

Research

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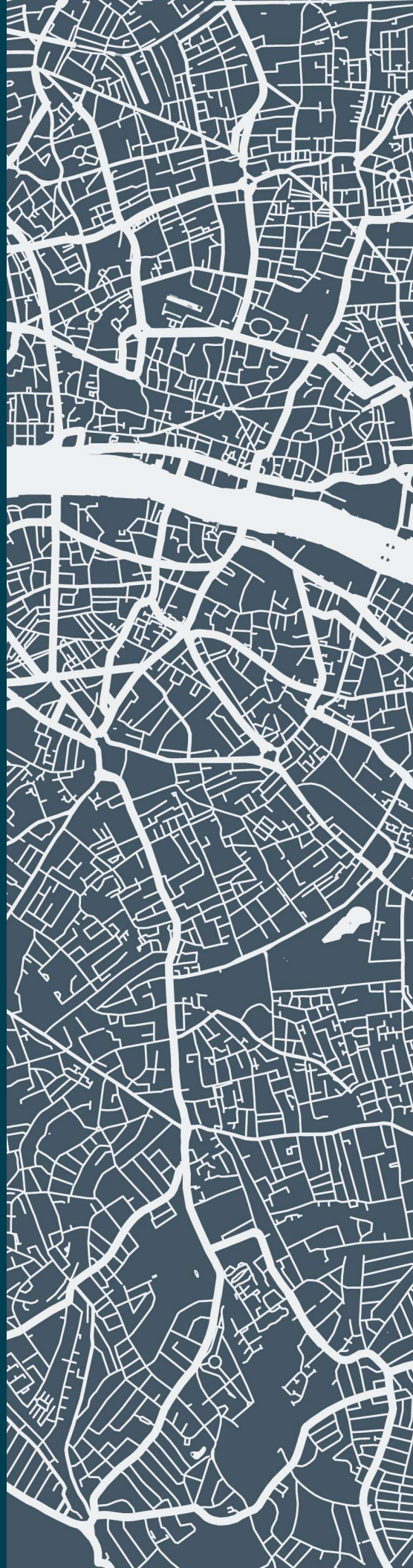
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Counting the cost: social housing waiting lists in England

Contents

Introduction	3
01 – Key Findings	5
02 – Housing waiting lists	6
03 – Local authorities under pressure	8
04 – The impact of Right to Buy	10
05 – The regional view	12
06 – Counting the cost	13
Conclusion	15



Introduction

For decades, England has failed to build enough homes. Since peaking in the 1960s at around 350,000, housebuilding rates have slowed significantly. Today, there remains a long-term, systemic undersupply of affordable housing in the UK and England in particular.

In fact, England hasn't built more than 200,000 homes since the 1980s. Despite this, politicians from all parties continue to set themselves targets much higher than the current rate of development (175,000 in 2022/23).

In the meantime, the housing crisis has grown exponentially, with the need for all types of housing under immense pressure. At the sharp end of the housing crisis are those who require social housing, leaving local authorities with large housing waiting lists.

Housing costs are pushing several councils across England to the financial brink, with some saying in the last 12 months that they are considering closing their social housing registers to new applicants.



Development of new homes is being held back by the fundamental make up of England's housing market. Despite this, political parties are consistently promising unattainable housebuilding figures. The 2019 Conservative manifesto vowed to build 300,000 homes a year by the mid-2020s – a target it is yet to reach - and Labour has promised a similar volume of 1.5m homes over the course of the next parliamentary term.

Even with substantial changes to the planning system, building more publicly funded homes and relaxing build quality and environmental standards (which is not advisable), there is still no possibility of building homes on this scale. At the same time, the country is seeing a constant stream of homes being removed from the social housing sector through the Right to Buy (RTB) scheme. The latest data shows that almost three times as many homes are being sold via RTB than are being completed through retained RTB receipts.

Building new social housing without addressing RTB is like bailing out a sinking ship without plugging the leak first. With the General Election set for July, we are calling for the policy to be abolished. As with any election campaign, there will be a flurry of manifesto promises being made, some of which will relate to housing and development. As we enter this period, we urge politicians from all sides to acknowledge the challenges at hand and not to overpromise.

In this report, JLL considers the scale of the housing waiting lists issue and the potential cost of fixing the problem.

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Annual spending on housing benefit reached an estimated £23.4bn this year. At a time when the Government's Affordable Homes Programme – which supports the development of new social homes – stands at just £11.5bn over the course of five years.

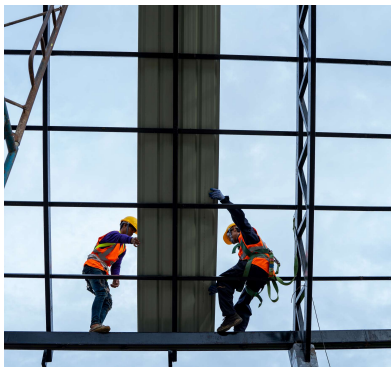
Marcus Dixon

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01 Key findings

In this report, JLL considers the scale of the housing waiting lists issue and the potential cost of fixing the problem.



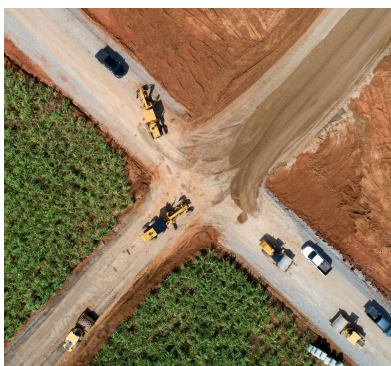
More than £200bn to build our way out

Building enough homes to house those on housing waiting lists would cost £205bn. This figure assumes that national and local government could provide land at zero cost, and factors in an average build cost of £160,000 per unit.



Over £400bn to buy our way out

By comparison, “buying our way out” would cost an estimated £418bn based on current market rates. While an indicative figure, it goes some way to demonstrate the cost benefit of investing in new homes over acquiring existing homes from the private market.



No option to do nothing as the shortfall grows

Compared to the government’s 300,000 per year new homes target, there is likely to be a shortfall of 570,000 homes over the next five years.

02

Housing waiting lists: a problem at scale

**1.287
million**

Households on social housing waiting
lists in England

+14%

Increase in the number of households on
the list in the last five years

As at the end of March 2023, which is the latest available government data, there were 1.287 million households on social housing waiting lists in England. This has risen by 161,000 (14%) in the last five years.

Volumes are down on the highs of just over a decade ago, but the 2011 Localism Act restricted eligibility. The Act removed the requirement for local authorities to consider all applications for social housing, allowing broad bans on categories of applicants, to aid prioritisation.

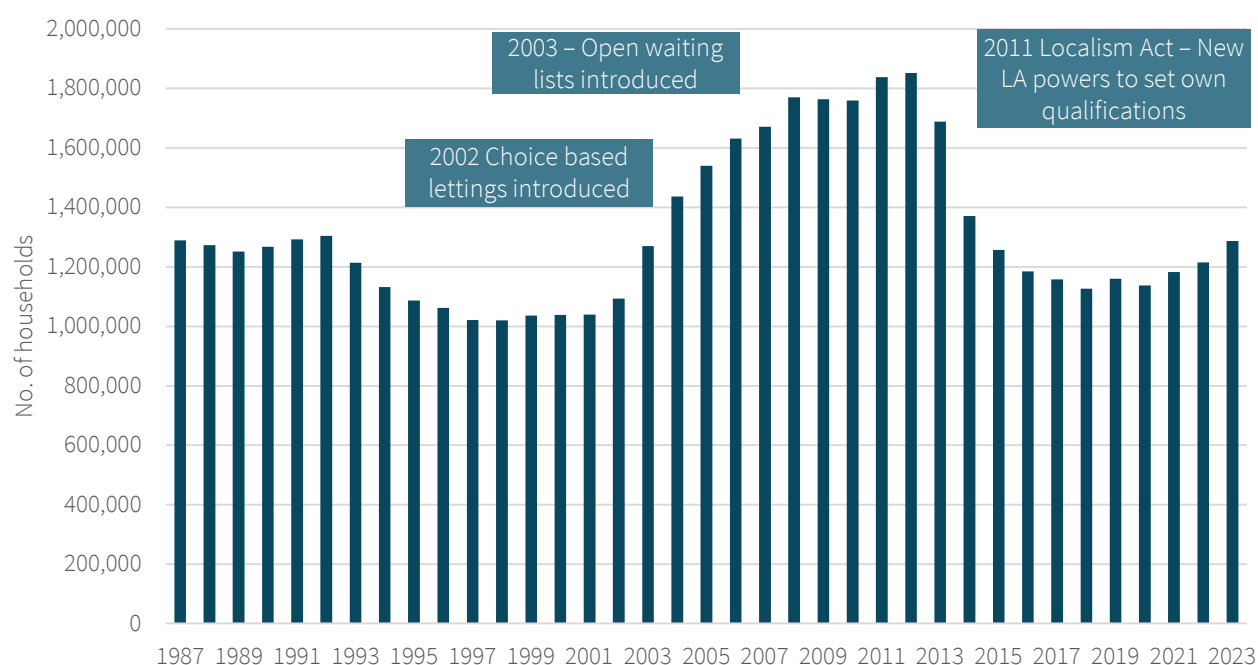
Applicants must provide evidence of a “local connection”, having lived or worked in an area for a set number of years; earnings and savings must be below a certain threshold; and there are rules against people with prior rent arrears, anti-social behaviour, and, at times, those found to have rejected previous recommendations.

Soon after the policy’s introduction, there was a sharp drop-off in the number of households on social housing waiting lists in England. But the number has been creeping up again in recent years.

Realistically, the true figures of households in need of social housing are far higher and many households are renting in the Private Rented Sector (PRS), while relying on housing benefit. This has meant that government spending on housing benefit has soared in recent years. Since the early 2000s, the housing benefit bill has doubled, with more low-income families stuck in PRS homes.

The most recent estimates show that annual spending on housing benefit reached £23.4bn this year. By contrast, the Government's Affordable Homes Programme – which supports the development of new social homes – stands at just £11.5bn over the course of five years.

Households on social housing waiting lists in England



Source: DLUHC Table 600

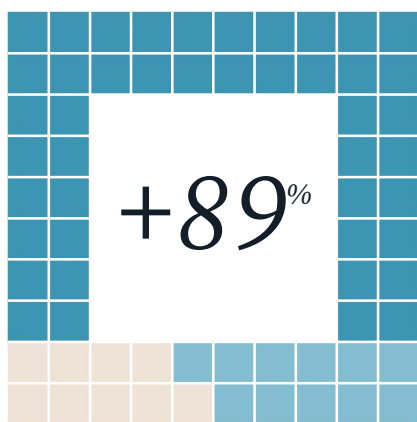
How housing waiting lists work

People apply for social housing via their local council, and if accepted, are placed onto a waiting list for a home. Each council will have an allocations scheme to prioritise applications based on needs including homelessness, overcrowding, or medical conditions. Some housing associations have their own waiting lists too.

If a local authority has a particularly long waiting list, they may ask if people on the list would like to apply for homes in other areas.

03

Local authorities under pressure



10-year increase in number of households in temporary accommodation

Housing is just one of the many services that local authorities in England are expected to deliver along with things like social care, schools, planning and waste collection.

Today, their role is primarily that of a landlord, rather than developer, with local authority development being negligible since the 1990s. However, the lack of social housing available to constituents has forced councils to seek alternative solutions.

This has resulted in councils housing people in temporary accommodation, which is extremely expensive. The Local Government Association (LGA) has estimated that the number of households in temporary accommodation has risen 89% in the last decade and now stands at 112,660.

Notably, the most recent government figures show that there are now 145,800 dependent children living in temporary accommodation.

These temporary measures cost councils at least £1.74bn in 2022/23 at a time when local government finances are under pressure. Of course, the cost is not just financial, with the societal cost of inaction for those people starting their lives in secure permanent homes rather than temporary accommodation often overlooked.

Understandably, there are significant geographical variations in the size of waiting lists, with large urban areas feeling the pressure most acutely.

One of the country's largest local authorities, Birmingham City Council, offers a stark example - with more than 20,000 households on its housing register, including 11,000 applications on the housing register that are yet to be assessed. In 2023, the council became one of the most high-profile councils to effectively declare bankruptcy by issuing a Section 114 notice, which resulted in planned cuts to its housing budget of 28%.

These are just some of the larger examples of waiting lists in England, but the cumulative impact of smaller waiting lists across less densely populated rural areas cannot be underestimated.

Additionally, JLL estimates that there are large numbers of people who are not on housing waiting lists that are in dire need of social housing. As JLL research found last year, there is potential unmet demand for millions of people who are dealing with issues like overcrowding and unaffordable rents.

The English Housing Survey (EHS) reports 1.1m PRS households have difficulty paying their rent. The survey also reveals 48% of the PRS do not have savings, at 2.2m households.

A further 1.9m mortgaged homeowners also have no savings, together making 4.1m people with no protection from high costs. Many need social housing or may do soon.

This has huge economic implications for the country, with many of those in the PRS receiving housing support. Around 1,154,767 households in England in the PRS are in receipt of housing support, accounting for 25% of the PRS.

The cost of housing support over the last decade has been enormous, with £160bn being paid out in total. Of this, some £99bn has been paid to social housing tenants with the remaining £61bn going to private landlords via tenants.

To put these figures into context, in theory this money could have provided 2.5 million new affordable homes, based on pricing in the Affordable Homes Programme 2021-26.

The most recent figures show the scale of housing waiting lists in major urban areas:

London	323,827
Birmingham	20,625
Leeds	20,283
Manchester	15,268
Liverpool	14,932



04

The impact of Right to Buy

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2022/23 data shows number of homes lost through RTB sales was more than three times higher than the number of replacement homes completed in the same year.

Marcus Dixon

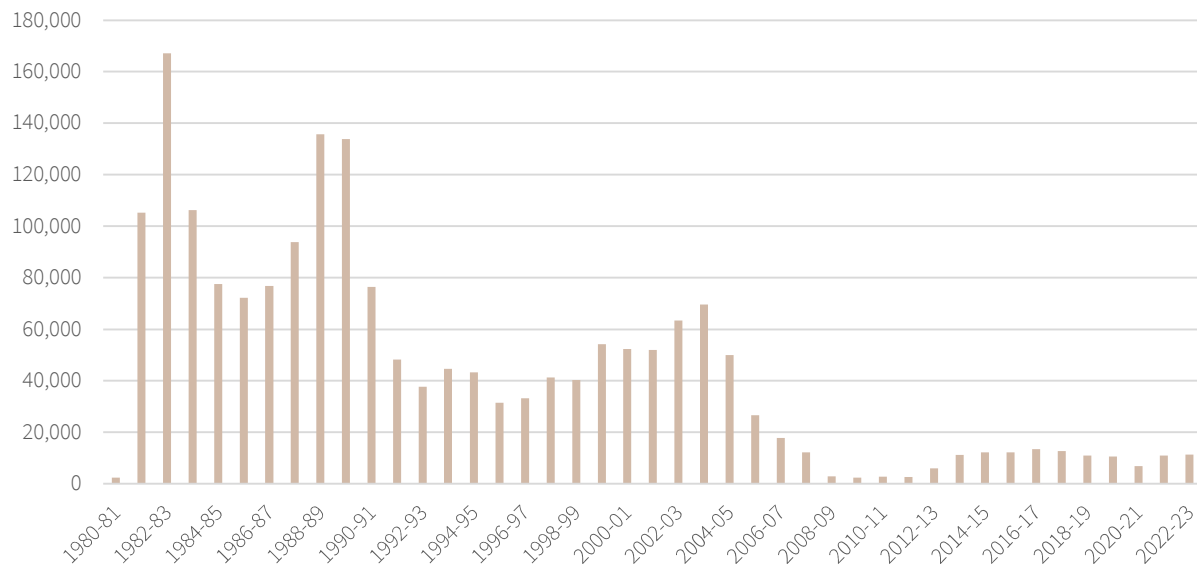
Head of UK Living and Residential Research, JLL

In 1980, the Housing Act was passed under then Prime Minister, Margaret Thatcher. The legislation gave local authority housing tenants the Right to Buy (RTB) their homes at a discounted rate.

The introduction of the policy led to a surge in the number of homes being sold, with numbers peaking in 1982/83. However, the initial policy did not include a stipulation for councils to use RTB receipts to build new social housing. As such, the number of homes sold under RTB dwarfed the number of replacement properties built.

Over time, various governments have attempted to prevent the reduction of social housing as a result of RTB sales. Most recently, the government trialed a policy to allow councils to keep 100% of RTB sales, instead of sending a portion to the Treasury. Annual receipts reached £1.1bn in 2022-23, 18.3% higher than the 5-year average of £930m. Despite this, Chancellor Jeremy Hunt announced in his 2024 Budget that the policy would come to an end in April 2024.

Right to Buy sales



Source: DLUHC

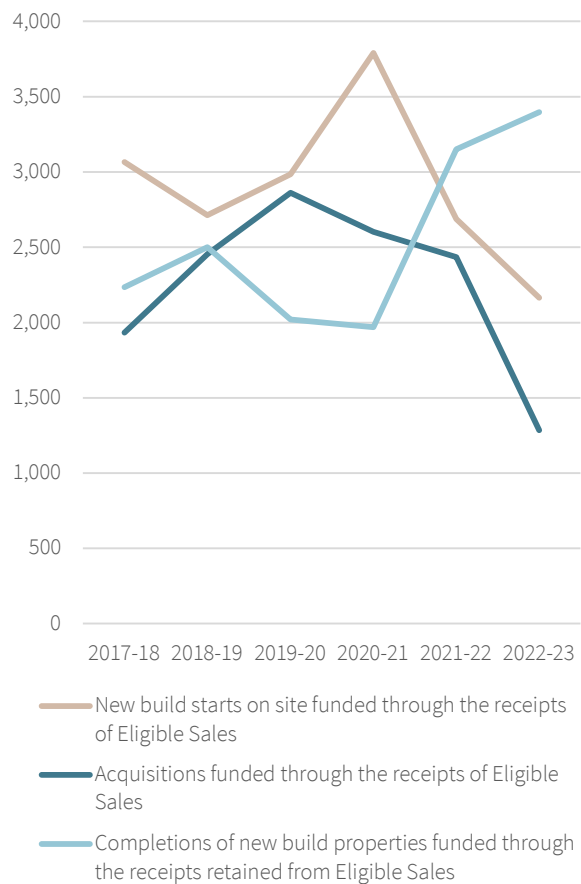
In 2022-23 there were 11,303 RTB sales in England, 11% higher than the 5-year average of 10,138. These figures are a lot lower than in the 1980s, where annual sales peaked in 1982-83 with 167,123 sales recorded.

By contrast, new build starts, acquisitions and completions in 2022-23 reached 2,164, 1,283 and 3,398 respectively. As such, the number of homes lost through RTB sales was more than three times higher than replacement homes completed in the same year.

Recent analysis has found that 41% of all council homes sold under the RTB scheme are now being let on the private market. In total, 119,000 homes were transferred from the social to private market by the policy between 2014 and 2023.

Under the current RTB regime, there is no clear roadmap or plan to enable councils to achieve one for one replacements for homes that are lost. Unless a solution can be identified, it is time that the policy is abolished in order to stem the flow of social homes entering the private market.

Replacement of Right to Buy Sales



Source: DLUHC

05

The regional view

In England one in every 20 households are on the social housing waiting list. However, when looking at a regional breakdown, the data shows that the problem of housing waiting lists as a proportion of total population is most acute in London.

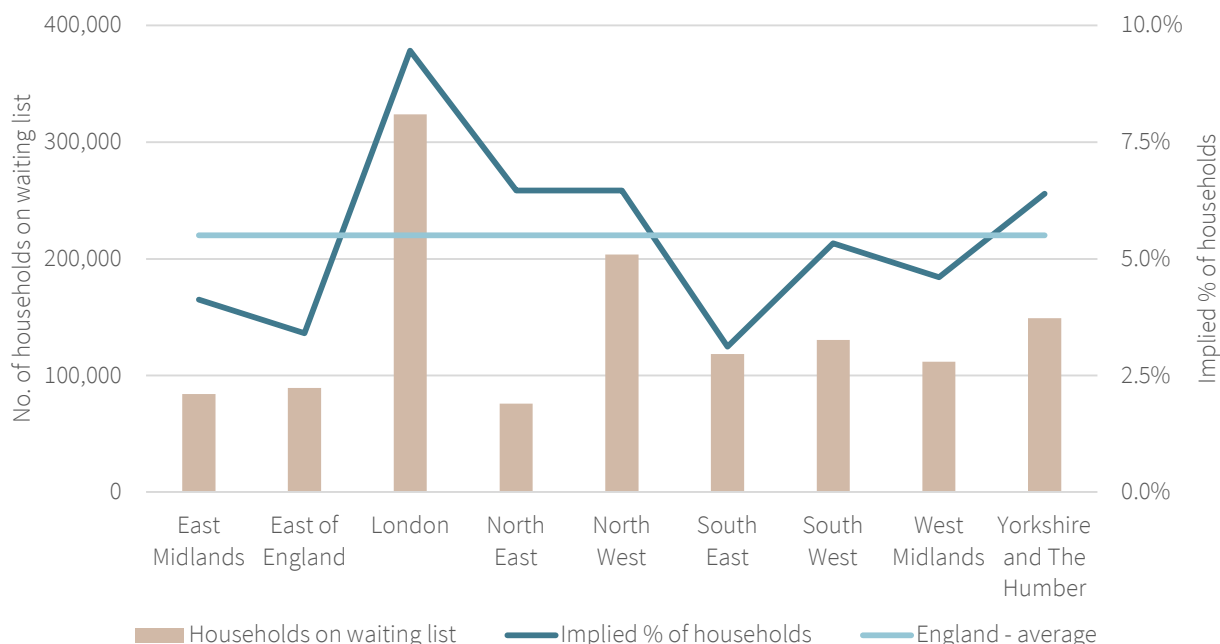
The strain on waiting lists in the capital means that almost one in ten households are on the waiting list (9.5%).

Despite London having the highest number of households on the social housing waiting list, the latest figures from the GLA show the ongoing challenge. Affordable housing completions in the year to March 2024 totalled 10,949, equivalent to just 3% of the total households on the waiting list. Affordable housing delivery has risen recently in London, but dipped in the last 12 months, down 22% on the previous year to March 2023.

Looking ahead it is unlikely we'll see an uptick in completions in the short term, with housing starts funded by grant down to just 2,358 in the 12 months to March 2024, a 90% fall on the number started in the previous 12-month period.

Other areas with a significant portion of households on social housing waiting lists include the North East (6.5%), the North West (6.5%) and Yorkshire & The Humber (6.4%).

Households on the waiting lists as % of total households



Source: JLL Research using DLUHC and Census



06

Counting the cost

The current UK Government previously set a target of building an average of 300,000 homes a year over the course of the parliament, but it has since admitted that this target will not be met.

The Labour Party has proposed a similar target of 1.5m homes over five years if it wins the forthcoming General Election.

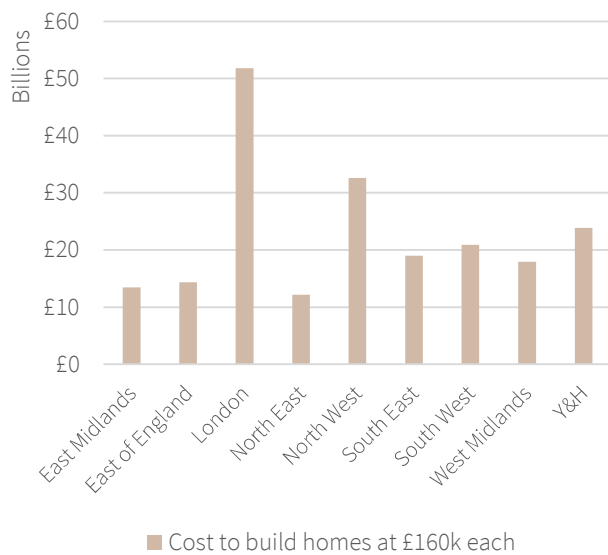
In fact, JLL estimates that, compared to this target of 300,000 a year, there will be a shortfall of around 570,000 homes between 2024 and 2028.

What is discussed less frequently is the cost of delivering these homes. The cost of development is compounded by the country's problematic planning system.

It is widely accepted that the planning system hinders development at scale, but when the government previously proposed some major changes in its planning whitepaper, proposals received significant, political backlash.

Since then, the government has proposed a different set of reforms through its Levelling Up and Regeneration Act 2023 which notably removed mandatory housebuilding targets. As a result of these reforms, a number of councils have cancelled previously agreed developments. This is concerning at a time when England needs to boost housebuilding significantly.

Cost to build enough homes



Building our way out

JLL's analysis shows that the cost of building enough homes to house those on housing waiting lists would reach £205bn in total. This figure assumes that national and local government could provide land at zero cost, and factors in an average build cost of £160,000 per unit. Factoring in land costs would increase this bill significantly.

£205 billion

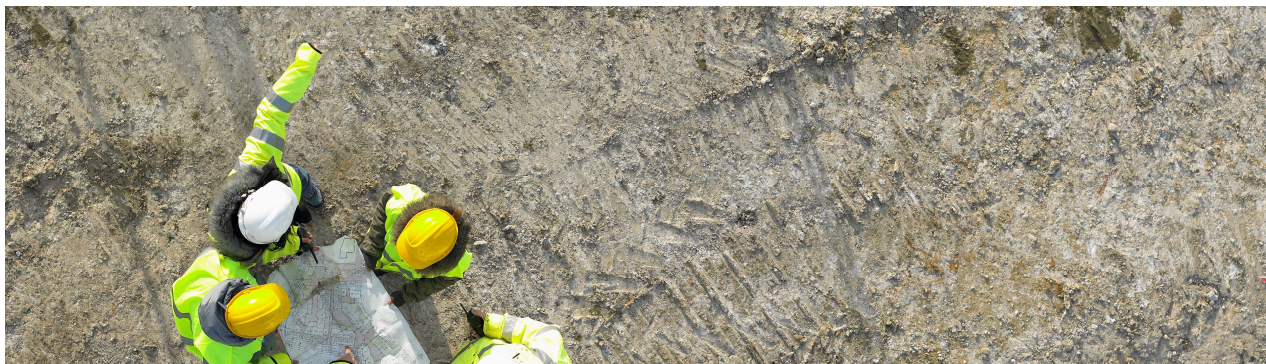
Cost to buy enough homes



Buying our way out

By comparison, “buying our way out” through the purchase of existing homes on the open market would cost an estimated £418bn. While an indicative number, it goes some way to demonstrate the cost benefit of investing in new homes over acquiring existing homes from the private market.

£418 billion



Source: JLL Research using DLUHC and Census



Conclusion

A number of factors, some of which are explored in this report, have led to a chronic shortage of affordable housing in England. The problem that this fact poses is not just a moral one, but also an economic one.

Currently, spending on solutions such as housing benefit and temporary accommodation – to support those either in the PRS or on council waiting lists – far outweighs the funding allocated to building new homes. This spending is absolutely necessary, but looking forward, there must be a concerted effort to rebalance this, by increasing grant funding for long-term solutions such as new affordable homes.

Building the homes that the country needs would have a profound economic impact and benefit to society as a whole. Indeed, a recent study by CEBR, commissioned by Shelter and the National Housing Federation, found that building 90,000 social rented homes would add £51.2bn to the economy.

It is no wonder, then, that politicians of all persuasions are keen to make bold commitments when it comes to housebuilding. But so often these promises are made without acknowledging the structural issues that are preventing housebuilding on the scale that is required.

The planning system, build costs, labour shortages and availability of land are just some of the factors that have held back housebuilding in the past. Although there have been attempts to fix some of these issues in the last decade or so, nothing has successfully moved the dial.

We are clear that the housebuilding numbers being promised by the main parties vastly exceed the capacity of the private and affordable sectors combined, and we urge politicians across the spectrum to acknowledge this, so that we can focus on fixing the underlying problems within housebuilding.

Before taking action on the aforementioned barriers to housebuilding, the government must also look to preserve the pool of existing social homes by abolishing Right to Buy. Doing so would mean thousands of social homes remain in the social housing sector in perpetuity, with more than 10,000 homes lost to the private sector via Right to Buy in 2023.

As we approach a General Election in July, it is important that any discussions around housebuilding targets show an understanding of these issues, so that industry and the public do not lose faith in politicians that overpromise and under-deliver.

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Methodology

JLL used regional data on social housing waiting lists DLUHC Table 600. The cost to build has assumed a build cost of £2,000 per sqm for an average 80 sqm home (£160,000). Our analysis assumes no land cost. For cost to purchase we have used Land Registry house price data by region.

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