whole the percentage increase in property values for the best off tenth of the population (644 per cent) was almost twice that as for the worst off tenth of owners (328 per cent). The table and the maps which follow highlight the 1993-2003 period of change as most important when the average price rises for the best-off tenth of areas at £268,784 were more then ten times those of the worse-off tenth.

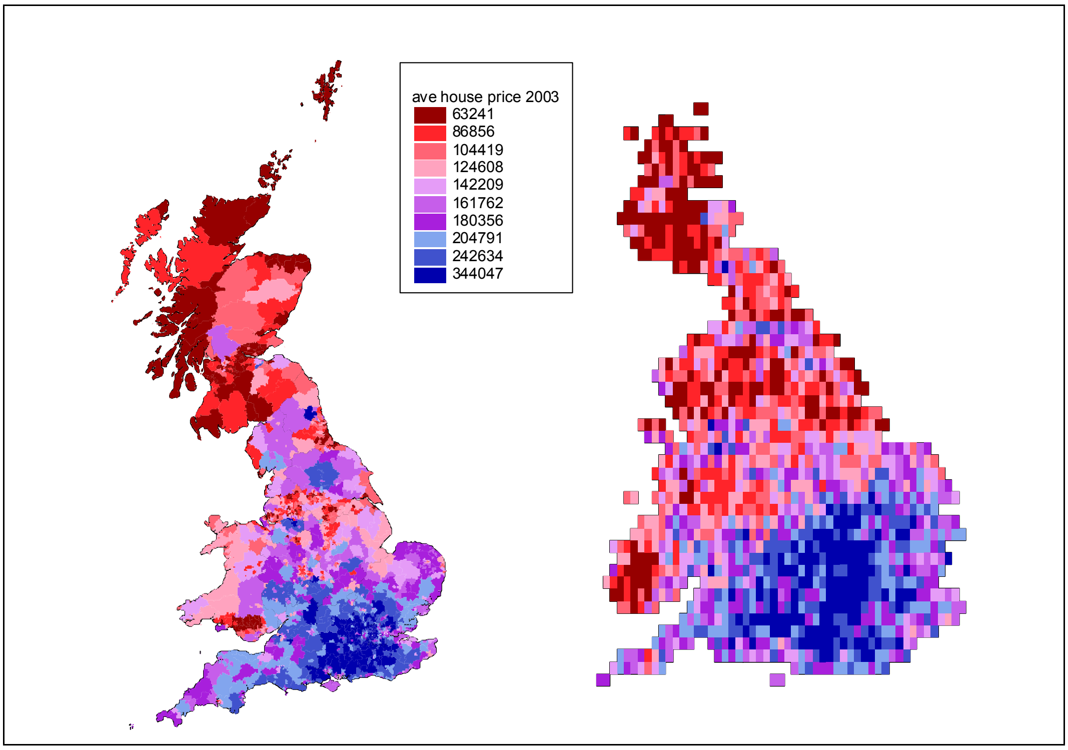
Table 4: Average house prices and overall change by decile area 1983, 1993 and 2003

Decile Group	Price £ 1983	Price £ 1993	Price £ 2003	Change £'s 93-03	% 93-03
1	14768	38596	63241	24645	64
2	17893	45221	86856	41635	92
3	20467	48732	104419	55687	114
4	22779	51859	124608	72749	140
5	25062	54877	142209	87331	159
6	27324	57532	161762	104231	181
7	29674	60589	180356	119767	198
8	32557	64037	204791	140754	220
9	37139	68570	242634	174064	254
10	46238	75262	344047	268784	357

Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

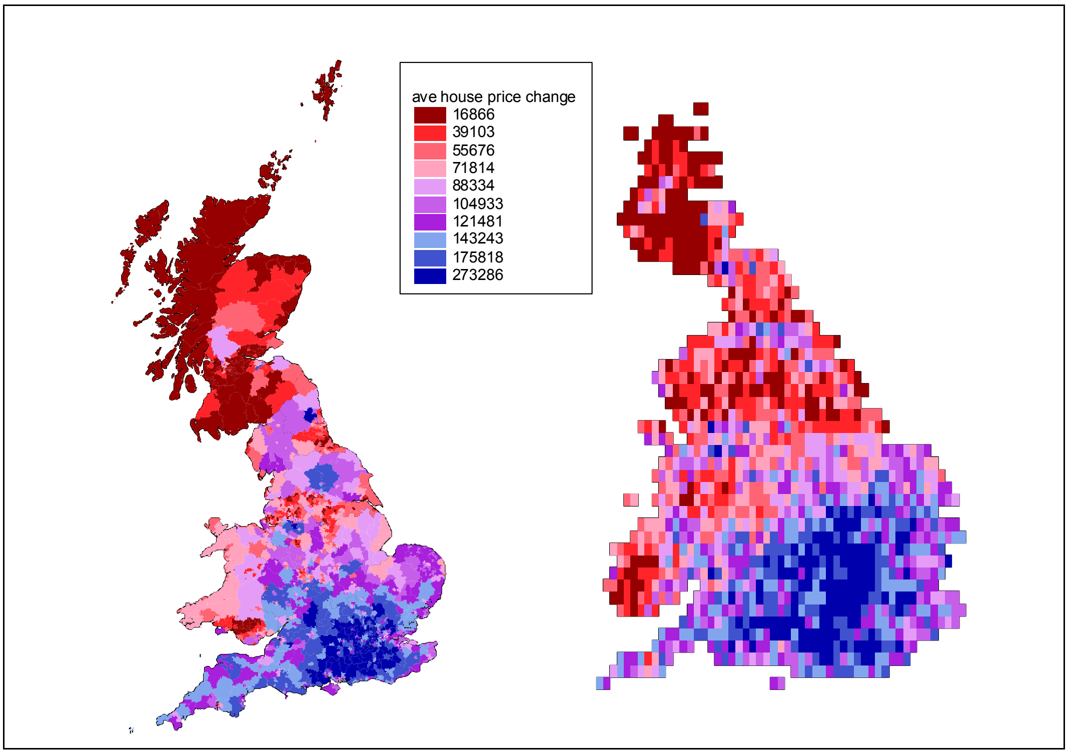
The 2003 average prices by decile area listed in Tables 2 and 3 are shown in Figure 4 below. As would be expected there is a clear gradient in house prices with the most expensive in London and South East and the least expensive in Wales, the North of England and Scotland. The absolute change in average price from 1993 to 2003 is shown in Figure 5, where the deciles are of the areas sorted by change. Again, the dominance of London and the South East is apparent. Comparing Figure 5 with Figure 4 it is apparent that house prices have risen most where they are now highest; it is also true that they have risen most where they were highest to start with.

Figure 4: Average house price by decile area 2003



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Figure 5: Average house price change by decile area 1993-2003



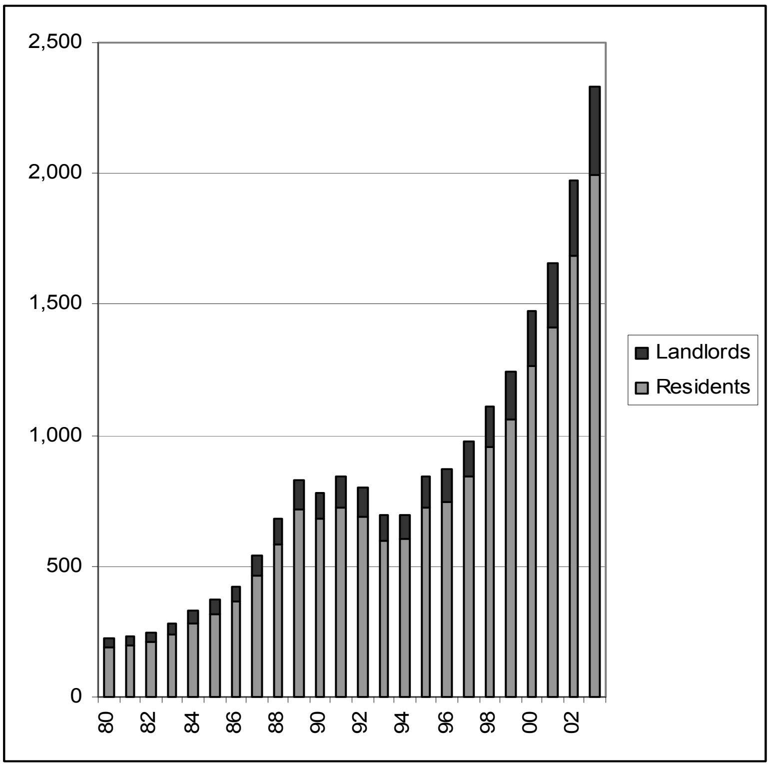
Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

3. Housing wealth trends measured by censuses and prices

Given an estimate for every year from 1980 to 2003 of the market price of dwellings of four types (detached, semis, terraced houses and flats) in 1,282 areas it is possible to estimate housing wealth in each of these areas using census data on tenure and interpolating between census years. The 1991 and 2001 censuses record the numbers of dwellings of each type in each area containing households which owned their home outright, had a mortgage on it, had a private landlord or had a social landlord. A number of assumptions are required to turn price measures into housing wealth estimates and to extend the data series back to 1981 (when home ownership was not differentiated into separate owning and buying categories in the census) but the estimates of housing wealth produced here sum to 96 per cent of official estimates in 1981 and 86 per cent by 2002.

The main reasons for the discrepancies are that our data does not include Northern Ireland nor second homes and other unoccupied or non-residential properties and so our estimate should be lower than national estimates. Also because we do not have detailed price data for Scotland for the years 1997-2001 we cannot produce national estimates then for Great Britain. Figure 6 and Figure 7 show the trend in national housing wealth in England and Wales, and Scotland separately. Note that by 2002 England and Wales had 22 times the housing wealth of Scotland (and only ten times the people). The housing wealth of landlords is measured from the value of housing that private tenants live in (see Figure 8).

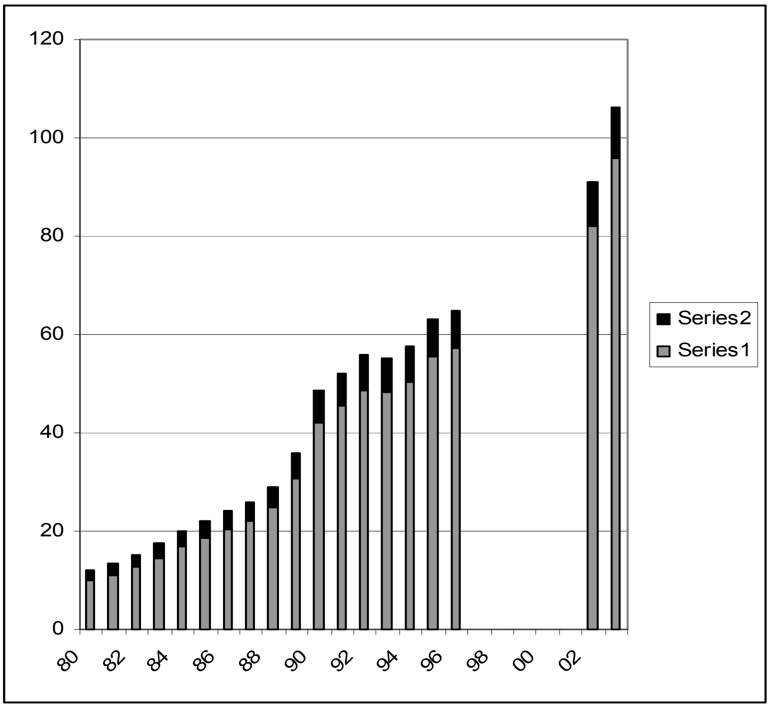
Figure 6: Total housing wealth in England and Wales £billion, 1980-2003



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

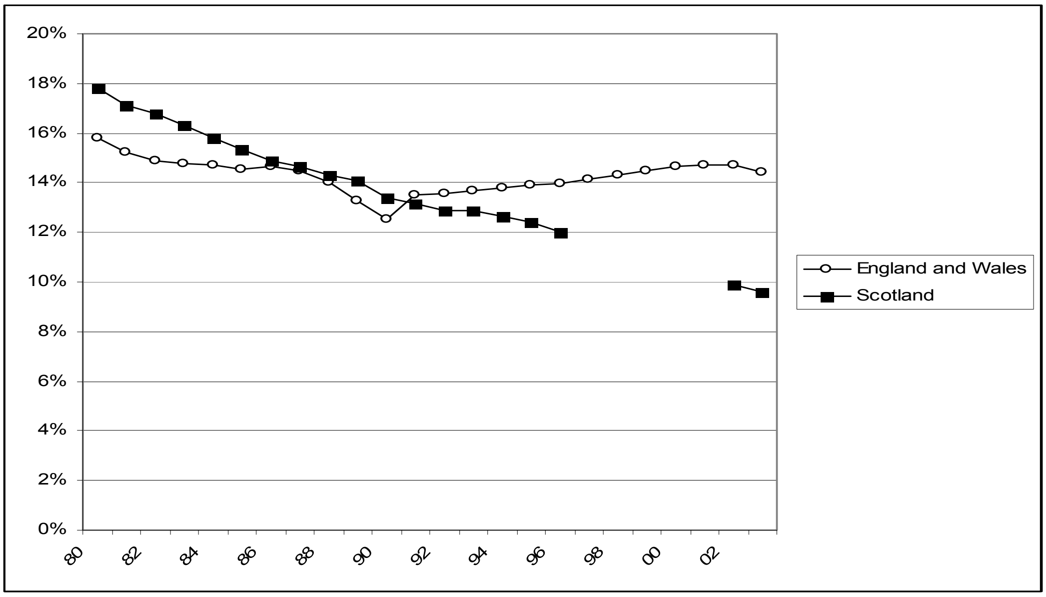
Although the rise in housing wealth in England and Wales dipped in the early 1990s, in Scotland that rise was only tempered, but then in Scotland housing wealth is, on average by household less than half that which it now is in England and Wales.

Figure 7: Total housing wealth in Scotland £billion, 1980-2003



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Figure 8: Proportion of housing wealth held by private landlords 1980-2003 by country



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

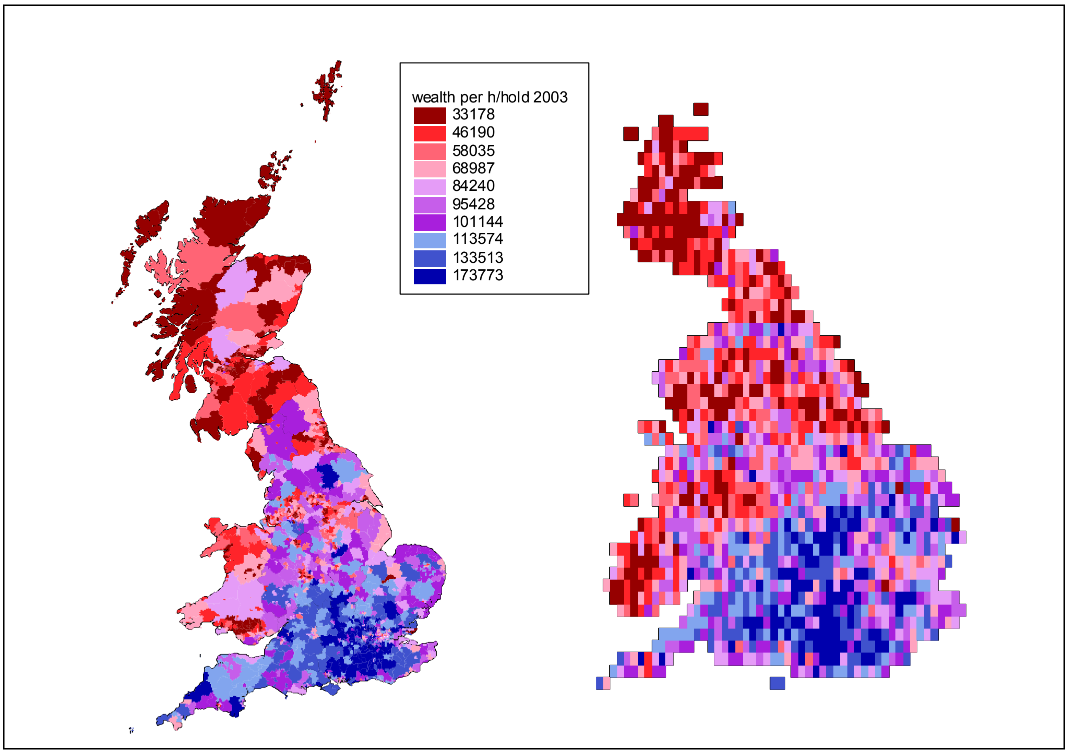
We now turn to the housing wealth held by each household. Those who own their houses outright obviously own all of its value, while those who rent in the private and social sectors have no housing wealth. The housing wealth of buyers is determined by how much equity they own in their property; new first time buyers have little equity while those coming to the end of their mortgage terms will possess much more housing wealth. In general we would expect to find that older buyers have repaid a larger proportion of their mortgage than younger buyers and therefore have more equity in their homes. We were unable to ascertain at the small geographical level the effect of mortgage shortfalls resulting from underperforming endowment mortgages, or the amount of equity withdrawal that has recently occurred. Nor can we estimate the extent of other loans which have been secured on property or the early paying off of mortgages due to windfalls from inheritance for instance.

The assumption we made in estimating the proportion of buyers' housing wealth was that in areas with high levels of outright ownership, buyers would be close to the end of their mortgages. Conversely, in areas with low proportions of households owning their properties outright, buyers would tend to be in the early stages of buying their property. Therefore the amount of housing wealth we have estimated for buyers in each area is based on the simple ratio of outright owners to buyers. Having made this simple estimate we compared the total national estimates of housing wealth made here to those published by official sources and found that they corresponded so closely that a more complex estimate of the housing wealth of buyers was not warranted. The overall housing wealth per household figures here are for all households, not just those in owner occupation.

Figure 9 shows the estimates of housing wealth per household by decile for 2003. The wealthiest tenth of households possess over five times the housing wealth of the ten per cent of households with least housing wealth (by tract), with housing wealth concentrated in the southern part of England. The deciles in Figure 9 are the same as in Table 5 below, and range from average housing wealth per household of £33,178 to £173,773. Figure 10 shows the change in housing wealth between 1993 and 2003. For Figure 10 the tracts have again been sorted into groups containing equal numbers of households but in this case, from those in which there was the least rise in housing wealth (averaging £13,164 across all these areas) to those where housing wealth increased the most (by £167,851 or more than twelve times) over the 1993-2003 period. Thus very different methods have been used to colour in these two maps but they appear very similar.

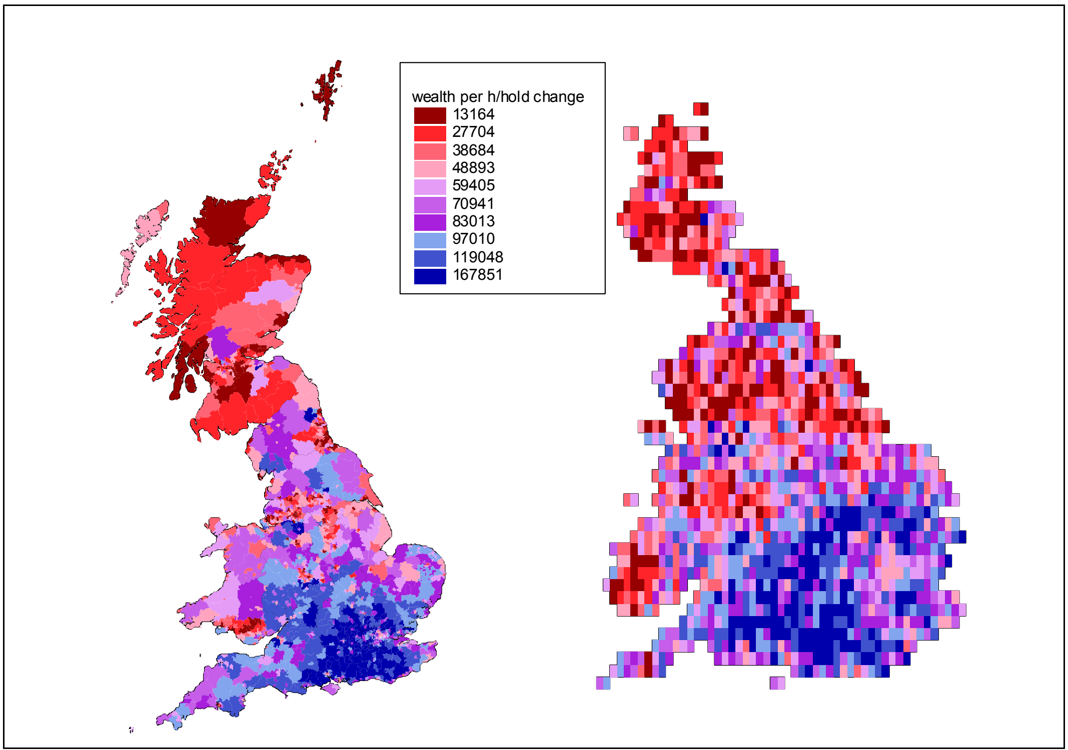
Clearly, both absolute housing wealth and the change in housing wealth have been mainly driven by the increase in house prices and, not surprisingly, wealth has increased most where prices have risen the most. In most, but not all, places where prices are highest high proportions of households also own their home outright or are a long way through paying off their mortgage. Similarly where prices were lowest in 1993 there tended to be larger than average numbers of households in social housing or with a private landlord and thus average housing wealth in these areas is reduced both by prices rising more slowly and starting lower and by fewer people being in owner occupation. The story of rising inequalities in housing wealth across the country in the 1990s is thus largely a story of differential growth in house prices even when changing tenure mix is taken into account.

Figure 9: Housing wealth per household by decile 2003



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Figure 10: Change in housing wealth per household by decile 1993-2003



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Table 5: Average housing wealth and overall change by decile area 1983, 1993 and 2003

Decile Group	Wealth £ 1983	Wealth £ 1993	Wealth £ 2003	Change £'s 93-03	% 1993-03
1	4399	16458	33178	16720	102%
2	6671	20770	46190	25420	122%
3	8149	24374	58035	33661	138%
4	9928	27701	68987	41286	149%
5	11656	29190	84240	55050	189%
6	13163	30871	95428	64557	209%
7	14264	32934	101144	68210	207%
8	16313	34961	113574	78613	225%
9	18413	36928	133513	96585	262%
10	24565	41155	173773	132618	322%

Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Table 5 shows that when the richest and poorest tracts are compared rather than those which have seen the greatest and smallest increases in housing wealth then housing wealth is found to have doubled in the poorest areas over the course of the 1990s but increased more than four fold in the best off areas. Because these areas started off very differently, these changes are far more stark in absolute terms with the housing wealth for the poorest tracts increasing on average in the 1990s by only £16,720 per household, while increasing for the best off tenth of households by £132,618 (or by eight times as much) in this period.

It is interesting, although largely irrelevant given subsequent changes, to note that inequalities in housing wealth did not increase so obviously in the 1980s and appeared to fall between the dates 1983-1993. The fall is mainly due to tenure change as more and more households in many of the poorer areas came to own part of their property through Right to Buy and partly because prices fell most in the most affluent areas in the early 1990s. One problem of measuring changes in housing wealth as we do here in the 1980s is that if a tract consisted of all social housing in 1983, but one household had bought its property by 1993 then the increase in housing wealth would be measured as being infinite. This is why it is important to look mainly at the absolute changes which have always been greatest where housing wealth has been most concentrated to begin with.

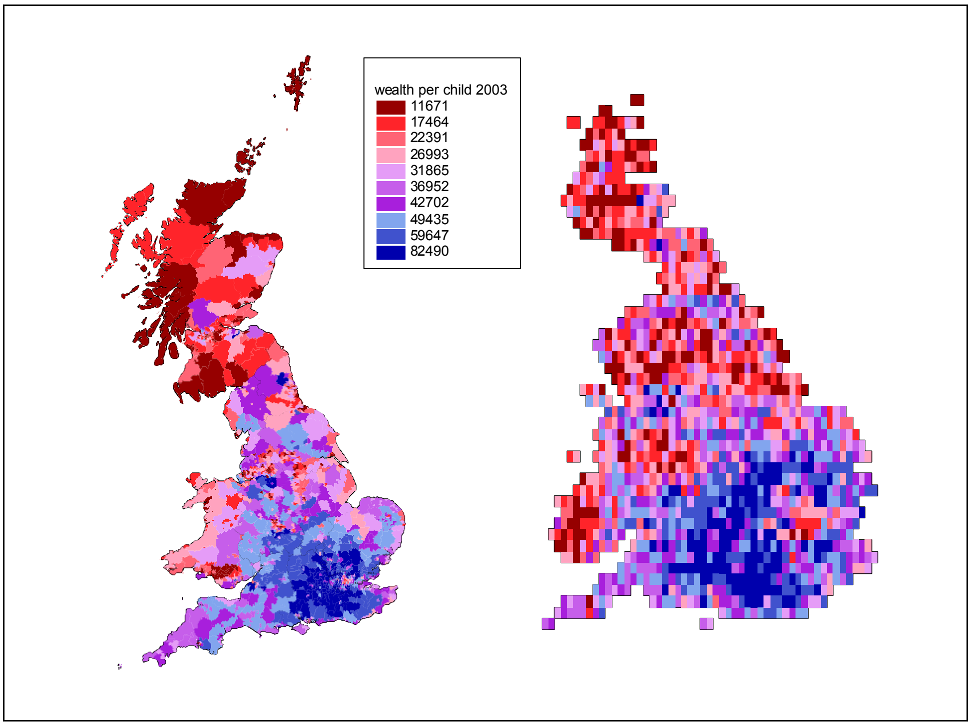
4. Children's share of housing wealth

The variation of housing wealth across the country has implications for future generations. Those children lucky enough to be born into wealthy households, or households that become wealthy simply because of where they live, receive not only the benefits during their childhood and early adult life but can also look forward to a possible windfall on their parents' death and more potential financial help throughout their young adult lives from their affluent parents. This is especially true when these children leave home and their parents can 'downsize' to smaller properties and realise a portion of their housing wealth. Very few people get on the property ladder in the South of England without such help nowadays. Conversely, the children born to the non-wealthy, in addition to any disadvantages they may experience, will inherit almost nothing and be given almost no financial help throughout their lives.

The following two figures show the housing wealth per child in Great Britain by deciles. These estimates were calculated by dividing the estimated housing wealth for each tenure type in each area in 2003 by the number of dependent children for that tenure in that area and taking the resulting total. Thus if all children in a tract were living in rented housing the housing wealth of those children's families is assumed to be zero irrespective of the housing wealth of that tract. The resulting figures thus show the per capita housing wealth for all children, not just those living in owner occupied households. Figure 11 shows the housing wealth per child by decile in 2003. As in the previous maps, London and the South East show the highest values. However, we can also see in the cartogram that within London there are some areas (South and East London) where the housing wealth per child is in the first to third deciles. In these areas households in owner occupation are less likely to have children while those families with children are more often found in rented accommodation. The tenth of children with the imputed greatest housing wealth have seven times as much as those at the other extreme. Thus inequalities in housing wealth for children are higher than those for households as a whole (the comparable figure from above being five fold inequalities for households).

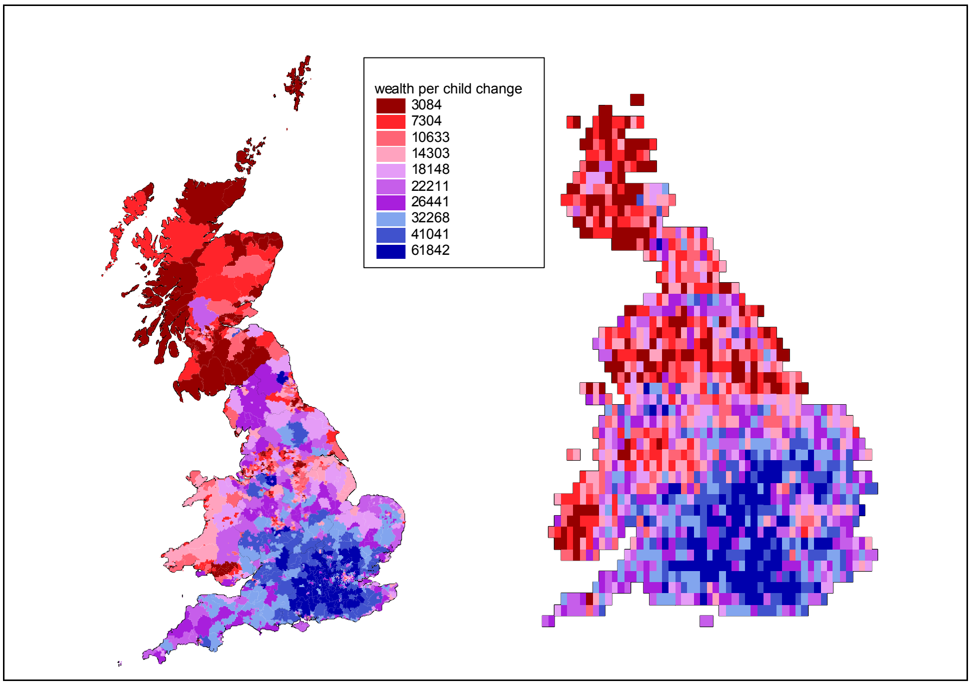
Figure 12 shows the change in housing wealth per child from 1993 to 2003. Again the North/South divide is apparent. Here the top decile has seen the housing wealth per child increase by 20 times that of the lowest decile. Tracts have been sorted from those tenth where housing wealth per child increased the least – by only £3,084 over the ten years 1993-2003 – to those tenth where it increased the most – by £61,842 over this period. The children of Great Britain are clearly becoming quickly more differentiated through the relative housing wealth of their families. Much is written about rising student debt and similar problems. Very little is said about the increase, in just ten years, of £61,842 per child in the housing wealth of families with children living where prices have risen the most in ten years. At current prices if the housing wealth of the best off tenth of families by area is shared out amongst all their children that housing wealth is £82,490 per child. As house prices rise over the medium and long term (if not the short term) the real housing wealth will be much greater for the best off children.

Figure 11: Housing wealth per child by decile in 2003



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Figure 12: Change in housing wealth per child by decile 1993-2003



Source: Censuses, building society, Land Registry and Registers of Scotland data combined.

Table 6: Average housing wealth shared out between children and overall change by decile area 1993 and 2003

Decile Group	Wealth £ 1993	Wealth £ 2003	Share % 1993	Share % 2003	% 93-03
1	6232	11671	4%	3%	87%
2	9225	17464	6%	5%	89%
3	10944	22391	8%	6%	105%
4	12408	26993	9%	7%	118%
5	13609	31865	9%	8%	134%
6	14790	36952	10%	10%	150%
7	16294	42702	11%	11%	162%
8	17735	49435	12%	13%	179%
9	19777	59647	14%	16%	202%
10	22816	82490	16%	22%	262%

Source: Censuses, building society, Land Registry and Registers of Scotland data combined.
Note 1983 data not estimated because of difficulties of assigning children to tenure then.

Table 6 shows how quickly in ten years the average housing wealth per child of families with children in Great Britain has polarised. The housing wealth of the poorest has increased by 87 per cent as compared to 262 per cent for the best off. This results in the share of total housing wealth of all the tenth of children living in the worse off areas of Great Britain reducing from four per cent of all housing wealth to three per cent by 2003.

The best off 30 per cent of children has recourse, through their families, to 42 per cent of all housing wealth in 1993, that rising to 50 per cent by 2003.

If these rates of change in the housing wealth of families with children were to continue decade on decade, albeit with prices dipping occasionally in affluent areas but then recovering again, the following scenario results: by 2013 the best off 30 per cent of children would have recourse – through their families, to 58 per cent of all housing wealth as distributed through children. That would rise to 66 per cent or two thirds of all housing wealth being held by the families of less than a third of children by 2023, to them holding more than four fifths by 2043. By 2043 the richest tenth of children by area by family wealth would have recourse to 51 per cent of all housing wealth and the poorest tenth to 0.5 per cent, one hundred times less housing wealth per child. It is almost impossible to imagine such a scenario occurring over the course of the next 40 years. It is almost certain that people would not allow such disparities to grow and it is very difficult to imagine how a housing market could be sustained which continued to move in this direction. Ten years ago the best off tenth of children had recourse to four times the housing wealth of the worst off tenth by area, that ratio is now seven fold. If trends continue it doubles to 14 fold in 2013, and slightly more than doubles three times more to reach 100 by 2043. Such a situation may appear impossible and we very much hope it is – but had you told an observer in 1963 what would have occurred by 2003 – we suspect they would not have believed you.

If the scenario of the best off tenth of children having access through their families to more than 100 times the housing wealth of the worst off tenth of children is hard to image then it is important to realise that socially, rather than geographically, this is already the case and has been the case always. The worst off tenth of children have recourse to no housing wealth. All their parents rent. The best off tenth of children already have infinitely more resources than them in terms of housing wealth. What we are comparing here are not households and children sorted by housing wealth but groups of households and children in areas sorted by housing wealth. What we are showing is that the social inequalities found between different groups of people are now increasingly found also between different areas of the country. Over time, precisely where a child is born is becoming ever more important in determining the potential housing wealth of the family they are born into and the social circumstances of that family, while still very important, are declining in relevance. A child born in the early 1980s into a poor family who just managed to buy a home in a cheap part of London will have recourse in the future to more housing wealth than a child born to more affluent parents who bought a home in a part of Scotland where prices have not risen. A large part of your future wealth opportunities being determined by where you are born is no more or no less unjust than a large part of that future being determined by the type of family you are born into. Children have no choice as to where and to whom they are born. It is perhaps a little easier to appreciate the geographical inequalities.

Finally, Table 7 shows the distribution of housing wealth for children within Scotland and how it has changed over the period 1993 to 2003. Unlike Great Britain as a whole the housing wealth of the poorest tenth of Scots children has increased in relative terms by more than for most other groups, but now, by area at just £9,519 per child it is still very low. Part of the reason for this rise will have been the later implementation of Right to Buy in Scotland. Overall in Scotland the wealth distribution has continued to diverge with the proportion of Scottish housing wealth held by the best off tenth of families in Scotland rising from 18 per cent to 21 per cent over the period to an average of £40,874 per child, just under half the average wealth of the best of tenth of children in the United Kingdom.

Table 7: Average housing wealth shared out between children and overall change in Scotland by decile area 1993 and 2003

Decile Group	Wealth £ 1993	Wealth £ 2003	Share % 1993	Share % 2003	% 93-03
1	5118	9519	4%	4%	86%
2	8134	12531	6%	6%	54%
3	9458	14019	8%	6%	48%
4	10712	15527	8%	8%	45%
5	11805	17080	10%	8%	45%
6	12716	19010	10%	9%	49%
7	13684	23056	11%	12%	68%
8	14972	25524	12%	12%	70%
9	17045	29740	13%	14%	74%
10	21783	40874	18%	21%	88%

Source: Censuses, building society and Registers of Scotland data combined.
Note 1983 data not estimated because of difficulties of assigning children to tenure then.

Conclusion

One obvious reaction to these findings is to say that the wealth locked up in housing is not accessible to a majority of people who currently hold that wealth because they cannot move out of the areas in which they live or do not wish to. In the short term that is true, but it is also true of much of wealth more generally as that locked up in life assurance and pension schemes is also not accessible in the short term. Such lack of accessibility does not make such housing wealth less valuable to groups of people as a whole. For a group of people with life assurance some will inevitably die within the terms of their policy and their families will benefit from the wealth held in that form of insurance. Thus for the group as a whole insurance is real wealth. So too with housing, but with the difference being that there is no policy time limit and housing wealth is not a collective form of risk sharing. Barring dramatic social change, such as very large numbers of today's young adults 'dropping out' of normal society and never entering the housing market, a global financial economic crash or similar events, housing wealth will be realised. A proportion of it may be used to pay for private care for wealthy people in their old age, but that is still wealth being realised.

Another possible reaction to this report would be to say that the period we have concentrated on 1993-2003 is very unusual and is unlikely to be repeated in future. We have no way of knowing whether this is the case or not, but we do know that previous house price booms during the 1980s and early 1970s were then thought to be taking prices to levels which were unsustainable. House prices in some areas are undoubtedly falling as we write, but unless the future is very different to the last 40 years they will rise again. Increasing inequalities in housing wealth, in incomes measured in absolute terms, in access to education, in the employment market and in wealth itself lead to rising inequality in the future. Households buying two or three homes, pension funds being able to invest in residential property, low interest rates, rising population in the South and falling population in many parts of the North and Scotland, will all encourage these inequalities in housing wealth to continue to rise in the medium term. In those parts of London where prices are highest a new global elite of very wealthy people are increasingly choosing to purchase one of their homes. This has arisen because of the growing importance of London as a world financial centre. In the wealth parade beneath this elite are hundreds of thousands of highly skilled and highly paid migratory workers who are now also competing for living space in the South East in much greater numbers than a few decades ago. In many parts of the North significant amounts of housing is being abandoned as valueless in pockets of the worst off areas. In this context we should not expect the market to produce equality.

Speculation over the future is always dangerous and never more so in terms of social statistics concerning future housing wealth. Inequalities we can measure today are bad enough without the need to look forward in time. However people rapidly become acclimatised to inequalities. The current situation becomes the norm and so it is important to look back and ask how the present looks from the viewpoint of the recent past. It is also important to look forward because even if we find present inequalities acceptable, it is unlikely that we would be happy with the kind of society we are turning into. Such a future would be largely because people become acclimatised to inequality. Year on year changes are generally slight. A future when the sale of a single large property in an affluent London borough would buy you one hundred average homes in a poor part of the country could well be a future where most people simply accept such disparities. After all, for areas smaller than those that we are reporting on here it is already the case. We believe it is through looking at past, current and future housing wealth inequalities between children that the scale of our problems becomes most clear to see, and so we end this report discussing those inequalities and how they might be addressed.

It is not an exaggeration to claim that we are moving towards a situation in which this country's children will be divided more by wealth than has been the case since at least Victorian times. For the children of the poor there will be large parts of the country to which they cannot consider moving in the future even if they should wish to. When they have problems in their lives there will not be recourse to family wealth to bail them out, to help with a time when they cannot work or find work, to help pay their way through university studies (for the minority from poor areas who go) without working as well, to help when they have children of their own and so on. For some a government baby bond will mature when they are 18 years old giving them a few thousand pounds that is significant to them but insignificant in the wider context.

For children, wealth and in particular housing wealth is a national lottery of their accident of birth. Increases in direct income taxation, in inheritance tax, in benefits paid to the poor would have little influence on the results of this lottery given the sums of money involved and the abilities of the wealthiest families through trusts and other means to avoid such redistribution. Any action to reduce housing wealth inequality would have to be far more radical than is currently politically acceptable to be effective. Given that, perhaps we should expect the future to be one of 100 fold inequalities in housing wealth. If you are reading this and have children there is a good chance that your children will be among the tenth of the population who can expect, in the future, to have recourse through their wider families to more than 100 times the housing wealth of those children growing up in the poorest parts of the country. Try to imagine the type of society they will be living in when they are your age, or their grandparents' age.

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