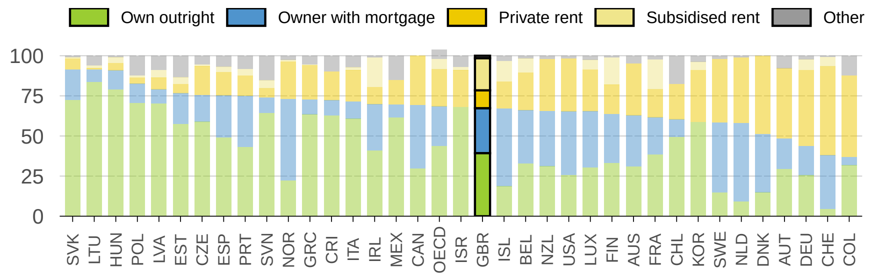
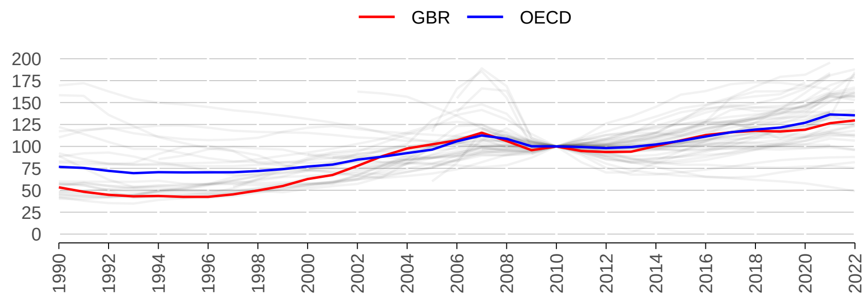
UNITED KINGDOM

Housing policies affect well-being through a wide range of channels including access to decent shelter, environmental quality, efficient use of scarce resources, type and extent of commuting, as well as its contribution to strong and resilient economic growth. This snapshot provides a cross-country perspective on The United Kingdom's housing-related indicators and policy settings. Households' tenure choices depend on demographics and/or socio-economic factors, as well as policies related to public promotion of housing, housing taxation and rental regulations. There are large differences in tenure structure across OECD and key partner countries: homeownership in the United Kingdom is close to the OECD average (39.3% of households own their homes outright and 28% own with a mortgage, while 31.1% are private renters) (Figure a). Real house prices have risen strongly since the 1990s, with prices more than doubling in those countries experiencing the largest increases. In the United Kingdom, prices have closely followed the OECD average with an increase by 29.6% since 2010(Figure b). After growing faster than the OECD average in the early 2000s, a lagged recovery of house prices after the Global Financial Crisis was replaced by feeble growth and falling real rent levels (-5.2% since 2010, compared with a 1.3% increase on average in the OECD) since the 2016 referendum to leave the European Union. After 2012, the growth rate of housing investment has been slightly higher than the OECD average (5.5% in the United Kingdom in 2022, compared with 4.8% in the OECD overall) (Figure c). Finally, mortgage markets play a crucial role in housing markets since housing generally constitutes the household's single largest financial outlay. The ratio of outstanding households' mortgage claims to GDP in the United Kingdom is 65% in 2022 (declining by 11% in the last five years) (Figure d).

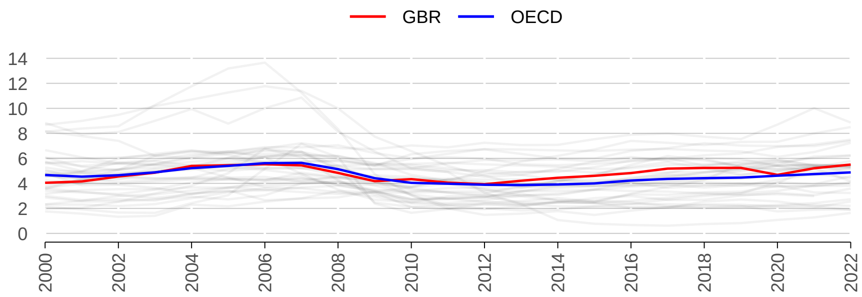
(a) Housing tenure distribution, 2020 or latest available



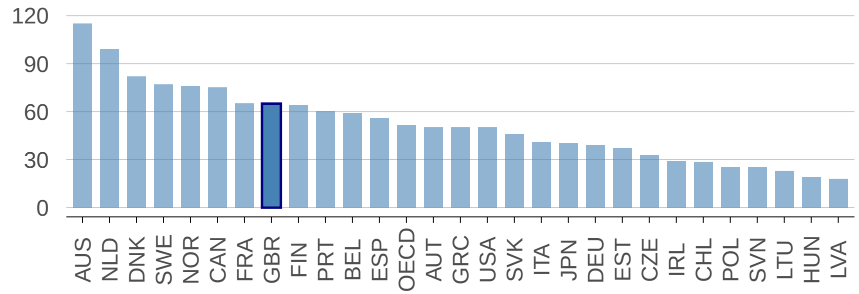
(b) Real house price index (2010=100)



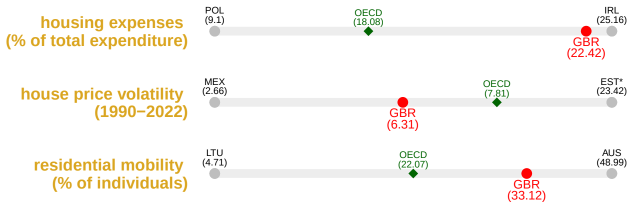
(c) Housing investment as share of GDP



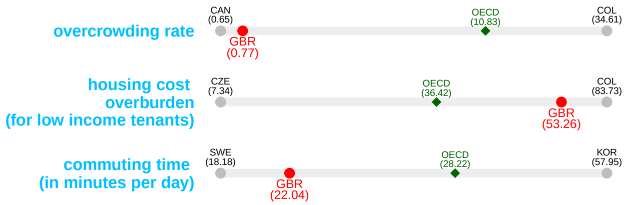
(d) Housing finance: mortgage claim as a share of GDP, 2021 or latest available



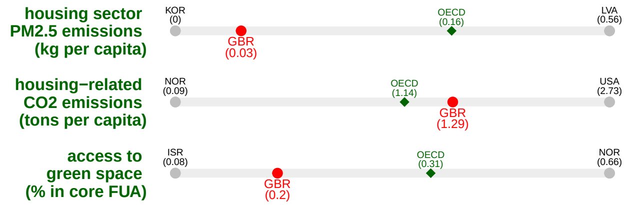
Efficiency



Inclusiveness



Sustainability



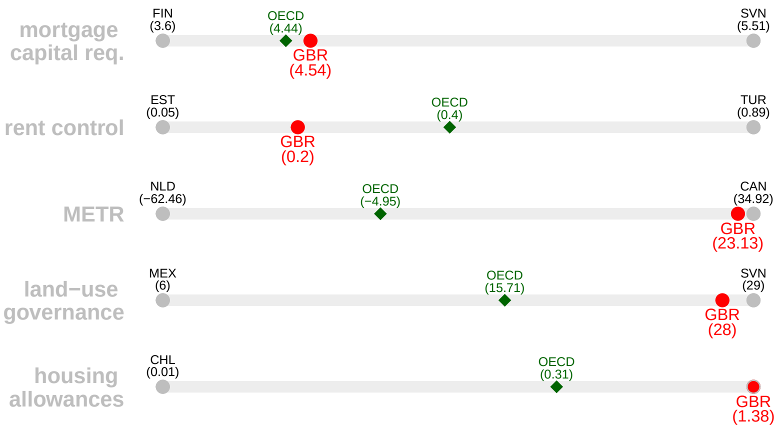
Efficiency measures the economy's capacity to align housing supply with demand, thereby limiting excessive price and rent increases, contributing to macroeconomic stability and facilitating residential mobility. In the United Kingdom, housing costs, comprising actual and imputed rents as well as maintenance and repair of dwellings, make up a high share of overall household expenditure (22.4% total household expenditure) compared with the average OECD country (18.2% total household expenditure). House price volatility is moderate in the United Kingdom (6.3 standard deviation during the period 1992-2022) compared with the OECD average (7.6). Stringent land-use regulations prevent an efficient allocation of housing supply and hamper effective competition, driving up costs in prosperous agglomerations, notably London and surrounding areas. High underlying demand in these areas also put a floor on housing prices during the Global Financial Crisis, thus reducing volatility. Finally, residential mobility, as measured by the percentage of individuals who changed residence in the years 2008-2012 (33.1% of the population), is relatively high by international comparison (22.1% of population). Residential mobility is helped by a steep property ladder inciting frequent moves in response to changes in circumstances, lean labour- and rental- regulations and housing allowances that are the largest in the OECD and that represents 1.38% of GDP, far above most OECD countries.

Inclusiveness refers to the housing sector's capacity to deliver adequate and affordable homes across the income distribution while limiting residential segregation. The United Kingdom displays a relatively low overcrowding rate of 0.8 % of households in 2020. Conversely, it is among the countries with the highest level of housing cost overburden (for low income tenants), measured by the percentage of low-income tenants spending more than 40% of income on rent. In the United Kingdom, it reaches 53.3 % of low income households in 2020. Factors contributing to these outcomes include high housing prices and relatively high levels of income inequality and poverty. Finally, average commuting time is significantly lower than the OECD average of 29.2 minutes per day, at 22 minutes per day, which suggests that relatively few people can afford living close enough to their workplace.

Sustainability assesses the housing sector's readiness for the transition to a low-carbon economy and its capacity to attenuate pressures on the ecosystem by preserving biodiversity and residents' health. Residential activities are responsible for 44 % of fine particulate matter (PM2.5) emissions on average across OECD countries, which is the air pollutant that poses the greatest risk to health globally. The United Kingdom displays relatively low housing-related PM2.5 emissions of 0.03 kg per capita in 2020 and housing-related CO2 emissions of 1.3 tons per capita, which is close to the OECD average of 0.2 kg per capita and 1.1 tons per capita, respectively. In 2019, the city of London has also introduced the *Ultra-Low Emission Zones* with the purpose of improving air quality in and around central London by reducing the number of older, more polluting vehicles that enter the central zone. Even though the United Kingdom has the oldest housing stock in Europe, and thus among the least energy efficient. In addition, the energy mix of the residential sector still relies strongly on the use of gas that represents 62% of the energy used by households one of the largest share across the OECD. During the period 2000-2020 the CO2 emissions of the sector have been reduced by 39%, more than the OECD average. Finally, the average access to green space in urban areas, which is linked to a variety of health and well-being benefits, is relatively low in the United Kingdom compared with the OECD average.

Policy Profile

Housing policies shape the efficiency, inclusiveness and sustainability of the housing sector. The chart below shows the principal indicators capturing the policy profile for United Kingdom.



Requiring lenders to use more capital when funding risky mortgage loans has been found to result in lower crisis risk and stronger recoveries. More stringent rent control, which reduces the profitability of housing investment, is empirically associated with a weaker response of housing supply to change in demand. Higher marginal effective tax rates (METR) on housing property help containing house price dynamics, thereby contributing to housing affordability over the long run. Higher values of the land-use governance indicators reflect more decentralisation to the municipalities and/or more overlap across government levels; they have been empirically linked to housing supply that is less responsive to changes in demand. More spending on housing allowances typically facilitates residential mobility in some countries, which is often a condition for labour mobility. Higher rent subsidies can however inflate rents and prices where supply fails to respond flexibly to demand. The macroprudential framework of the United Kingdom has proven fit for purpose during the COVID-19 crisis. Lean rent control regulations and housing allowances underpin mobility, but supply is held back by stringent land-use regulations with ample opportunity to hinder or delay housing developments locally. The efficiency and fairness of housing-related taxation could be improved by moving from a regressive to a flat-rate Council tax, while permanently reducing the stamp duty.

Definitions*

Structural indicators	
Share of owners outright	Share of owners outright, source: OECD Housing Affordable Database
Share owners with mortgages	Share owners with mortgages, source: OECD Housing Affordable Database
Share of private renters	share of private renters, source: OECD Housing Affordable Database
Share of subsidized renters	Share of subsidized renters, source: OECD Housing Affordable Database
Real house price index	Real house (hedonic) prices evolution (100=2010). Source: OECD House Price Analytical Database
Housing finance	Loans for house purchasing, in percent of GDP (in %). 2019 or latest year available. Source: OECD Resilience database, National Bank of Belgium, Central Bank of Chile, Central Bank of Ireland
Housing investment	Housing investment as share of GDP (%). 2019 or latest year available. Source: OECD National accounts data
Efficiency	
Housing expenses (% of total expenditure)	Housing consumption as a share of total household expenditure (in %). The indicator includes expenditure for actual and imputed rents, maintenance and repair of the dwelling. 2021 or latest year available. Source: OECD National accounts data
House price volatility (1990-2022)	Standard deviation of (de-trended) real house prices (1990-2022). Source: OECD calculations based on OECD Analytical House Price Database
Residential mobility (% of individuals)	Share of individuals that changed residence in 5 years (in %), 2012. Source: OECD Calculations based on 2012 EU SILC Data for EU countries, AHS 2013 for the United States, HILDA 2012 for Australia, Encuesta de Calidad de Vida Urbana (ECVU) 2018 for Chile
Inclusiveness	
Overcrowding rate	Share of household that does not have at its disposal a minimum number of rooms relative to their household size and composition (in %). 2020 or latest year available. The minimum number of rooms is equal to: one room for the household; one room per adult couple in the household; one room for each single person aged 18 and over; one room per pair of single persons of the same sex between 12 and 17 years of age; one room for each single person between 12 and 17 years of age and not included in the previous category; one room per pair of children under 12 years of age. Source: OECD Affordable Housing database
Housing cost overburden (for low income tenants)	Share of tenants in the bottom quintile of the income distribution spending more than 40 percent of disposable income on private rent (in %). 2020 or latest year available. Source: OECD Affordable Housing Database
Commuting time (in minutes per day)	Average time spent travelling to and from work or study for all 15-to-64-year-olds (in minutes per day). Latest available year, ranging from 1999 (Portugal) to 2019 (USA). Source: OECD Family Database and Casen 2017 for Chile
Sustainability	
Housing sector pm2.5 emissions (kg per capita)	Estimates of the annual volume of emissions of PM2.5 with respect to man-made emissions from non-industrial combustion sources, in kg per capita. 2020 or latest available year. Source: OECD Environment database, 2019
Housing-related co2 emissions (tons per capita)	CO2 emissions from fuel combustion (including electricity and heat) in the residential sector (in tons per capita). 2018. Source: CO2 emissions from fuel combustion database, IEA 2020 edition
Access to green space (% in core fua)	Share of green space area in core functional urban areas (in %). 2021. Source: OECD calculations based on Banquet, A. et al. (2022), “Monitoring land use in cities using satellite imagery and deep learning”
Policy indicators	
Mortgage capital req.	Minimum regulatory Tier 1 ratio multiplied by unweighted average of risk weights for mortgage loans with an LTV ranging from 50 to 130. 2018 or latest year available. Source: ECB’s Macroprudential Policies Evaluation Database (MaPPED) complemented by OECD own research
Rent control	Indicator reflecting on the number of regulations that restrict rent levels and rent increases. The indicator ranges between 0 and 1, with a higher number indicating greater stringency. 2021. Source: OECD calculations based on OECD Questionnaire on Affordable and Social Housing (QuASH)
METR	The indicator combines information on property taxes and housing-related provisions of income taxes. It is computed as the difference between the pre and post-tax rates of return of a marginal investment divided by the pre-tax rate of return of that investment where post-tax real rate is the minimum rate of return necessary to make the investment worthwhile (in %). 2016. Source: Preliminary illustrative estimates pending the publication of the final estimates of the forthcoming OECD Tax Policy Studies
Land-use governance	Indicator of restrictiveness of the land use regulation. It comprises two components: decentralisation and overlap of government levels in land planning decisions. The indicator ranges between 2 and 30 with a higher number indicating greater stringency. 2021. Source: OECD calculations based on OECD Questionnaire on Affordable and Social Housing (QuASH, 2021)
Housing allowances	Public spending on means- and/or income-tested housing allowances and transfers to households (in % of GDP). 2019 or latest year available. Source: OECD Affordable Housing database

**The choice of indicators may vary by country depending on data availability.*