

Government plans could overestimate need for new homes

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20 SEPTEMBER 2018 • 2:10PM

The Government's housing target may be too high, economists have suggested, after new ONS figures projected fewer new households than previously thought.

Last year's Budget set out plans to build 300,000 new homes a year, which Chancellor Philip Hammond said would help younger people get onto the property ladder.

The Office for National Statistics revised down its previous estimate, made in 2014, which suggested that 210,000 new households would be formed per year in England, to 19,000 per year.

Joanna Harkrader, of the ONS's centre for ageing and demography, said the change "reflects lower projections of the population - notably, assumptions around future births, how long we'll live and migration - and more up-to-date figures about living arrangements, such as living with parents or cohabiting."

Ian Muiheirn, director of consulting at Oxford Economics, and a former economist at the Treasury, said the figures showed "hysterical" discussions around housing shortages had been "misplaced".

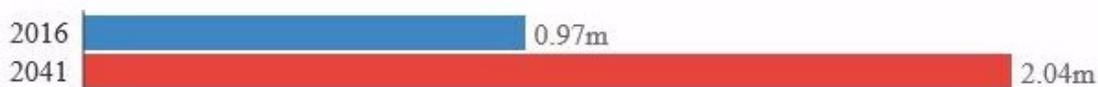
He said Government projections had been "was' over the top, and the actual rate of household formation has been much lower".

"If we'd been predicting household need correctly, over the last 20 years, then we probably wouldn't have this story, about not having built enough homes.

"We still need many tens of thousands of homes to be built every year, but it's nowhere near the 250,000 or 300,000 that the Chancellor has identified."

Projected number of households

Head of household aged 85 and older



He said the solutions to the housing crisis were "more financial than about bricks and mortar", suggesting that low wages and benefits were stopping young people from moving into rented accommodation.

"People don't move out to buy, they move out to rent," he said. "I don't think there's much evidence that young people's decision to stay at home is because of the cost of housing."

However, others urged caution, arguing that the lower projections were partly down to young people's recent inability to leave home.

Daniel Bentley, editorial director at Civitas, said they were based on figures which reflected a decline in homeownership since 2001 due to a lack of affordability.

He said this had "depressed household formation, particularly among younger people. Of course, then the household projections for the coming years are going to be lower."

He added that young people had fewer options because buying was so unaffordable, and were more likely to live in shared households or stay at home, leading to fewer one-person households being created.

"In the 1990s, people in their twenties used to buy a home, as their first home, in much greater numbers than they do today.

"Today, if that option is less available to you, then you are less likely to move out of your parents'," he said.

Head of household aged 25-34



The figures also suggest that households headed by over 85-year-olds will more than double by 2041, to 2.04m, from just under one million in 2016.

Younger households are set to stay the same or even fall, with households headed by someone aged 65 or over making up 88 per cent of growth by 2041.

The ONS said the figures were "not forecasts" and did not take into account future policy and economic changes.

A spokesman for the Ministry of Housing, Communities and Local Government said: "We are reforming the planning system to ensure the housing market works for everyone.

"We will consult on adjustments to the way housing need is calculated so it is consistent with delivering 300,000 new homes per year by the mid-2020s."

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