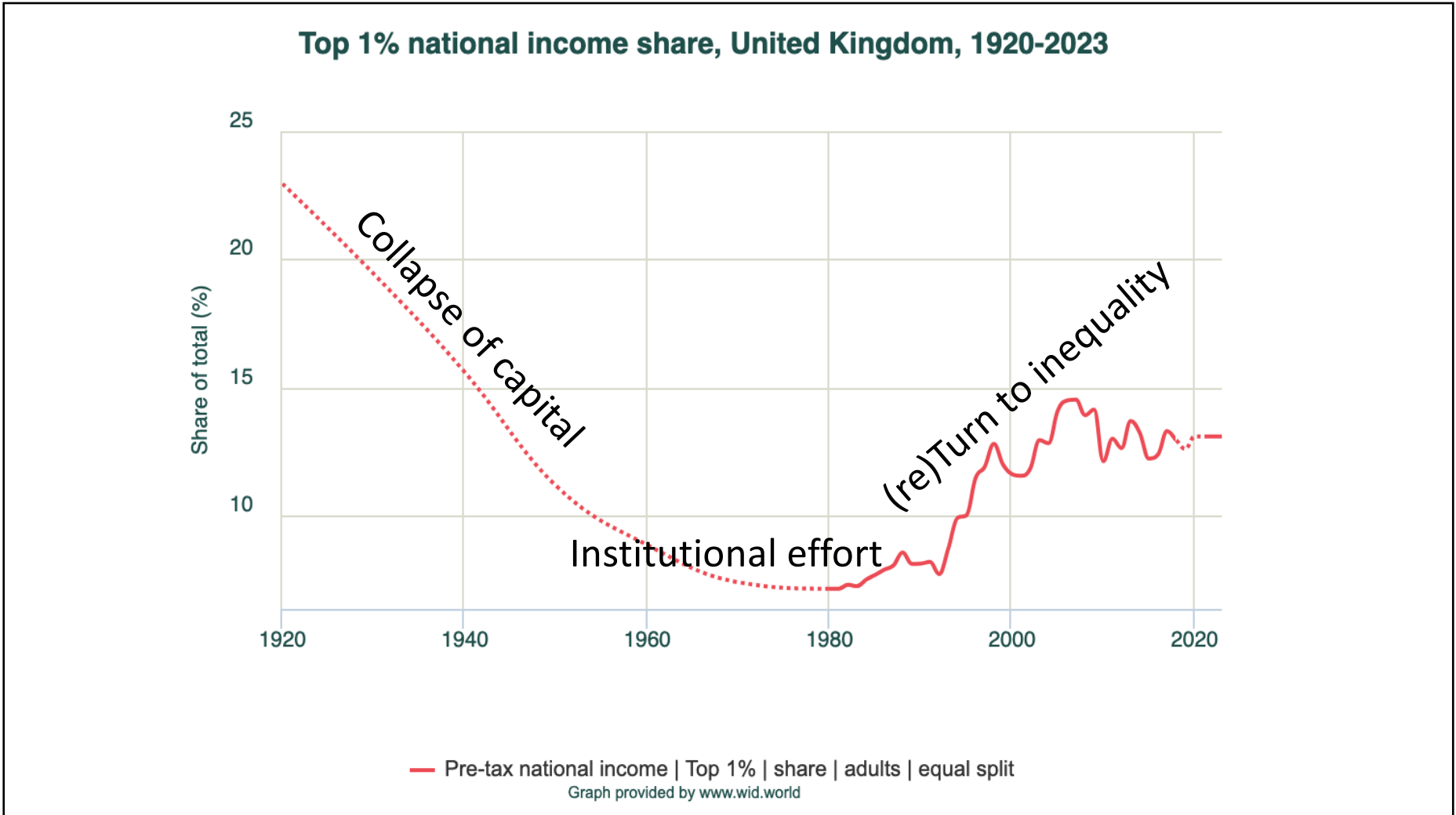




1



2

The Good(in parts)

A quick look back

3

The Good (In Parts): some surprising economic history

- Around the first 'peak' in economic inequality, British housing outlays, though uneven, were more affordable than in most other European countries, including Germany and France
- During the early 20th century housing improved substantially despite prices barely covering the cost of construction
- See Dauntton, M. (1983) *House and Home in the Victorian City: Working-Class Housing, 1850- 1914*. London: Hodder Arnold

4

The Good (In Parts): significant social history

- The 19th Century Public Health Acts curtailed private property rights in the interests of public welfare, tackling building standards, water supply, drainage, street lighting and, from 1885, slum clearance
- Governments recognised that: housing has special qualities, that markets cannot cater to; housing markets generate social costs and benefits that pricing fails to capture

5

The Good (In Parts): (Council) Housing vs Economic Inequality

- Funded through taxation and borrowing, post-war social renting helped advance a welfare ideal.
- Partly suspended the price mechanism to allocate homes according to need; delivered a progressive 'housing income'
- Accommodated one in three households by the 1970s
- Gini for income before and after housing costs, similar, stable, low

6



7

The peoples' wealth (Owner occupation)

- A tax-incentivised policy choice...
- A financial tool, putting wealth into the portfolios of the many (for first time)
- 1920-1990, as the top one and ten percent share of wealth fell the rising share of the middle four deciles was almost entirely due to the spread of owner-occupation (Szreter, S., 2021, *The history of inequality: the deep-acting ideological and institutional influences*. London:IFS).
- 1960-95, steadily rising concentration of UK net personal wealth into housing -> A financial buffer through the (re)turn to economic inequality

8

Housing wealth as a financial buffer: panel survey perspectives

Table 3. Aggregate values of HEW, annually, 2001–2008

Year	Equity withdrawal channel							
	Sell up		Trade on		In situ equity borrowing		All channels	
	UK £bn	Aus \$bn	UK £bn	Aus \$bn	UK £bn	Aus \$bn	UK £bn	Aus \$bn
2001–2002	6.5	11.4	7.9	9.6	36.8	37.7	51.1	58.7
2002–2003	10.6	15.6	12.6	9.8	48.3	49.1	71.5	74.5
2003–2004	9.2	14.8	18.6	7.9	52.1	51.2	80.0	74.0
2004–2005	9.1	12.1	14.1	7.2	59.7	54.2	83.0	73.5
2005–2006	18.6	15.2	26.1	7.8	62.1	52.0	106.9	75.0
2006–2007	22.0	12.3	9.6	8.9	58.8	59.8	90.4	80.9
2007–2008	4.7	15.5	11.9	17.3	62.6	68.7	79.2	101.4
Total	80.8	96.9	100.7	68.5	380.5	372.6	562.0	538.0

Note: Population-weighted data.
Source: Authors’ calculations (BHPS and HILDA).

Source: Ong, R., Parkinson, S., Searle, B. A., Smith, S. J. and Wood, G. (2013) Channels from Housing Wealth to Consumption. *Housing Studies* 28: 1012-1036

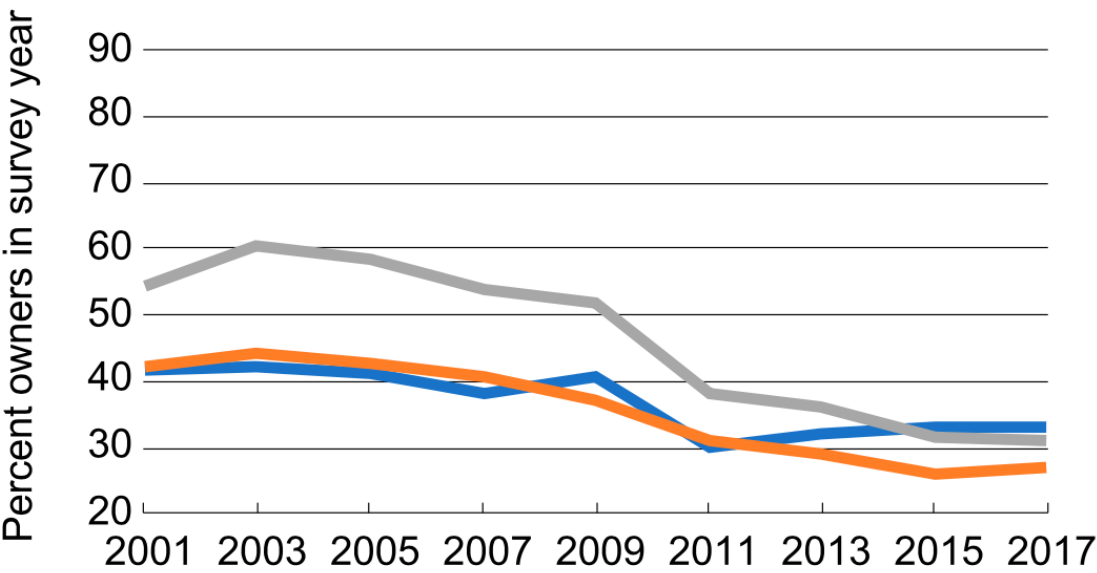
9



10

More panel survey perspectives

1. Owner occupation peaked at 71% in 2003; then, for the first time in 50 years, the sector shrank (c. 65% today)



2. Housing wealth inequalities intensified, favouring the ‘inheritocracy’

Smith, S. J., Clark, W., Ong Vitorj, R., Wood, G. A, Lisowski, W., Truong, N. T. K (2022) Housing and economic inequality in the long run: the retreat of owner occupation. *Economy and Society* 51(2): 161-186

11

3. The edges of ownership are precarious

Table 3 Real value of *in situ* equity borrowing, by income tertile, at 2017 values

	First tertile	Second tertile	Third tertile
AUS (AU\$)			
2001–2003	68,459	75,414	100,612
2015–2017	130,535	110,912	181,348
Change (%)	91	47	80
UK (GB£)			
2001–2003	21,601	21,819	25,992
2015–2017	55,126	54,673	46,488
Change (%)	155	151	79
USA (US\$)			
2001–2003	34,588	37,983	37,223
2015–2017	50,548	35,387	36,065
Change (%)	46	–7	–3

Source: Authors’ estimates; HILDA and PSID 2001, 2003, 2015, 2017, BHPS 2001, 2003, UKHLS 2015, 2017.
Note: Unbalanced panel of individuals. Income tertiles are based on home owners’ individual gross annual income. Tertiles for 2001–2003 and 2015–2017 are generated from 2001 and 2015, respectively (see supplemental material section A4.1.2).

12

4. A radical recalibration of the PRS

- Great Britain Price Index of Private Rents at 9% by December 2024
- local housing allowance frozen in cash terms for 7 of the past 14 years
- Private renters twice as likely as the rest of the population to be in after-housing poverty
- See Earwaker, R. (2024) *Stop the freeze: permanently re-link housing benefits to private rents*. York: JRF.

13

Impact of housing costs on incomes

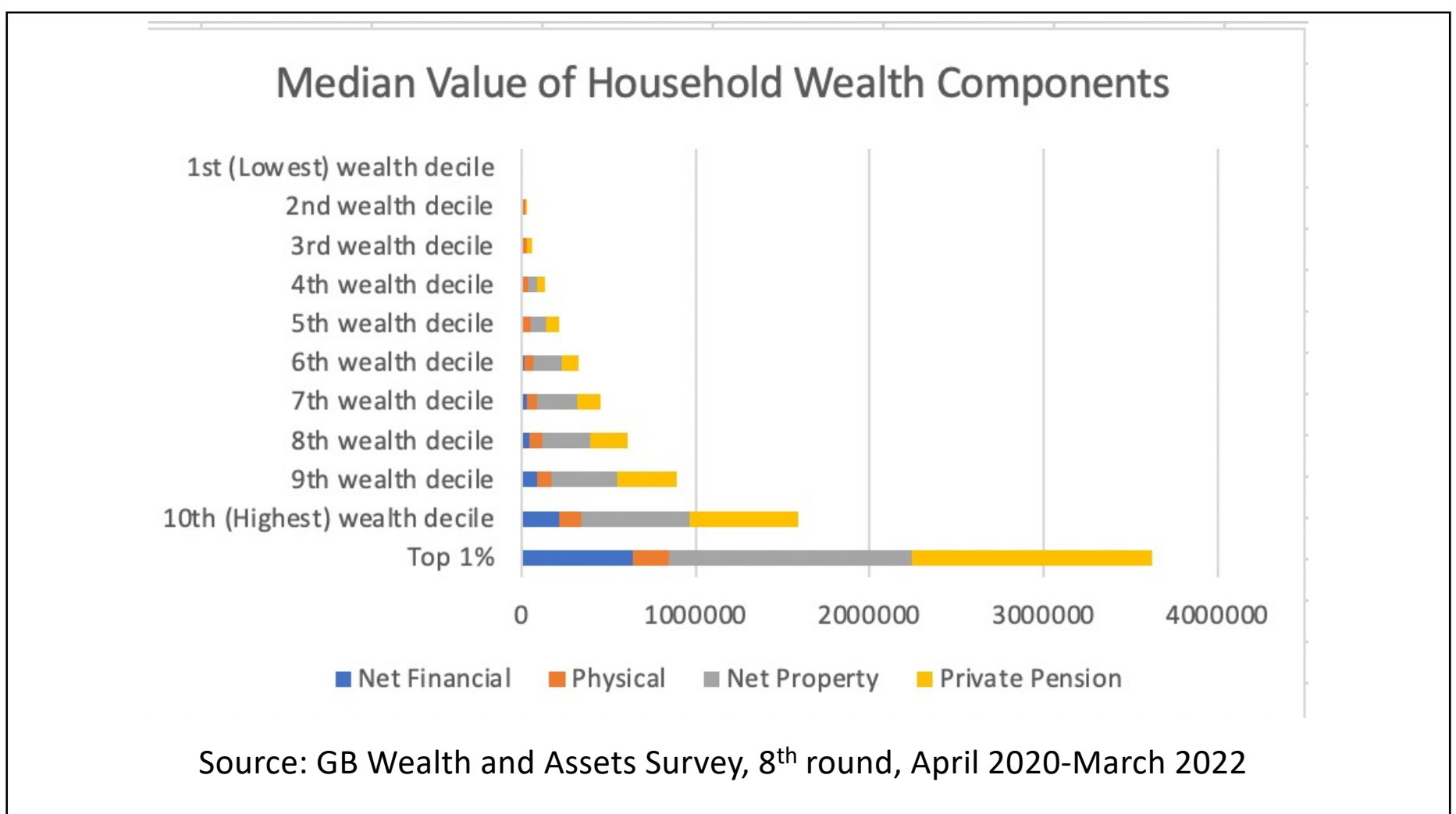
	Income absorbed by housing costs (%)		Difference
Year	5 th percentile	95 th percentile	
1961	15.9	13.9	2
1980	17.9	12.9	5
2000	34.1	10.1	24
2020	38.6	6.7	31.9

Source: IFS . <https://ifs.org.uk/living-standards-poverty-and-inequality-uk#incomes-over-time>

14



15



16

Residential Property Taxes in the UK

‘the cumulative legacy of tax choices made on housing since the 1980s has been harmful to poorer homeowners, disadvantaged regions and younger people, as well as acting as an overall impediment to mobility. Together with restrictions on land supply, it amounts to a major policy failure’ (p. 23).

Muellbauer, J. and Soskice, D. (2022) The Thatcher legacy Lessons for the future of the UK economy. The Economy 2030 Inquiry. Resolution Foundation

17



Housing and Economic Inequality

The Good, the Bad and the Future

An expanded, written, version of this presentation is forthcoming in the UK Housing Review 2025, Chartered Institute of Housing (published on March 24)

18