



The Impact of Immigration on Housing Demand in England

Housing: MW 424

Summary

1. The DCLG claims in its projections of future household formation in England that just 37% of future household formation will be due to immigration. However, this seriously understates the true impact of immigration on housing demand in England because the ONS immigration assumption is very low and because the DCLG methodology only accounts for the impact of future migration. The existing migrant population in England will also be driving future household formation however this has been misleadingly designated as 'natural change' among the existing UK population as a whole rather than as also due to previous migration. In the last decade nearly 90% of additional households in England have been headed by someone born abroad.

The Impact of Immigration on Housing Demand - DCLG

Projections

2. On the 7th February 2017, the Secretary of State for Communities and Local Government, Mr Sajid Javid, made a statement in the House of Commons on the government's housing white paper. When asked by Peter Bone MP whether he agreed that housing demand would fall if we could reduce the third of a million people coming into this country each year?,¹ he replied that *"two thirds of housing demand has nothing to do with immigration; it is to do with natural population growth."*² However, it is simply not true that two thirds of housing demand has 'nothing' to do with immigration.

3. The Department for Communities and Local Government (DCLG) produce projections of future household growth.³ Their projections are based on two main variables:

- a. ONS projections of the future size of the population of England, including its composition by age and gender
- b. assumptions about the likelihood of members of the population being a head of household at

1 Hansard, <https://hansard.parliament.uk/commons/2017-02-07/debates/DF682A35-5720-4F52-B6DC-C862EFDED0D8/HousingWhitePaper>

2 Ibid

3 A household can vary from one person living alone to a family with children or a group of unrelated people sharing a common space like a kitchen or living room.

each age and gender. For example, the DCLG estimate that the likelihood of a single man being the head of a household rises from about 0.3 when he is aged 25-29 to around 0.7 when he is aged 50-54.

The Projections – Principal Projection

4. The latest principal projection of the number of households in England estimate that over the 25 years to 2039 there will be an average increase of 210,000 households a year, of which 133,000 (63%) will be down to future household formation by the existing population and 77,000 (37%) will be down to future net migration.⁴ The contribution from future net migration is estimated by comparison with the number of additional households produced under a scenario where there is no future net migration (zero net migration).

5. Critically, however, this principal projection is based on net migration to England of 170,500 a year, lower than average annual net migration to England during the period 2006-2015, which was 204,000 a year and much lower than the present level of 300,000 in 2015/16, the latest year for which data is available.

6. Under the DCLG ‘high’ migration projection, where net migration to England is 230,000 a year, there will be an average increase of 233,000 households a year, of which 110,000 (45%) will be down to future net migration. Under this scenario one additional household is formed every five minutes, day and night, as a result of future migration. See Table 1 below for the latest projections under each migration scenario.

Table 1. DCLG 2014-Based Household Projections, Principal and Variant Projections for England.

	Annual Net Migration Assumption	Projected Average Annual Increase in Households 2014-2039	% of Projected Growth due to Future Migration
High	233,000	243,000	45%
Principal	170500	210,000	37%
Low	108000	177,000	25%
Zero	0	133,000	0%

7. If net migration to England were to continue to run at its peak level of 300,000 a year, (70,000 above the high migration scenario), an even greater number of additional households would be created.

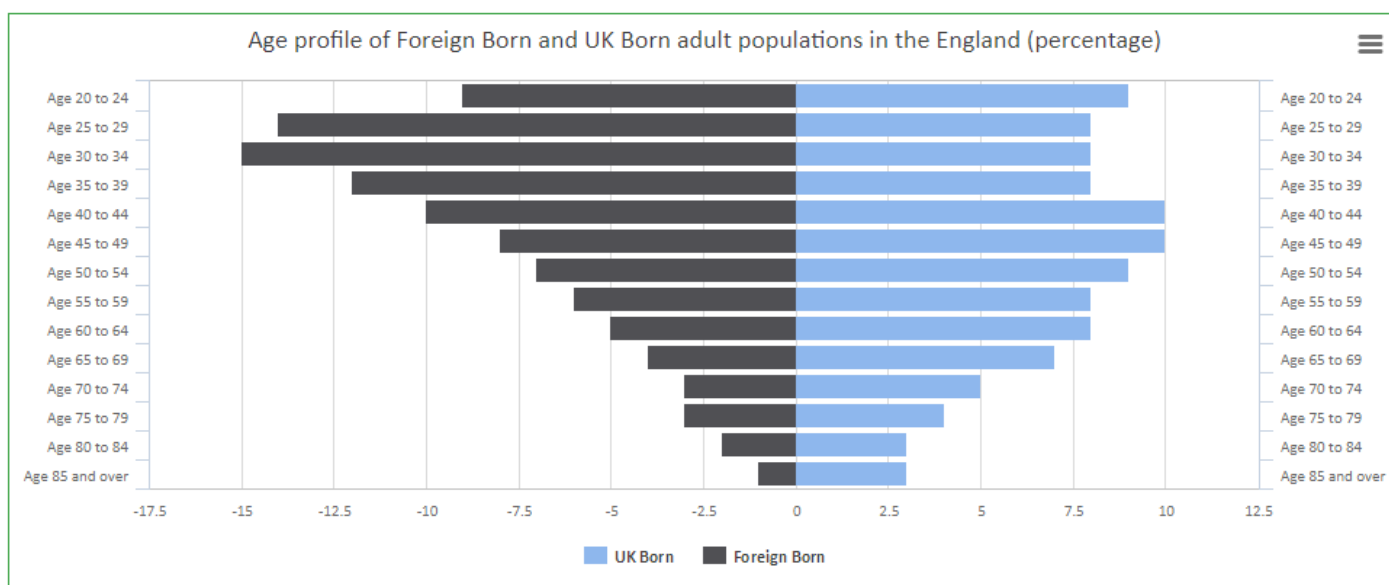
4 DCLG, 2014 based household projections England 2014-2019, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536702/Household_Projections_-_2014_-_2039.pdf

The true impact of migration on future household formation – an inherent underrepresentation in the DCLG projections

8. The DCLG projections only address the impact of future net migration on housing demand. Part of the projected growth in households will in fact come from the migrant population already living in England at the start of the projections, who number 7.5 million.

9. In fact the existing migrant population will in future have even greater housing needs as compared to the rest of the population due to their relatively young age structure. The age structure of the adult foreign-born population is contrasted to the age structure (of the much larger) UK born population in Figure 1 below.

Figure 1: Age profile of Foreign Born and UK Born adult populations in the England (percentage).⁵



10. One half of the foreign-born adult population living in England is aged between 20 and 39, compared to around only one third of the UK born population.

11. The number of households is affected by the age structure of the population. Someone aged 45 is much more likely head up their own household than someone aged 25. As a clear example, consider eight single Polish men in their twenties who arrived in England in 2012 and live together in a shared house. Together they currently form one household. However, as they age and perhaps settle down with partners and have children they will go on to form up to eight separate family households in eight houses or apartment/flats.

12. This future household formation by the existing migrant population is not included in the net migration component of the DCLG projections, it instead forms part of the general increase in households under their 'zero net migration' projection. This very seriously understates the impact of immigration on housing demand.

⁵ ONS 2011 census. Table DC2109EW - Country of birth by sex by age (regional)

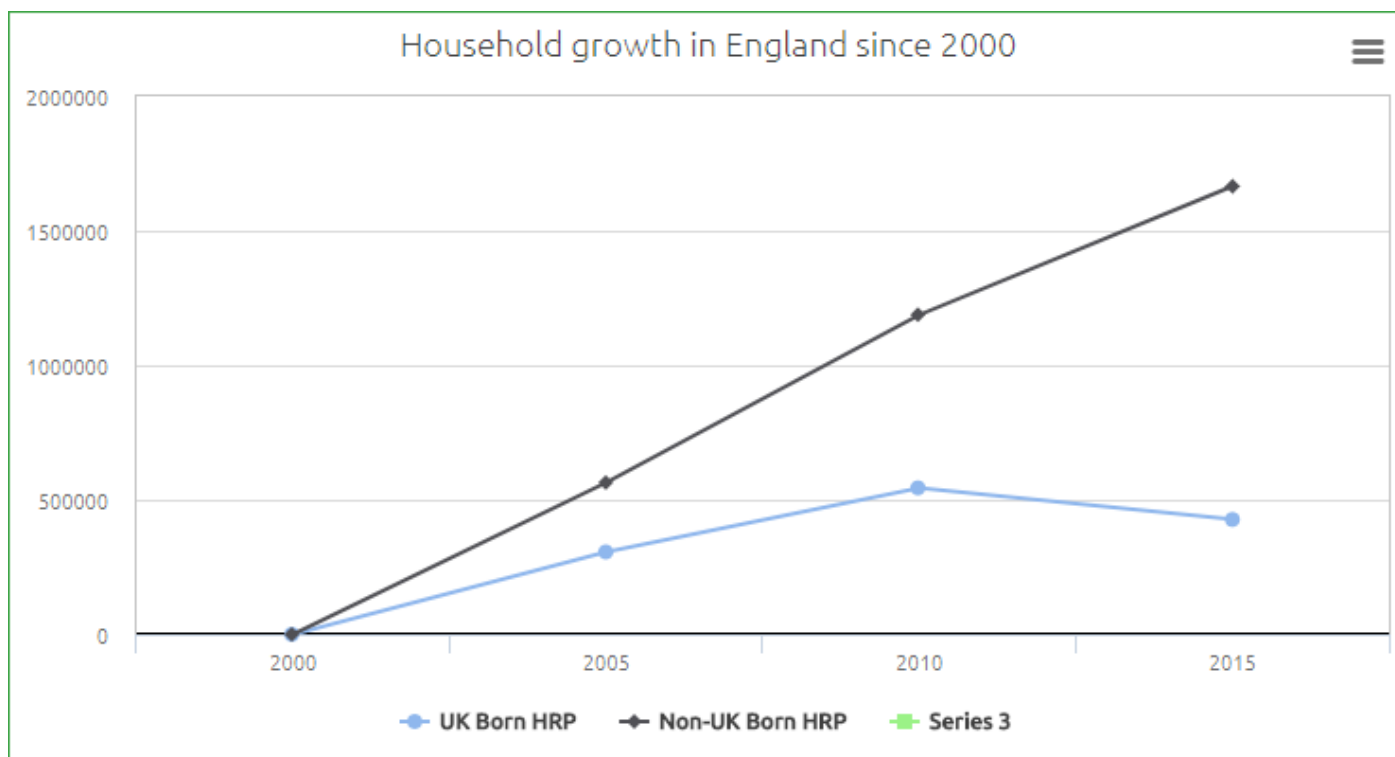
Impact of immigration on Recent Household Growth

13. On the basis of the recent past, all or nearly all of household growth in England has been as a result of immigration.

14. Official data from the Office for National Statistics shows that 80% of the additional households created in England between 2000 and 2015 have a foreign-born Household Reference Person⁶. That is, 1.65 million of the additional 2 million households.⁷

15. More recently the impact of immigration has been even greater. In the past ten years (2005-2015), 90% of the additional households in England have a foreign-born HRP. In the last five years (since 2010), there has actually been a fall in the number of households headed by a UK born person with all the growth coming from the foreign born⁸. This is illustrated in Figure 2 below.

Figure 2: Household growth in England since 2000



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

7 Labour Force Survey, household data set, Q2, Office for National Statistics. Three year averages centred on 2000, 2005, 2010 and 2015. For full data set see Annex A.

8 ibid

The Focus on Supply

16. Nevertheless, most discussions of housing focus relentlessly on supply while largely ignoring demand. Even the government's most recent White Paper on housing entitled 'Fixing our broken housing market' made only one passing reference to immigration and in doing so downplayed its importance: 'Our population could stop growing and net migration could fall to zero but people would still be living in overcrowded, unaffordable accommodation.'⁹ While that may indeed be the case, reducing immigration would substantially alleviate the task of addressing the very serious housing crisis that we now face.

Conclusion

17. In the summary of their 2014-based household projections the DCLG claim that 'net migration accounts for 37 per cent of projected household growth'. However, this is thoroughly misleading since it only accounts for growth due to future migration, ignoring the impact of the migrant population already present in the country. In fact, the data on the past ten years shows that 90% of additional households in England have been headed by someone born abroad.

15 November 2017

9 DCLG, Fixing our broken housing market, February 2017, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

Annex A – The data for Figure 2

Table 1: Change in the number of households by country of birth of the Household Reference Person (HRP), England.

Source: Labour Force Survey, household data set, Q2, Office for National Statistics. Three year averages centred on 2000, 2005, 2010 and 2015.

	Total number of households	Households with a UK born HRP	Households with a non UK born HRP	UK born HRP - three year average	non-UK born HRP - three year average
1999	20,191,500	18,305,600	1,885,900		
2000	20,331,400	18,313,000	2,018,400	18,324,033	1,827,900
2001	20,416,200	18,353,500	2,062,700		
2002	20,685,300	18,553,800	2,131,500		
2003	20,780,900	18,568,700	2,212,200		
2004	20,820,500	18,595,500	2,225,000		
2005	21,036,500	18,658,000	2,378,500	18,630,400	2,392,433
2006	21,211,500	18,637,700	2,573,800		
2007	21,348,800	18,672,600	2,676,200		
2008	21,589,000	18,727,000	2,861,900		
2009	21,716,400	18,785,800	2,930,600		
2010	21,867,000	18,883,900	2,983,000	18,868,400	3,015,633
2011	22,068,700	18,935,500	3,133,300		
2012	22,171,600	18,970,100	3,201,500		
2013	22,201,400	18,833,300	3,368,200		
2014	22,262,600	18,853,400	3,409,200		
2015	22,198,886	18,755,873	3,443,013	18,751,065	3,493,207
2016	22,271,329	18,643,921	3,627,408		

Table 2: Additional households since 2000, by country of birth of the Household Reference Person (HRP), England. Based on the three year averages from Table 1.

	UK born HRP	Foreign born HRP	Total
2000	0	0	0
2005	306,367	564,533	870,900
2010	544,367	1,187,733	1,732,100
2015	427,031	1,665,307	2,092,338

The above data was used to produce Figure 2 in the paper.