Housing supply in the UK: appropriate and affordable?

Youngha Cho

< Abstract >

Major emphasis of the UK government housing policy over the last 30 years was on reinvestment in the existing stock and improvement of affordability rather than new housing supply. Rapid rising house prices since the 1990s, especially in London and the South region brought about the issue - inability of ‘key’ workers, such as school teacher, nurse, police officer, to afford to live and work in the capital region. The consequence forced the questions of whether ‘enough’ new houses were being built and what were the constraints preventing the new building back on to the urgent policy agenda. This paper aims to explore in detail the two unsuccessful legacies - housing undersupply and worsening affordability - emerged from the UK government’s housing policies for the past decades.

In 2001, housebuilding in the UK fell to its lowest level since the Second World War. House prices have risen particularly sharply in recent years, up by 9% per annum from 1996 to 2002. The UK real house price inflation has been higher (2.4%) than the European average (1.1%) between 1971 and 2001. There are sufficient evidences that the UK housing supply is relatively unresponsive with output increasing by proportionately less than price. International comparisons of supply elasticity suggest that supply elasticity in the UK is particularly low (0.5) than Germany (2.1) and US (1.4). Evidence also shows that UK has invested a low proportion of GDP in housing compared to other EU countries. Since 1990 the responsiveness of supply throughout the England has fallen close to zero in all regions and the South East as well as London appears to be among the least responsive since 1973.

* This paper is a slightly revised version of the one presented at the International Conference on Housing Services and Housing Indicators, Korea Research Institute for Human Settlements (KRIHS), December 9th 2005, An-Yang, Korea.

** Dept. of Real Estate Management and Construction, School of Built Environment, Oxford Brookes University, UK.
Delays in the planning system have received official criticism as a major factor which causes the low responsiveness of supply. A fundamental reason for the lack of new housing in growth areas has been the mechanisms by which regional planning guidance, structure plans and local plans have restricted the capacity to provide additional land in the south of the country, especially since 1991. Housebuilders’ undesirable behaviour in a highly volatile market resulted in lower output during the late 1980s housing boom. This is not socially responsible behaviour because it hinders the market adjustment necessary in a well functioning market. It is known that demand side factors clearly impact on price change, but they do not wholly explain the trends in UK house prices. Important point is that the lack of responsiveness of supply means that increases in demand feed directly into higher house prices.

A week response of housing supply to price change has been one of the factors underlying housing instability for all tenure in UK. Housing affordability has worsened specially for new households and this has wider social and economic consequences, notably the difficulty of both public and private sectors in recruiting ‘key’ workers. The ability of first time buyers to enter the housing market, based upon income to house price ratios, has weakened.

The UK government has already taken important steps to address housing supply within the Sustainable Communities Plan since 2003. The plan includes increase of housing supply especially in the fast growing area, provision of the infrastructure for the efficient delivery of additional housing, and a new approach to land supply through the reformed planning system. Under the big theme, the UK government committed to increasing housing supply.

The UK government is now playing a different role as a facilitator, more depending on private sector. The new approach requires effective partnership and co-operation between a variety of public bodies and private sectors-finance institution and developer. Having considered the low responsiveness of the UK housing supply to changing demand in the past, the goal of developing sustainable communities would be difficult to be achieved, without private housebuilding companies’ dedication of corporate social responsibility towards community. For the efficient delivery of additional housing, the government should establish an institutional support such as cooperative land development, reformed planning system, development tax incentive and subsidies for affordable housing supply.

Keyword: Housing Supply, Affordability, UK
I. Introduction

Housing is one of the basic human needs. Homes are more than shelter. They provide access to a range of services and to communities. Housing also plays a major role as an investment asset in formulating household’s wealth and in planning for family’s financial futures. The housing market indicates the national people’s choices for the types of housing, location and communities that they would like to live in. Government in every country is, to some extent, playing a role to provide the housing service to fulfill people’s housing needs and preferences. Individual policy instruments may be successful when judged in their own terms. However, policies often have unintended consequences which are frequently undesirable ones, as policies often also presented trade-offs. Housing policies are clearly one factor in shaping wider housing systems. However, institutional, economic and social contexts are fundamental to shaping both policies and outcomes. The success of individual policies should be evaluated in the wider context.

This paper aims to explore in detail the two unsuccessful legacies emerged from the UK government’s housing policies for the last three decades - housing undersupply and worsening affordability. It starts with a brief summary of the UK housing policy for the last 30 years, followed by in-depth discussion on weak response of housing supply to house price. The next section will investigate how affordability has changed as a result of the lack of housing supply for the last 10 years. This paper will conclude with some final suggestions.

2. UK housing policy changes

By the late 1970s the housing shortages that had prevailed since the war years were much reduced. Reduced pressure of housing shortages also made the reductions in public sector house building1) in the early 1980s and in the mid 1990s the public sector housebuilding came to an end. Major emphasis of the UK government policy in the 1980s and the 1990s

1) New building of housing for letting at subsidies rents.
was on reinvestment in the existing stock$^2$).

A recent report (Stephens et al., 2005) identifies the three housing policy clusters which UK government provided over the past 30 years as being of particular importance: the deregulation of the financial system combined with housing privatization; restructuring housing subsidies—from supply to demand side; and asset restructuring—ownership shift from local authority housing to the housing association sector.

The deregulation of the financial system combined with housing privatization contributed to promote the growth of owner-occupation from about 58% of households in the 1970s to 70% in the early 2000. Also the deregulation of private sector rents laid the foundations for the successful growth and reorientation of the private rented sector.

Housing subsidies were radically restructured. In 1975 more than 80% of housing subsidies were supply side subsidies intending to promote the provision of affordable homes. By 2000 more than 95% of housing subsidies were on the demand side reducing housing costs for those on low income, with housing benefit emerging at the main subsidy instrument. Changes in the balance between demand- and supply-side subsidies in the rented sectors redistributed resources progressively for relatively poor households.

Both of the above strands of policy changes were associated with a massive asset restructuring, as ownership of much local authority housing was shifted to the housing association sector (Registered Social Landlords—RSLs after 1996), which also became the main provider of new social rented housing. The function of providing of public housing was taken over by RSLs, while local authorities’ capital expenditure concentrated on renovation or ‘reinvestment’ in their existing housing stocks (Stephens et al., 2005).

Rapidly rising house prices in the mid 1990s and in early 2000s especially in London and the South of England brought about the issue-inability of ‘key’ workers, such as school teacher, nurse, police officer, to afford to live and work in the capital region. The consequence forced the questions of whether “enough” new houses and flats were being built; and what were the constraints preventing this back on to the urgent policy agenda.

---

2) Reinvestment consisted of repairs, renovation, and up-grading, together with in some instances demolishing dwellings that proved inherently unsatisfactory or had deteriorated.
To respond the main questions, the UK government published the Housing Green Paper in which housing policies were brought together in April 2000. The catchword was ‘Quality and Choice: a decent home for all’. The fundamental objective of housing policy was to provide enough homes for every household through the general market, the intermediate market, as well as the social rented sector. This objective was intimately linked to the objective of ensuring that housing is affordable and that house price does not adversely affect the wider economy. However, the focus was predominantly on the social rented sector. Here the principal policy area was up-grading the existing stock, where a ‘step change’ in quality and condition was stated as the aim, with all houses and flats belonging to local authorities and RSLs brought up to a decent standard within ten years. No reference was made in the Housing Green paper to whether enough new dwellings were being built to provide a ‘decent home for all’, either in all tenures together or in the affordable sector specifically (Stephens et al., 2005).

Many commentators still criticise that the current housing system as a whole has become less robust, responsive and self-sustaining. Next sections will discuss the main issues of the paper in detail—under supply and the background, and the patterns of affordability shifted over the past decade.

3. Failure of supply

1) Undersupply

Many commentators have criticised UK government’s inability to supply sufficient new houses in relation to need. As seen in the Figure 1, in 2001 the construction of new houses in the UK fell to its lowest level since the Second World War. Over the ten years to 2002, output of new homes was 12.5% lower than for the previous ten years. A weak supply of housing contributes to macroeconomic instability and hinders labour market flexibility, constraining economic growth (Barker, 2004). However, increasing housing supply also raises concerns about the environment and loss of open spaces. Then what would the adequate supply be?
Undersupply can be measured in various ways. Household formation compared to housing stock and completions is a commonly used measure of housing shortage, although it makes no distinction between undersupply of market and non-market housing.

According to this measure, the UK government removed general housing shortages since the 1970s. Figures 2 and 3 show the national and regional trends of the excess of dwellings over households in numerical terms. Between 1981 and 1991 the number of housing stocks greatly exceeded the number of households. Thereafter the surplus grew very slightly numerically, but began to fall proportionately.

However, these figures for England total disguise marked regional variations. In London and the South East the surplus grew both numerically and proportionately between 1981 and 1991, but after then collapsed to around 1% of households. But in the Midlands and the three northern regions both numerically and proportionately the surplus decreased between 1981 and 1991, but grew thereafter. This gives us a complete different pattern between south and north regions - a ‘V’ shaped pattern in the south and a ‘V’ shaped pattern in the north - and these opposite pattern translate into a flat line for the country as a whole (Stephen et al., 2005). This is particularly important issue, given the localised nature of housing demand.
This clearly indicates noticeable tension of the housing market in the south. This can be explained by how the reduction in supply-side subsidies and restrictions on local authority spending diminished the supply of new housing, especially social housing. Indeed, housing starts in the social sector fell from 145,000 in 1975 to 13,000 in 2000. The allocation of capital grants to fund housing association developments also suggests that subsidies were directed disproportionately to areas of low demand (north regions), due to the weight given to poverty-related indicators in allocation criteria (Stephens, 2005).
Some vacancies are inevitable in regional and local level and the vacancies are not necessarily substitutable between region and locational level. Even though the 2001 Census recorded only 7,000 additional second and holiday homes in England between 1991 and 2001, there must be much more vacant dwellings\(^5\) (Barker, 2003).

\(<\text{Table 1}>\) Changes in household composition, England, 1991 and 2000 (000s)

<table>
<thead>
<tr>
<th>Household Spaces</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1991</td>
</tr>
<tr>
<td>Households with Residents</td>
<td>18,766</td>
</tr>
<tr>
<td>Vacant</td>
<td>930</td>
</tr>
<tr>
<td>Not Main Residences</td>
<td>243</td>
</tr>
<tr>
<td>of which second homes and holiday homes</td>
<td>128</td>
</tr>
</tbody>
</table>

Source: 1991 and 2001 Census

These data both indicate a more positive view of supply than the real, mainly because the census data show a lower number of households than expected\(^6\).

\(^{2}\) Weak responsiveness of supply to house price

As seen in Figure 4, in the 1970s new housebuilding indicated a low response to growing prices and it also indicates virtually no response at the end of 1990s’ high price.

Then why have prices risen to such an extent? Much of the explanation can be made with the way households and housebuilders react to changing circumstances, such as rising incomes and price changes. A recent study (HM Treasury, 2003) shows that UK households have a high tendency to consume more housing services as incomes rise over time (a high income elasticity of housing demand\(^5\)) but their demand has a low responsiveness to price changes (a low price elasticity of housing demand\(^6\)).

\(^{3}\) There is uncertainty over some of the classification of secondary residences, as there is less data on those living away from their homes during the week.

\(^{4}\) Property conversions also add to the stock without being classified as completions.

\(^{5}\) The UK’s income elasticities were estimated as 1.0 and UK’s price elasticity of demand as −0.5.

\(^{6}\) A low price elasticity of demand means that a one % rise in house prices results in less than a one % fall in spending on housing.
While demand side factors are clearly important, they do not wholly explain the trends in UK house prices. Muellbauer (2003) emphasises the lack of supply pushed the UK’s housing market towards long term rising prices in the report.

The UK has invested a low proportion of GDP in housing compared to other EU countries\(^7\) (CIRIEC, 2002) and housing completions relative to the size of the existing housing stock shows relatively low provision\(^8\). Most other countries also have more dwellings per person\(^9\) (HM Treasury, 2003).

In general the responsiveness of supply is restricted in the short-term by a number of factors: whether land supply can respond to price signals; whether there is scope for sub-

---

7) Investment in UK housing as a % of GDP has been the lowest compared to other major EU countries since 1990, and has been low since the 1960s. UK gross investment in dwellings was 18% of gross capital formation in 2000 - the third lowest proportion in the EU.

8) UK housing completions as a proportion of housing stock has been one of the lowest compared to other major EU countries between 1998 and 2001.

9) There were 3 newly completed dwellings per 1,000 inhabitants in the UK in 2000 - the fourth lowest number within the EU.
stitution, i.e. whether there is a possibility to switch land from one use to another; the time lag between price signals and the industry’s output. In particular the duration of that delay is determined by a number of factors including site identification, planning permission, site acquisition, and construction itself.

There are enough evidences supporting the low responsiveness of supply to price. Table 2 summarises previous studies on the price elasticity of supply of housing in the UK. These show a considerable degree of consensus and suggest that UK housing supply is relatively unresponsive, with output increasing by proportionately less than price (the elasticity of supply is less than 1).

<table>
<thead>
<tr>
<th>Study</th>
<th>Area</th>
<th>Time period of estimation</th>
<th>Elasticity of supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitehead (1974)</td>
<td>UK</td>
<td>1955-1972</td>
<td>0.5-1.0</td>
</tr>
<tr>
<td>Mayou (1979)</td>
<td>GB</td>
<td>1955-1976</td>
<td>0.3 (short run)</td>
</tr>
<tr>
<td>Mayou (1979)</td>
<td>GB</td>
<td>1955-1976</td>
<td>0.6 (long run)</td>
</tr>
<tr>
<td>Brakley (1996)</td>
<td>160 Districts in England</td>
<td>1988</td>
<td>0.8</td>
</tr>
<tr>
<td>Pryce (1999)</td>
<td>England</td>
<td>1988</td>
<td>0.6 (boom)</td>
</tr>
</tbody>
</table>


* The price elasticity of supply estimates vary, mainly because of the structure of the model used and the time periods they are estimated over. However, the estimates of elasticity presented here indicate that housing supply is not particularly responsive to changes in house prices.

Pryce (1999) estimates that the elasticity of supply of housing during booms is smaller (0.58) than during slumps (1.03). This means that housebuilders can be more responsive when prices are falling than when prices are rising. In other words, they cut output levels when price are falling and increase housebuilding level when price are rising. This is partly because of the long time lags that are needed to increase the amount of land. He explains that housebuilders’ behaviour in a highly volatile market may be different to that in more stable conditions- where higher growth in house prices results in lower output. Pryce finds
evidence of this in the UK during the late 1980s housing boom and he criticizes that is particularly undesirable behaviour, as it obstructs market adjustment necessary in a well functioning market.

He explains this behaviour in two ways: when prices have been rising, the industry reduces its output in response to the risk that further price rises will increase the possibility that prices will go down further in the future; and during a boom, if planning decisions become uncertain, housebuilders might postpone production. The uncertainty situation influences housebuilders’ capability to develop land in the future and the price of the vacant land is increased because it gives them the confidence of continuous supply in the future. The price rise of the vacant land with planning permission may reduce the supply of housing in the current period (Mayo and Sheppard, 1991; Bramley, 1999).

International comparisons of supply elasticities need to be deal with carefully because of structural differences in the way the housebuilding industry operates and varying estimation techniques. However, even allowing for these differences, evidence (Swank et al., 2002) suggests that supply elasticity in the UK is relatively low (0.5) than Germany (2.1) and US (1.4).

**Table 3** International comparison of price elasticity of the supply of new housing

<table>
<thead>
<tr>
<th>Country</th>
<th>Price elasticity of supply of new housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>0.5</td>
</tr>
<tr>
<td>Germany</td>
<td>2.1</td>
</tr>
<tr>
<td>France</td>
<td>1.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.7</td>
</tr>
<tr>
<td>US</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Source: Swank et al. 2002.

Meen’s study (2002) supports this conclusion and suggests that the main explanation for the different trends in house prices between the UK and US is the different elasticities of supply. He argues that the elasticity of supply steadily fell from between 1 and 4 before the 1st World War period to between 1 and 1.15 for the period after the 2nd World War and the structural changes in the UK’s economy after the 2nd World War could have contributed to
the falling elasticity. By contrast, in the US the elasticity of supply has risen slightly between the two time periods and in both periods is very much higher.

In his another study (2003), supply elasticities in different regional level are estimated and they shows a marked difference in price responsiveness across the regions. The supply of housing in the South East appears to be among the least responsive since 1973. Along with big increases in the region’s household demand, the result helps explain why house prices have increased by more in this region than elsewhere. These estimates suggest the South East’s house building has been constrained by factors that have been less restrictive in other regions such as the North. His estimates also suggest that since 1990 the responsiveness of supply throughout England has fallen close to zero in all regions. Experian Business Strategies (2003) also estimates a large fall in the UK’s supply elasticity in the 1980s and 1990s. They estimate an elasticity of supply of 0.73 before 1988 and 0 since then.

The above research results are not surprising as housing completions have remained usually unchanging across England throughout the 1990s. The consecutive price crash in the early 1990s led to many housebuilders going out of business so quickly, that output bottomed out before real house prices hit their lowest level (in 1996). Those left in the industry could buy land in lower prices, and started expanding their business in the early 1990s (Barker, 2003).

Delays in the planning system have received official criticism. There are obvious evidence that a fundamental reason for the lack of new housing in growth areas has been the mechanisms by which regional planning guidance, structure plans and local plans have restricted the capability to provide additional land in the south of the country, especially since 1991 (ODPM, 2005a).

4. Changes in Affordability

1) Price signals

The failure to provide sufficient new housing brought a clear consequence. House prices have risen. The UK housing market is unusual when set in an international context. Evidence
in Table 4 shows that trend of UK real house price inflation has been higher than the European average (1.1% per annum) between 1971 and 2001. With the exception of Spain the UK had the highest real price inflation in Europe over the period at around 2.4% per annum. House prices have risen particularly sharply in recent years, up by an estimated 9 per cent per annum from 1996 to 2002\(^5\).

Volatility has also been an outstanding attribute of the UK housing market over the longer term, with successive periods of strong house price growth in the early 1970s and the late 1980s being followed by periods of real house price decline as seen in the Figure 4 in previous section. Although much of the rise is attributable to other factors\(^11\), the weak supply response to these higher prices played an important role.

Table 4 also shows the close link between changes in house prices and spending. The sensitivity of household spending to housing wealth and house prices is higher in the UK than elsewhere in Europe, so house price volatility may have a greater impact on the UK economy (HM treasury, 2003).

### Table 4: Real house price inflation, 1971-2001

<table>
<thead>
<tr>
<th>Country</th>
<th>Average(^1)</th>
<th>Trend(^2)</th>
<th>Volatility of house prices around trend(^3)</th>
<th>Correlation of private consumption and house price inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>3.3</td>
<td>2.4</td>
<td>15.1</td>
<td>0.05</td>
</tr>
<tr>
<td>Germany</td>
<td>0.1</td>
<td>0.0</td>
<td>11.1</td>
<td>0.33(^4)</td>
</tr>
<tr>
<td>France</td>
<td>1.2</td>
<td>0.8</td>
<td>7.6</td>
<td>0.50</td>
</tr>
<tr>
<td>Italy</td>
<td>1.5</td>
<td>1.2</td>
<td>15.5</td>
<td>0.14</td>
</tr>
<tr>
<td>Spain(^5)</td>
<td>3.3</td>
<td>3.0</td>
<td>17.3</td>
<td>0.55</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.8</td>
<td>1.5</td>
<td>25.1</td>
<td>0.73</td>
</tr>
<tr>
<td>Belgium</td>
<td>2.1</td>
<td>1.7</td>
<td>14.3</td>
<td>0.38</td>
</tr>
<tr>
<td>Ireland</td>
<td>3.1</td>
<td>2.2</td>
<td>17.4</td>
<td>0.66</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.0</td>
<td>-1.0</td>
<td>19.0</td>
<td>0.73</td>
</tr>
<tr>
<td>Finland</td>
<td>0.7</td>
<td>0.7</td>
<td>13.5</td>
<td>0.64</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.3</td>
<td>0.2</td>
<td>13.4</td>
<td>0.64</td>
</tr>
<tr>
<td>Average</td>
<td>1.8</td>
<td>1.1</td>
<td>15.4</td>
<td>0.56</td>
</tr>
</tbody>
</table>

\(^{1}\) Geometric mean.
\(^{2}\) Based on a regression of log real house price on a constant and a time trend.
\(^{3}\) Coefficient of variation.
\(^{4}\) Upper bound 1971:2 and 2001 only.
\(^{5}\) Excludes former East Germany whose property prices have grown 1992-2001.


---

10) ODPM mix-adjusted house price data.

11) Such as the effect of lower interest rates and expectations of greater economic stability.
As discussed in the previous section, the expectations of housebuilders are also a key factor in determining their supply decisions. Time lags between the decision to build and completion can further worsened volatility. A lack of responsiveness of supply means that increases in demand will feed directly into higher house prices (Barker, 2004).

2) Worsened Affordability

According to the high house price, housing affordability has worsened specially for new households and this has wider social and economic consequences, notably the difficulty of both public and private sectors in recruiting 'key' workers. Bramley (2003) looks at the proportion of new households who have been able to buy housing at unsubsidised market prices over time, based on incomes data from the Survey of English Housing combined with house prices and typical lending multiples. As seen in Figure 5, compared to England’s 1986-91 average of 46%, 4% fewer new households were able to buy in 1999, and 9% fewer in 2002, which represents around 20,000 and 45,000 fewer households respectively.

*Figure 5* Percentage of new households (England)

![Percentage of new households](image)


Figure 6 supports the result. The ability of first time buyers to enter the housing market, based upon income to house price ratios has worsened. The rising trend would be even stronger if average house prices were compared to average incomes of all households.
Figure 6: Average dwelling price to average income ratio, UK

![Figure 6](image)

Source: ODPM, Survey of Mortgage Lenders.

Figure 7 shows first year mortgage payments as a % of average net earnings. At present low interest rates, housing is still relatively affordable in terms of short term cash flows. But the ability to enter the market has worsened over recent years, as first time buyers need gradually larger deposits because lenders usually secure mortgages to fixed income multiples or limit the loan to value ratio. Also the number of households in England in temporary accommodation has more than doubled between 1995 and 2003, from 46,000 to over 93,000.

![Figure 7](image)

Figure 8 shows the lowest quartile price to incomes ratios in the English regions since 1993. It indicates this situation for those on lowest quartile incomes, where sharp rises in house prices in recent years – to nearly eight times their incomes in London – have prevented many households buying a property.

In reality, as housing is a complex good and housing markets are highly fragmentary and spatially fixed, shortfall cannot be summarised as easily as this. This shows also a problem that looks the issue at aggregate level, but the advantage with a price-based approach is that it gives us some insight into whether over time the market has become more or less restricted (Barker, 2003). However, this again only gives us the private market’s shortfall and does not record the number of households who are not being housed in affordable housing.

3) Affordability by tenure

Figure 9 shows the weekly housing cost over the 10 year. Housing cost is defined as the cost of mortgage for homeowners and the cost of renting for private and social tenants. The
costs of owner-occupation were subject to considerable variation as a result of changes in inflation and interest rates, as well as changes in housing policy on affordability. We also need to consider the tendency for real housing costs to be very high when a house is first purchased, but to decline rapidly as the real value of payments is eroded by inflation (Barker, 2003). At the beginning of the 1990s the position was very different as inflation fell, although real interest rates if anything rose. The costs of mortgages fell significantly in the 1990s as a result of nominal interest rate reductions. In the private rented sector rent deregulation clearly allowed landlords to raise rents according to demand. It is clear that the costs of private renting continue to be increasing and this has worsened over the last decade. Finally rents in the social sector have been subject to almost continual changing pressures and regulation. Rents rose more rapidly than income in the 1980s and 1990s as a result of constraints on supply subsidies and the introduction of private finance (Stephens et al., 2005).

4) Lack of social housing
Bramley (2003) calculated that approximately 125,000 new households in England were in
need of affordable housing in 2002, up from 97,000 in 1997, but down from 140,000 at its peak between 1986-91. This is because there were fewer social housing relets\textsuperscript{12} and a higher rate of housing formation in the late 1980s. As only 14,000 RSL and local authority properties were built in 2002, and approximately 10,000 through planning obligations on private sector housebuilding projects, this gives a potential undersupply of between 73,000 and 101,000 dwellings (Crook et al., 2003). Figure 10 show the regional breakdown of the net need for affordable housing. Obviously London and south regions are most in need areas.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure10.png}
\caption{Net new need for affordable housing, England}
\end{figure}


The most visible aspect of an undersupply of housing is increasing number of homelessness although this results from a number of social as well as economic causes. People splitting up with their partners or losing their jobs can fall into homelessness, together with those with drug abuse problems and mental illness. If they are not able to afford housing, and cannot immediately be given a permanent dwelling in the social housing sector or subsidised through Housing Benefit, then the council is left with few options other than to house them in temporary dwellings, such as bed and breakfast accommodation (Stephens et

\textsuperscript{12} Relets are the numbers of social houses each year that are let after the previous occupant vacates the dwelling.
al., 2005).

Figure 11 shows the number of homeless households that have been accommodated in temporary dwellings. These are probably the households in most need of a permanent dwelling. The pattern shows closely the worsening affordability of private housing during the late 1990s and early 2000s.

![Figure 11] Number of households in temporary accommodation (000s)

Source: ODPM, Barker 2003

5. Further steps toward these issues

A week response of housing supply to demand changes and house price change has been one of the factors underlying housing instability for all tenure in UK. The creating a more business-oriented social rented sector together with the recent expansion of private finance has fundamentally changed governance and incentive systems across tenure. (Stephens et al., 2005). Affordability has worsened over the last decades. Especially the recent growing house price became a great threat for the intermediate tenure group, those trying to gain access to homeowner form social sector and the bottom end of the private sector.

The UK government has already taken important steps to address housing supply with the
Sustainable Communities Plan in 2003. The plan includes increase of housing supply especially in the fast growing area, provision of the infrastructure for the efficient delivery of additional housing, and a new approach to land supply through the reformed planning system. However the central aim of the plan is to create and maintain communities that people want to live in. An important part of this is provision of green space to support access, recreation and biodiversity in both rural and urban areas. Planning guidance seeks to ensure good provision of green space in new and existing communities and the government newly designated about 13% of the land as Green Belt land in 2003 (ODPM, 2005b).

Under the big theme, the UK government committed to increasing housing supply, by achieving 60% of new development on brownfield land and more efficient use of land through higher densities. Such development may potentially impact adversely to environmental performance. This policy measures seem to be unreasonable targets ‘catching two rabbits in one go’.

The issue we need to consider now is how to achieve the individual trade-off policy objectives. Having considered the past experience, individual policy instruments may be successful when judged in their own terms, but they often resulted unintended consequence. For example, Right to Buy were key to promoting the growth of owner-occupation from about 58% of households in 1970s to 70% in 2003 and contributed to the residualisation of social rented housing. However it resulted in creating concentrations of poverty and exclusion and targeting subsidies on the poorest tenants reduced incentives to work (Stephens et al., 2005). The greater choice for borrowers that arose from the liberalization of the mortgage market also resulted in greater risks for certain households (LCHO task force, 2003). The planning system may have protected countryside but it has eventually contributed to housing shortages and higher prices.

The UK government becomes more dependent on private finance involvement for the housing supply. The new approach to supply new housings within a sustainable community development emphasises effective partnership and co-operation between a variety of public bodies and private sectors-finance institution and developer. There needs a complex interplay between government and private sector.
There is an important leading role of the housebuilding sector as a housing service provider. As Barker recommended, there are a series of challenges to the housebuilding industry: to improve construction quality and customer satisfaction ratings and to increase investment in skills and production techniques. On top of that, they have to build affordable housing which the UK government used to provide via housing subsidies under the mixed community development scheme. Having considered the low responsiveness of the UK housing supply to changing demand in the past, the goal of developing sustainable communities would be difficult to be achieved, without private housebuilding companies’ dedication of corporate social responsibility towards community. For the efficient delivery of additional housing, the government as a facilitator should establish an institutional support such as co-operative land development, reformed planning system, development tax incentive and subsidies for affordable housing supply.

참고문헌

7. Experian Business Strategies, (2003), The Economic Impact of Restriction on Housing
Supply: An Investigation for the Barker Review' work commissioned by the Barker Review.
8. HM Treasury, (2003), Housing, Consumption and EMU, Economy and Monetary Unit Study.


국문요약

영국의 주택공급 - 적절한가? 지불가능한가?

과거 30년동안 영국의 주택정책은 신규주택 공급보다는 기존주택에 대한 재투자와 주거비 부담을 완화시키기는데 더 많은 중점을 두어왔다. 1990년 이후 특히 런던과 영국 남부지방의 주택가격의 급격한 상승은 학교교사, 간호사, 경찰요원, 소방요원 등과 같은 'Key worker'들의 수도권 지역에 주거할 'affordability' - 지불능력 -의 문제를 심각하게 악화시켰다. 그 결과 정부가 그동안 충분한 주택을 지어 있는가, 신규주택 공급을 저해 하는 요인은 무엇인가에 대한 이슈들을 다시 긴급한 정책 우선순위로 옮겨 놓았다.

이 논문은 과거 30년 동안 영국정부가 수행해 왔던 주택정책이 초래한 두 가지 실패인, 신규 주택 공급의 부족과 인구와 주거비 지불능력의 문제를 자세히 살펴보는데 초점을 맞추었다.

2001년 영국의 신규주택 공급은 2차 세계대전 이후 가장 낮은 수준에 머물고 있다. 1990년부터 2002년까지 10년동안 신규 주택의 건설 실적은 그 전 10년 동안에 비하여 12.5%가 감소 하였다. 신규 주택 공급 수를 주택 가격 변화 추이와 비교해 보면, 1970년대 중반의 공급은 주택 가격 상승에 맞추어 - 느리게 라도 - 반응 하였으나, 90년대 말에는 전혀 반응 하지 못하였다. 영국의 주택 공급이 가격 변화에 매우 저조하게 반응하고 있음은 여러 연구결과에서 입증 되고 있다. 국제 비교연구를 보더라도 영국의 주택 공급률은 미국과 독일에 비하여 매우 낮게 나타난다. 또한 GNP 대비 주택 투자 수준도 다른 EU국가들에 비하여 매우 낮다. 그러나 영국의 주택 공급 수준이 항상 이렇게 낮은 수준인 것 만은 아니었다. 2차 세계대전 이후 1945년 1.15 사이를 유지하다. 90년대에 영국 전역에 걸쳐 0 수준으로 하락 하였다. 특히 런던과 영국 남동부 지역은 1973년 이후 가장 낮은 수준을 유지하고있다.

그 주요 요인의 무엇인가를 살펴보면, Planning system - 지역계획 지침 (Regional planning guidance), 구조계획(structure plan) 그리고 지역계획(local plans) - 을 통한 주택 허가의 지인이 가장 큰 비판을 받고있다. 사실 1991년 이후 planning system은 영국 남동부 지역의 추가 택지 개발을 허가하지 않았다. 1980년대 후반 주택 가격 상승기에 민간 주택 개발업체가 주택 생산을 낮추었던 무책임한 행태도 강력적으로 비판받고 있다. 이들
한 기업의 영리추구 행위가 시장의 가격 자율 조정기능을 지배하는 결과를 초래 하였 다. 그러나 시장 가격의 변동성(Volatility) 그 자체가 민간 입체의 생산 수준에 직접 영 향을 미치기라도 하면 얻을 수 있다. 그 예로, 1990년 전반에 연속적인 주택가격 하락이 많 은 주택 건설업체들을 도산에 이르게 함으로서, 주택 생산이 적잡은 것을 그 예로 들 수 있다. 공급요인보다 주택 수요측면의 여러 요인들 주택 가격에 직접적인 영향을 미 친다고 알려져 있지만, 그것으로 가격 변화 추이를 완전히 설명하기는 힘들다. 여기서 중요한 사실은 공급이 지속적으로 부족한 상황에서는 수요 요인의 증가가 직접적으로 가격 상승을 야기한다는 점이다.

또한 주택가격에 대비한 공급의 지조한 대응은 영국의 주거 안정에 부정적인 영향으 로 작용하였다. 그 단적인 예로 주거비 지불능력의 악화, 특히 신규 가구의 악화된 주거 비 부담은 사회 경제적 측면에 큰 영향을 끼치고 있다. 특히 런던과 남동부 지역의 'Key worker'를 고용하는 데 막대한 장점을 주고있다. 주택시장에 진입하는 신규 가구들 의 주택가격대비 소득비율을 보면, 극히 악화된 상황을 겪게 보인다. 또한 민간 임 대료자율화로 지난 10년간 민간부문의 임대료가 급격히 상승하였고, 공공주택의 임대료 도 공급보조의 감소와 민간금융의 도입으로 소득에 비하여 급격히 상승하였다. 주거안 정의 극단적인 지조인 무주택 가구 수가 1990년 이후 급 상승 하였다.

영국 정부는 2003년 이미 Sustainable Community Development Plan을 발표하면서 주택 공급을 대량으로 늘리는 희기적인 정책을 발표하였다. 이 계획에는 급성장하는 지역을 중심으로 한 신규주택 건설의 중대, 이를 위한 사회 기반시설의 구축, 도시계획의 제도 적 개선을 통한 주택지의 확대 등을 포함한다. 최근 민간금융의 확대와 더불어 Business oriented된 공공 주택의 도래는 모든 tenure에 걸쳐 보조와 incentive의 구조를 근 본적으로 변화 시켰다. 과거와는 달리 영국정부는 민간금융에 더욱 의존하면서 정책의 facilitator로서의 역할을 하고 있다. 영국정부의 주장은 정부의 역할은 주택 추가 공급을 위한 제도적 틀을 정립하는데 있으며, 주택공급의 주체는 민간이어야 한다는 것이다. 이러한 새로운 접근 방향은 공공과 민간 여러 부문간의 협력과 참여가 요구된다. 과거 에 경영한 민간건설업체의 비사회적 영리추구 행태 -주택 수요가 농을매생산을 지원하 였던- 절약안하면, 현재 영국 정부가 달성하고자 하는 Sustainable Community의 목표를 민간건설업체에 의존하여 과연 쉽게 달성할 수 있을지 의문이다. 무엇보다도 주택 공급 주체로서의 민간건설업체의 사회적 사명감과 책임 의식이 점점히 요구된다. 한편으로,
민간건설업체들의 적극적 참여를 권장하기 위하여 영국정부는 세금 감면 혜택, 보조금 확대등의 지원책을 마련해야 할 것이다.