

Issued Thursday 7 June

HOMES TO COST TEN TIMES ANNUAL EARNINGS FOR NEXT GENERATION UNLESS SUPPLY INCREASES

One-third of non homeowners think they will never be able to buy

By 2026, home buyers could face house prices ten times their annual earnings according to findings published by the National Housing and Planning Advice Unit (NHPAU). The NHPAU is a new independent body, officially launched today, that has been set up to help make homes more affordable across the country.

Government figures¹ show that, in 2000, the average price of a home was four times annual earnings and by 2006 this figure had increased to more than seven times annual earnings. This is set to rise further – reaching ten times annual earnings for the next generation – if we fail to build more homes.

“First time buyers have seen a big rise in the deposit needed to buy a home and the amount of their income spent on mortgages”, comments Professor Stephen Nickell, Chair of the National Housing and Planning Advice Unit and former member of the Bank of England Monetary Policy Committee. “Demand for housing is growing and unless action is taken, pressure on the market will only get worse.

Analysis by the NHPAU² has identified how the cost of housing will change if 190,000 new homes are built each year. It shows that, whereas in 2006 57 per cent of 30-34 year olds in England could afford to enter the housing market, this would fall to just 40 per cent of 30-34 year olds in 2026.

¹ Communities and Local Government. Ratio of lower quartile house prices to earnings. Earnings data comes from the Annual Survey of Hours and Earnings (ASHE).

² The NHPAU used the Reading University Affordability Model to analyse future trends in housing affordability. The initial findings are published in *Affordability Matters*, June 2007

Research published by the NHPAU today also suggests that over 4 million³ people in England believe they will never own their home. The findings show that 35 per cent of non-homeowners think they will never be in a position to buy, while an additional 18 per cent say it will be five years or more before they can purchase a home.

The research among adults in England⁴ found that three quarters (74 per cent) think house prices in their local area are a problem, with more than eight out of ten adults (81 per cent) who say the Government should take action to make housing more affordable.

Professor Stephen Nickell continued: "Housing affordability has reached a critical point. It is a complex issue determined by population trends, interest rates, land availability, earnings and housing supply. These factors are usually considered in isolation but, through the NHPAU, we are now in a position to look at these issues in the round and provide impartial, expert advice.

"The Government's aim to improve affordability means that housing needs to feature strongly in the outcomes to the Comprehensive Spending Review. There is a clear need for more ambitious and urgent delivery if we are to make homes more affordable for our children."

-Ends-

Notes to editors:

For further information about the NHPAU please contact:

Liz Kearney / Clare O'Connor at Camargue on 020 7636 7366

About the research

The research study interviewed 2,722 people in England aged 18 and above with fieldwork conducted by YouGov online between 10-14 May 2007. The full findings of the report will be published in July.

About the National Housing and Planning Advice Unit (NHPAU)

The NHPAU is a new independent body that has been set up to help make homes more affordable across England. It is made up of some of the country's leading economists who will provide expert guidance to regional and national bodies to ensure we deliver the right homes, in the right place, at the right time.

³⁻⁴ Research was undertaken by YouGov online on behalf of the NHPAU in May 2007. The study interviewed 2,722 people in England aged 18 and above between 10-14 May 2007. The number of adults in England was taken from 2006 data from the Office of National Statistics.

Since April this year, planners and government have to consider affordability when deciding future housing supply. The job of the NHPAU is to tell them how they might achieve this and make a positive impact on housing affordability in England.

The Unit is chaired by Professor Stephen Nickell, CBE, FBA a former member of the Bank of England Monetary Policy Committee. He is currently Warden of Nuffield College Oxford.

The NHPAU will be officially launched in London on Thursday 7 June.

Why the NHPAU was created

1. The Government wants to make housing more affordable across the country. What this means is building enough new homes, in the right places, to meet demand.
2. Between 1995-2005, average incomes rose 92 per cent but average house prices rose 204 per cent (source: National Statistics). There is a disconnect between what we are paid, and what we pay for our housing.
3. Economist Kate Barker's Review of Housing Supply in 2004 identified that the demand for housing is outpacing supply, and this is pushing up prices.
4. Barker's review produced a series of recommendations about improving the supply of housing in England. This included the creation of a body to provide expert advice on housing matters, particularly affordability. The NHPAU is the result.

What the NHPAU will deliver

1. The NHPAU is an expert body whose job is to tell decision-makers how they can make housing more affordable.
2. There is currently no single economic measure to determine housing affordability. The NHPAU will review all the information and advise on the best measures for planners and government to assess affordability.
3. The Unit will deliver a new research programme as a resource for regional partners and others on housing market affordability. It will also develop a toolkit to allow forward looking economic and statistical analysis on the impact of planned housing provision.