

Know your place

Housing wealth and inequality in Great Britain
1980–2003 and beyond

A Shelter summary of research carried out by Bethan Thomas and Danny Dorling, Department of Geography, University of Sheffield. The full report is available from Shelter's website.

26 November 2004

www.shelter.org.uk

© November 2004 Shelter. All rights reserved. This document is only for your personal, non-commercial use. You may not copy, reproduce, republish, post, distribute, transmit or modify it in any way.

This document contains information and policies that were correct at the time of publication.

Shelter

The impact of inequality on opportunity, social mobility, and in particular the life chances of children, is currently the subject of a major political debate. Groundbreaking research, commissioned by Shelter from Sheffield University, has uncovered unprecedented and rising levels of housing inequality directly caused by the distorted housing market. Shelter believes that housing is now one of the single biggest drivers of inequality and it increasingly determines a child's chances in life.

Wealth tied up in housing is driving a wedge between rich and poor. Those at the top of the housing ladder have seen their housing wealth increase by over 300 per cent in the last ten years alone, while those at the bottom of the ladder accumulate no housing wealth at all.¹ The research shows that such levels of inequality are almost insurmountable for those at the bottom; whatever efforts they make to improve their relative situation.

The research

The Sheffield University research maps mortgage and house-price data over the last two decades and compares 1,282 census 'tracts', which are the smallest areas covering all of Great Britain for which the housing price changes, year on year, can be accurately measured. It is the most comprehensive study of its kind and shows that daily reports of house-price changes in the media are obscuring the larger picture of a disturbing trend towards ever-greater levels of inequality in housing wealth.

The share of national wealth held in the form of housing has doubled from 22 per cent to 42 per cent in the last 30 years. Moreover, housing wealth has become geographically polarised. In short, where you live increasingly determines how wealthy you are.

Housing wealth

- The absolute value of housing has risen 50-fold in the last 30 years from £44 billion to £2.4 trillion.
- The financial value of our housing is now almost twice as great as the financial worth of all life assurance and pension funds in the UK.
- Housing is the single greatest repository of wealth held by individuals in Britain. Average housing wealth now stands at roughly £40,000 for every person in the country – although it is important to note that this is an average and that large numbers of people have no housing wealth at all.

¹ Housing wealth has been measured according to how much equity people own in their property. It is important to point out that for those people who live in rented accommodation and own no other property, their housing wealth is, by definition, zero. The poorest tenth of children in Great Britain, according to the wealth of their parents, have recourse to no housing wealth.

Housing inequality

- Over the last ten years, housing wealth per child in the best-off ten per cent of areas has increased by 20 times more than that of the worst-off ten per cent.²
- The wealthiest tenth of households by area possess over five times the housing wealth of the 10 per cent of households with least wealth.
- Ten years ago, the price of the average house in Kensington, in London, would buy two in Leven, Fife. Today, it would buy 24.
- A slow down in the housing market will have little impact on inequalities in housing wealth.

Why does it matter?

The Sheffield University research shows that, if current trends continue, in 30 years time the ten per cent of children in the wealthiest areas will have access to more than 100 times the housing wealth of those ten per cent of children growing up in the poorest parts of the country. We are moving towards a situation in which this country's children will be divided more by housing than has previously been the case, at least since Victorian times.

Housing wealth gives families access to greater security and opportunity.

- Parents can access housing wealth (through downsizing or remortgaging) and help their children financially. Housing wealth gives families greater borrowing power. Children receive a windfall on their parents' death.
- Children born into families with no housing wealth inherit nothing and have little financial help throughout their lives.

A child will not be able to earn their way out of this disadvantage – a social position determined by who their parents are and, mainly, by where they happen to live – very easily. For children born into families with low housing wealth or none at all, there will be large parts of the country to which they cannot consider moving in the future. This geographical immobility will affect children's life chances and will impact on Britain's economic well-being.

Housing wealth and wider inequality

These research findings come against a background of increased income inequality in recent years.

² Housing wealth per child is calculated by: dividing the estimated housing wealth for each tenure type, in each area in 2003, by the number of dependent children for that tenure in that area. The resulting figures show the per capita housing wealth for all children, not just those living in owner-occupied households.

- The wealthiest ten per cent of British people now own 52 per cent of the country's total marketable wealth.
- Since 1997, the top two per cent have seen their income rise by four per cent a year. The bottom two per cent have seen their income fall.
- Over the last four decades, the UK has invested a lower proportion of its national income in housing than any other EU country.

The Government has made important strides in addressing levels of income and child poverty. Inequality is now emerging as a major political issue as the political parties recognise its impact and debate asset-based solutions that may begin to alleviate the problem. Alan Milburn MP, Chancellor of the Duchy of Lancaster, recently said that the housing market is widening the gulf between those with assets and those without, impeding social mobility. The Conservative Party has argued that increasing home ownership, through extending the Right to Buy, will enable more people to get on the housing ladder. The Sheffield University research shows that housing inequality is central to broader debates about social mobility and income inequality.

What should be done about it?

In imposing a wealth gap that is almost unbridgeable, housing inequality is having a major impact on geographical mobility and Britain's economic well-being. Most importantly, it profoundly and increasingly affects the life chances of our children.

The Government needs to recognise the consequences of growing inequality in housing wealth. Urgent reform of the housing market is needed. This should include:

- reviewing taxation of land and housing wealth
- rebalancing supply and demand through building new affordable homes
- implementing recommendations from the Treasury's Barker Review of Housing Supply to lower house-price inflation
- policies to help people without assets to access assets and wealth
- ensuring policies to tackle poverty, disadvantage and bad housing, work much harder to compensate for inequalities in housing wealth.

Supported by



**CALOUSTE
GULBENKIAN
FOUNDATION**

Bad housing wrecks lives

Registered Company number 1038133
Charity number 263710

We are the fourth richest country in the world, and yet millions of people in Britain wake up every day in housing that is run-down, overcrowded or dangerous. Many others have lost their homes altogether. Bad housing robs us of security, health, and a fair chance in life.

Shelter believes everyone should have a home.

We help 100,000 people a year fight for their rights, get back on their feet, and find and keep a home. We also tackle the root causes of Britain's housing crisis by campaigning for new laws, policies and solutions.

We can only do this with your help. Please support us.

88 Old Street
London
EC1V 9HU
Tel: 020 7505 2000

Scotiabank House
6 South Charlotte Street
Edinburgh EH2 4AW
Tel: 0131 473 7170

or visit www.shelter.org.uk

Shelter