



# The Resolution Foundation Housing Outlook

## Q1 2024

Adam Corlett & Lindsay Judge<sup>1</sup>

Welcome to our first Housing Outlook in what looks set to be an election year, and one where housing could well be a prominent issue. This quarter, we consider whether the UK's housing woes are shared by other developed economies, or if the issues of housing affordability and quality we highlight so frequently are distinctly UK phenomena.

We start by noting that a large share of households in the UK are outright owners with no housing costs other than maintenance, distorting straightforward spending comparisons with countries that may have very different tenure mixes. But when we look at actual and imputed rents (a much more sensible measure for cross-national analysis), we clearly stand out: if all UK households were paying for housing on an ongoing basis, we would devote the highest share of total spending to housing of any OECD country bar one.

What's more, we do not appear to be getting much for our money. Overall, UK homes are more cramped, and less conveniently located for jobs, than in many comparable countries. Adding insult to injury, the UK's housing stock is also the oldest in Europe (four-in-ten homes were built before 1946), and one of the most poorly insulated as a result.

Countries that have a similar level of prosperity to us consistently consume more housing (in terms of amount) per person than we do in the UK. Our total expenditure per capita is just 4 per cent lower than that of Austria, for example, but we spend 24 per cent less on housing per person than Austrians do. The equivalent figures for Canada are 2 per cent and 22 per cent respectively.

Overall, when it comes to housing, UK households are getting an inferior product in terms of both quantity and quality. Compared to our general price levels, the UK has the highest quality-adjusted price of housing of any developed economy. If that's not a housing crisis demanding a response from all the parties in the forthcoming election campaign, it is hard to know what is.

2024 looks highly likely to be an election year in the UK, with housing a key policy area where the parties will seek to distinguish themselves in voters' eyes.<sup>2</sup> Given the country's [historically low levels of youth home ownership](#) and [sky-high private rents](#), huge numbers of [poorly-insulated homes](#) and rising rates of [homelessness](#), the next Government clearly has much to work on when it comes to housing. But is the UK distinctive in these respects? After all, many other countries, including [Australia](#), [France](#) and the [Netherlands](#), regularly bemoan their 'housing crisis' too. In this Housing Outlook, we scrutinise cross-national data to establish how the UK stands relative to other developed economies on issues such as housing affordability and quality.

<sup>1</sup> The authors thank Torsten Bell, Mike Brewer, James Gleeson, Ian Mulheirn and Greg Thwaites for their useful comments, and Katherine Ellsworth-Krebs for sharing data. Thanks also go to Felicia Odamtten and Cara Pacitti for their work on the housing indicators.

<sup>2</sup> We recognise that housing is a devolved policy area, but given the cross-national focus of this spotlight, we largely speak of housing as a UK-wide issue throughout.



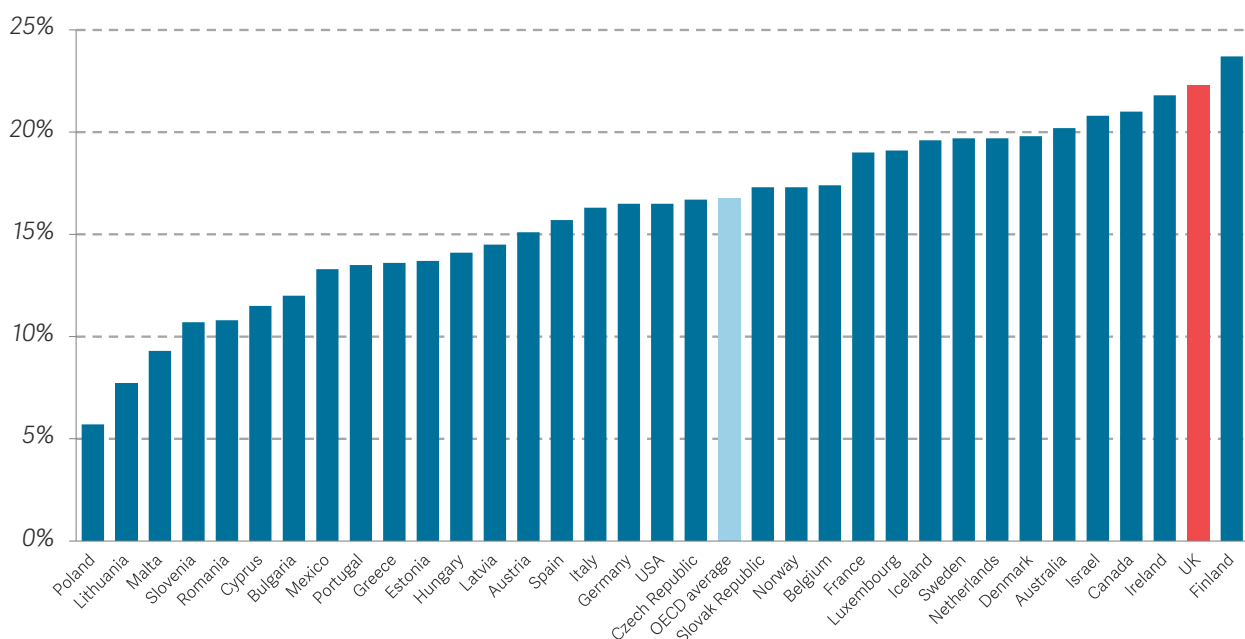
## Housing absorbs a larger share of spending in the UK than in any OECD country except Finland

A common method of measuring housing affordability in the UK is to calculate the share of income, earnings or spending that each household actually devotes to housing costs. This approach, however, is less useful for cross-national comparisons given that it is affected by the tenure composition of each country. Most significantly, outright owners spend nothing in the here and now on housing services other than maintenance costs. (They have, of course, paid for their housing over time, and prospective home owners will have to do the same in the future). This can make it misleading to compare countries with a [substantial share of outright owners](#) – such as Italy (61 per cent), Spain (49 per cent) and the UK (36 per cent) – to those with far lower levels, such as Germany (26 per cent), the Netherlands (9 per cent) and Switzerland (4 per cent).<sup>3</sup>

An alternative approach is to combine actual rents paid with an estimate of the cost of housing that owners would pay if they were renting their home on the open market – what is known as ‘[imputed rent](#)’ (we can also make the same adjustment for social renters to reflect the implicit rental subsidy that they are benefiting from). Having done that, the UK stands out when we look at actual and imputed rents together as a share of total consumption (see Figure 1).<sup>4</sup> If all households in the UK were fully exposed to our housing market, they would have to devote 22 per cent of their spending to housing services, far higher than the OECD average (17 per cent), and the highest level across the developed economies with the solitary exception of Finland.

FIGURE 1: Including imputed rent, housing absorbs a larger fraction of consumption in the UK than in any OECD country except Finland

Actual and imputed rents as a proportion of total consumption: OECD countries, 2019



NOTES: Excludes Chile, Colombia, Japan, Korea, New Zealand, Switzerland and Turkey due to lack of data. Norway data is for 2018.

SOURCE: OECD, Figure HC1.1.3: [Breakdown of housing-related expenditure](#)

<sup>3</sup> The UK figure we show here is from DWP, Family Resources Survey, 2021-22.

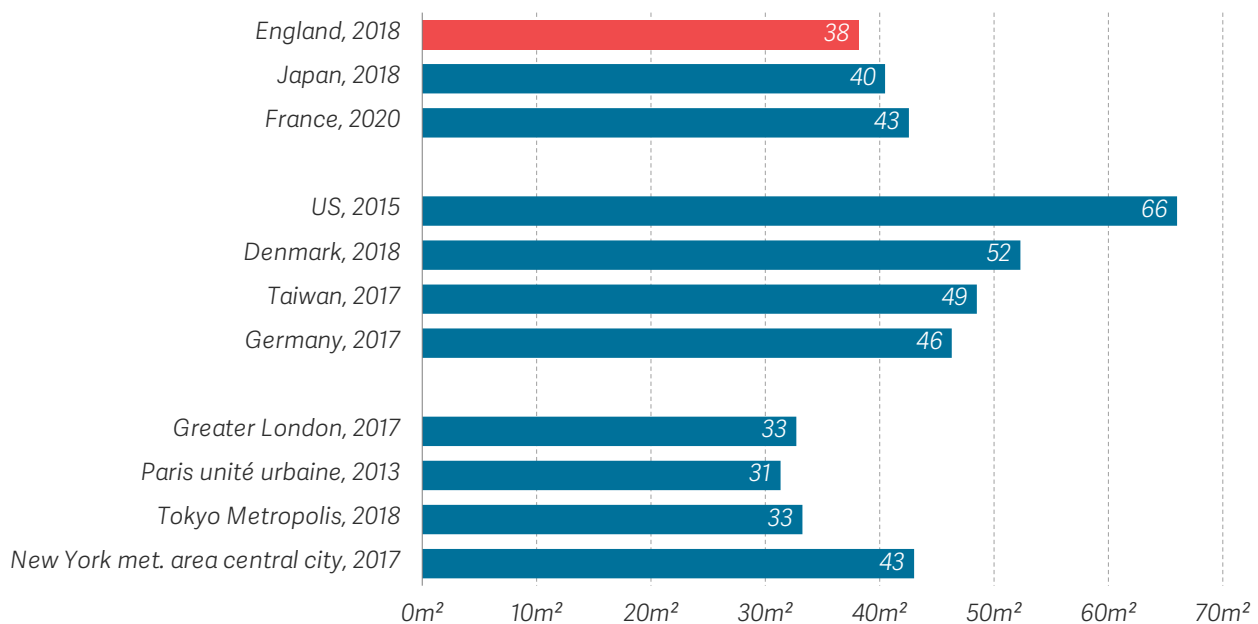
<sup>4</sup> Total consumption also includes imputed rent.



## The UK has less floorspace per person than many other developed economies

There are a number of potential reasons why UK households spend more on housing services (actual and imputed) as a share of total consumption than their counterparts in all but one other OECD nation: we could, for example, simply be consuming more housing. There is limited cross-national data on floorspace per person, but it does not seem that households in the UK (or accurately, England) are consuming more residential housing space than in other developed countries (see Figure 2). In 2018, for example, the floorspace per person in England was 38m<sup>2</sup>, compared to 43m<sup>2</sup> in France (in 2020) and 46m<sup>2</sup> in Germany (in 2017).<sup>5</sup> We have been overtaken by Japan, at 40m<sup>2</sup>, and have less space per person than households in Taiwan, at 49m<sup>2</sup>. It is unsurprising that our homes are far smaller than in the US overall given its land mass but, strikingly, English floorspace per person is no bigger than that of residents of the central city district of the New York metropolitan area, who on average enjoy 43m<sup>2</sup> of room.

FIGURE 2: England has less residential floor space per person than France, Japan or Germany  
Residential floorspace per person: selected countries and urban areas



NOTES: Figures refer to occupied dwellings only.

SOURCE: J Gleeson, An analysis of housing floorspace per person, Greater London Authority, February 2021 (with some updates); K Ellsworth-Krebs, Implications of declining household sizes and expectations of home comfort for domestic energy demand, Nature Energy, January 2020; J Gleeson, [Housing in four world cities: London, New York, Paris and Tokyo](#), Greater London Authority, April 2019 (with some updates).

But there are some other factors to consider when thinking about the findings in Figure 2. First, the figure looks only at occupied dwellings, so it omits second homes or vacant properties. Comparable data on these issues is even harder to find, but a [recent study](#) triangulating sources suggests that

<sup>5</sup> These figures do not include private outdoor space. There is no cross-country data available for gardens, but given the [UK's low share of flats](#) compared to many other OECD countries, it is reasonable to assume more UK homes have access to a garden than in many other countries. On the other hand, our houses are far less likely than most to be detached.



4 per cent of British households own second homes for their own use (as opposed to renting them out to others), compared to around 9 per cent in France, 17 per cent in Finland and 22 per cent in Spain. Across Europe, only Ireland and Germany have lower rates of second home ownership than Britain. When it comes to vacancy rates, England has one of the [lowest levels in the OECD](#), at 3 per cent (and it would still be near the bottom of the pack if we instead used the [5.4 per cent figure for England from Census 2021](#)). Overall, then, there is little evidence that the UK has an abundance of 'spare' housing at its disposal.

Second, the findings in Figure 2 show per capita space. This is equivalent to thinking that a couple living together needs double the floor space of a single adult, and that children need as much space as adults; in reality, larger households probably need less per capita space than smaller households. But this also means that differences in household composition across countries or over time will affect the comparisons of floorspace per person. However, there is little to suggest that the UK is unusual in this regard: our [child dependency ratio](#) is much like many other developed nations (France, Denmark and the US for example), and, at 17 per cent, is the same as the OECD average.

## UK homes are not as close to jobs as in the majority of European countries, and are older and less well insulated too

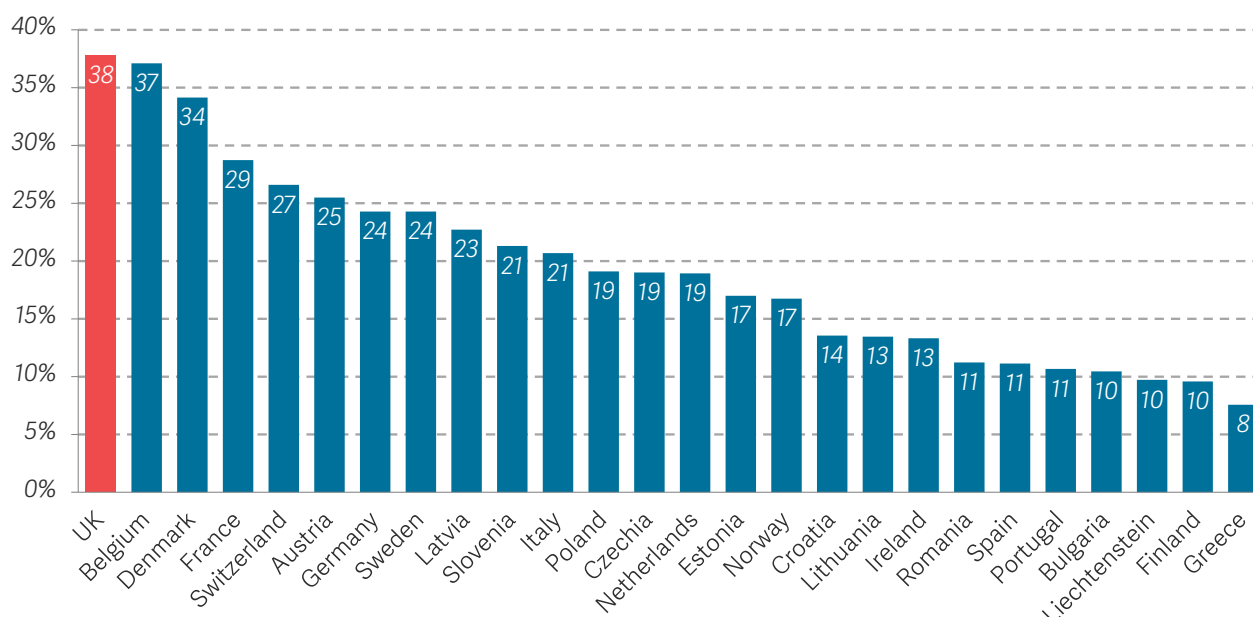
There is nothing in the data to suggest, then, that especially spacious homes explain why UK households devote a higher share of spending to housing than their peers in almost all other developed economies. But there could be other aspects of housing quality sitting behind the findings in Figure 1. If UK homes were closer to jobs than in other countries, for example, that might explain why Brits spend more on housing as a share of consumption than so many other nationalities. But [data](#) suggests this is far from the case, at least compared to our European peers: in 2019, more than four-in-ten (43 per cent) commuters in the UK spent at least an hour or more a day traveling to and from work, and one-in-seven (14 per cent) more than two hours, compared to an EU average of 37 per cent and 9 per cent respectively.<sup>6</sup>

And when it comes to other housing quality metrics, the UK is at the bottom of the league table. Figure 3 shows, for example, that close to four-in-ten homes (38 per cent) in the UK date from before 1946, compared to three-in-ten in France (29 per cent), two-in-ten in the Netherlands (19 per cent) and just one-in-ten in Finland (10 per cent). Given that older properties were constructed when environmental standards were either non-existent or far weaker than today, and are frequently harder to insulate than newer homes (for example, often having solid rather than cavity walls), it is unsurprising that UK homes also perform very badly compared to our European peers when it comes to [energy efficiency. \(They likely perform badly when it comes to damp as a result too\).](#)

<sup>6</sup> These figures exclude employed people who have no commute at all.

FIGURE 3: The UK has the highest share of pre-war housing stock of any European country

Proportion of residential dwelling stock built before 1946: European countries, 2011



NOTES: Excludes Cyprus, Hungary, Iceland, Luxembourg, Malta and Slovakia due to lack of data.

SOURCE: Eurostat, [HC53](#).

## Given our overall prosperity, we consume less housing in the UK than almost every other developed economy

As countries grow wealthier, it is normal for their populations to want to consume more housing: as incomes rise, people start to want a spare room for guests, for example, a home office, or perhaps a holiday cottage. In Figure 4, we explore the relationship between the overall prosperity of each OECD nation (measured by total consumption per capita) and the amount of housing services that the population consumes.<sup>7</sup> These estimates of the amount of housing consumed are primarily a function of floorspace, although some [other adjustments](#) for quality are made. (Somewhat confusingly, the technical term for this concept is the volume, although it does not mean the number of cubic metres of dwelling space. For comparison, a volume index of chocolate would measure how many grams of chocolate were eaten per person per year in each country.)

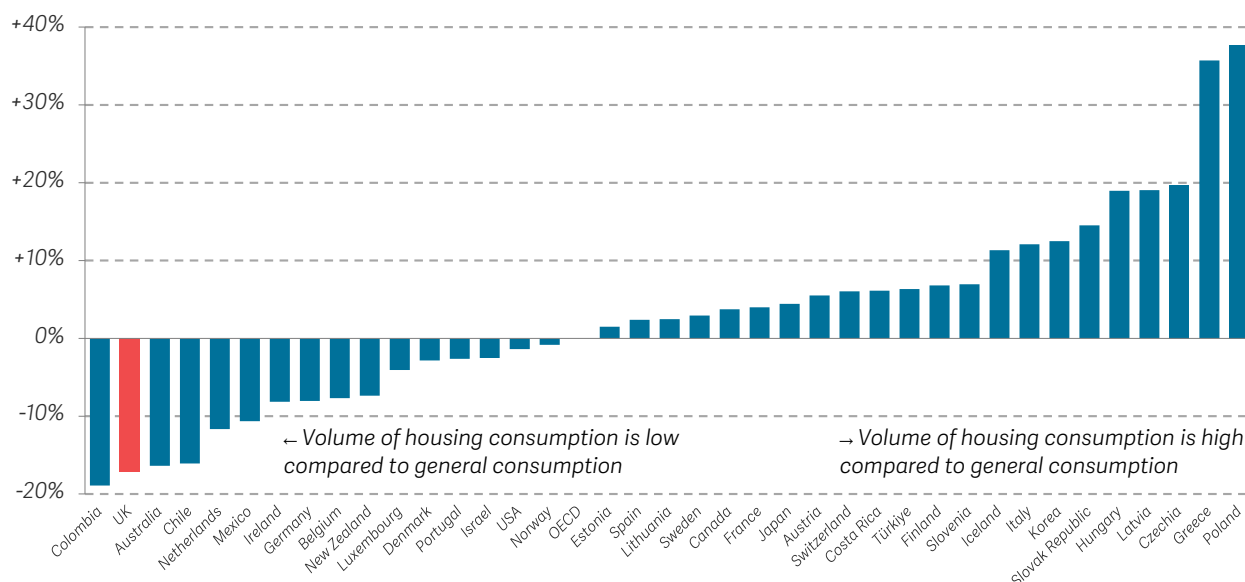
So, what does the chart show? Figure 4 plots the percentage difference between the amount of housing consumed per person in each country (relative to the OECD average), and the country's total consumption (also relative to the OECD average). This tells us that, relative to our overall level of prosperity, households in the UK consume far less housing than households in all but one other OECD economy (Colombia – the poorest member of the group) – 17 per cent less than the developed economy average. And when we focus on countries with a similar level of prosperity to the UK, the comparisons are even more striking. The UK's overall consumption per capita is just 4 per cent lower than that of Austria, for example, but we consume 24 per cent less housing per person than Austrians do. The equivalent figures for Canada are 2 per cent and 22 per cent respectively.

<sup>7</sup> Housing expenditure here includes utilities such as water, electricity, gas and other fuels. It is not possible to separate these out from housing services in these international comparisons, but overall utilities comprised 13 per cent of the UK's housing spend in 2019, and the UK is not an outlier when it comes to [high utility costs](#). As a result, we do not believe that the inclusion of utilities is driving these results.



FIGURE 4: The amount of housing consumed in the UK is lower relative to our overall prosperity than in any other OECD country bar Colombia

Volume of real expenditure per capita: percentage difference between housing index and total consumption index (both relative to OECD average), 2017



NOTES: Housing includes water, electricity, gas and other fuels. This data refers to overall volume of consumption: in the case of housing, that is largely a function of floor space per capita, but also reflects the age of the housing stock and some other quality indicators (e.g. presence of central heating). Total consumption refers to 'actual individual consumption'.

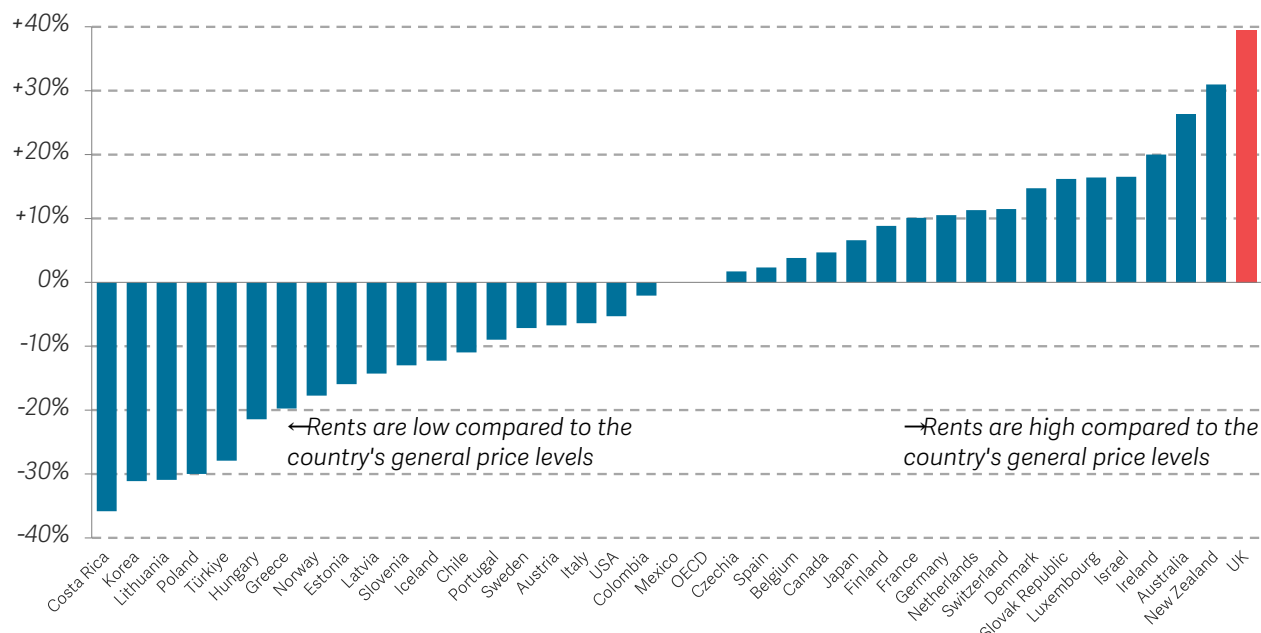
SOURCE: OECD, [2017 PPP Benchmark results](#), Table 1.10.

## Housing is more expensive in the UK relative to general prices than in any other OECD country

We have shown so far that households with housing costs in the UK devote a larger share of their spending to housing than in all but one other developed economy, but we do not get a superior product in terms of either quantity or quality as a result. Figure 5 brings this story to its rational conclusion. Here, we present OECD data in the same way as in Figure 4 but for the price, rather than the volume of goods and services consumed: in other words, we show the difference between average quality-adjusted housing costs in each country and general price levels, both normalised to the OECD average. As the chart makes plain, housing in the UK is more expensive, having adjusted for quality, than in all other OECD countries, relative to the prices we pay across the whole economy. In monetary terms, Australia and Switzerland have more expensive housing than the UK, but their higher GDP per capita drives generally higher price levels for all goods and services. A fairer comparison is with countries that have very similar general price levels to the UK, and this highlights that the cost of housing in the UK is 57 per cent higher than in Austria, for example, and 36 per cent higher than in Canada.

FIGURE 5: Housing is more expensive in the UK than in any other OECD country, compared to each country's overall price levels

Price level indices: percentage difference between housing price levels and total consumption price levels (both relative to OECD average), 2017



NOTES: Housing includes water, electricity, gas and other fuels. Total consumption refers to 'actual individual consumption'.

SOURCE: OECD, [2017 PPP Benchmark results](#), Table 1.11.

## Conclusion

We began this Housing Outlook with a simple question: does the UK have a particular problem when it comes to housing compared to other developed economies? Given what we have found regarding our country's position relative to other developed economies, our conclusion is a firm 'yes'. If all UK households were exposed to the full brunt of the housing market, the UK would devote the highest share of overall spending to housing compared to all but one other OECD country. Currently, the high proportion of outright owners we have in this country makes housing affordability in the UK look relatively benign compared to, say, [a country like Germany](#). But this obscures the [housing stress](#) experienced by households who do not own outright, and the multitude of inequalities that housing drives (it is a very strong determinant of [overall wealth inequality](#), for example, and [whether one's parents own housing](#) is becoming an increasingly important determinant in whether younger generations will ever escape the private rental sector).

Added to this, we often live in smaller, older and poorer-quality homes in the UK than households in many counterpart countries, and pay a princely amount for that privilege. The UK has a long distance to go to catch up with our peers when it comes to [productivity and living standards writ-large](#), and housing has a critical role to play in that process. Bring on the manifestos, where policies to tackle the UK's housing crisis must surely be centre-stage.

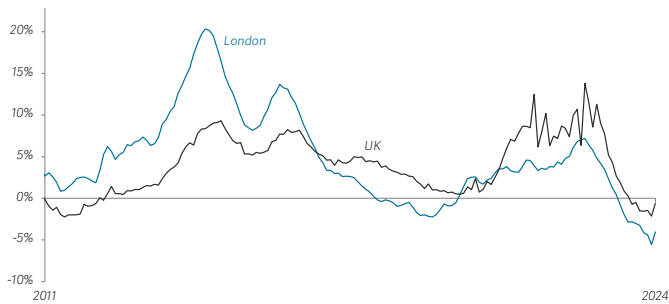




## Housing indicators | Exploring key trends in the UK housing market, and what this means for households and policy makers

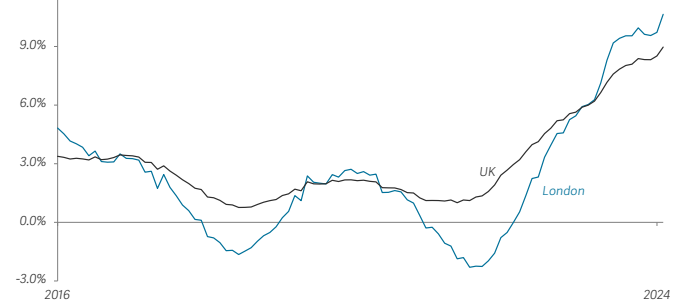
The charts below look at key trends in the UK housing market as a whole, as well as among regions, tenures and age groups where these trends have differed or been more pronounced.

*House price, annual change*



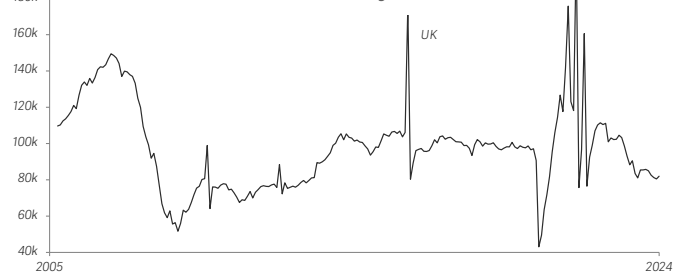
UK house price growth increased during the pandemic, but has fallen in the wake of higher interest rates.

*Rents, annual change*



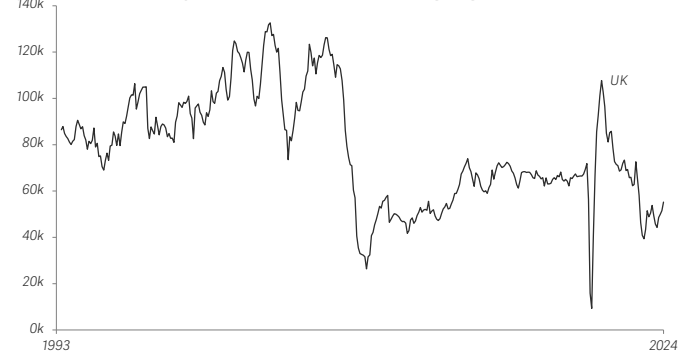
Growth in nominal private rents has accelerated in the last two years.

*Transactions, monthly*



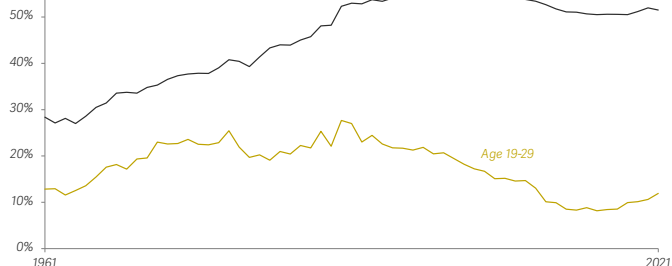
Transactions were highly volatile during the pandemic, but are currently at below pre-pandemic levels.

*Monthly number of mortgage approvals*

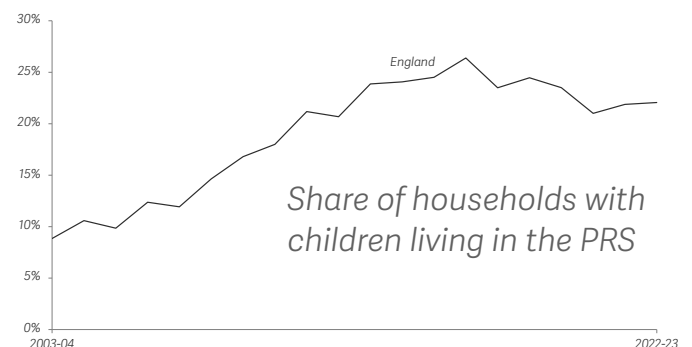


Mortgage approvals are currently at below pre-pandemic levels.

*Home ownership rates*



Home ownership rates among young people have increased slightly in the latest data.

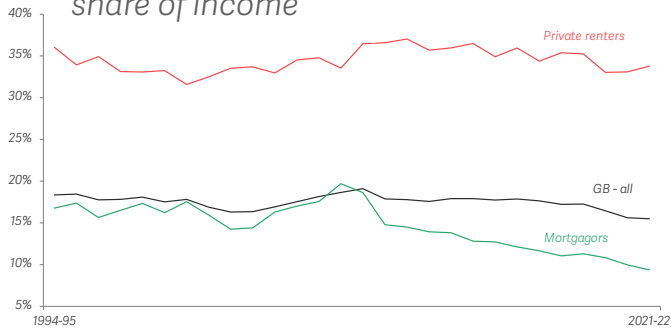


The share of households with dependent children that live in the PRS has increased by two and a half times since the early 2000s.



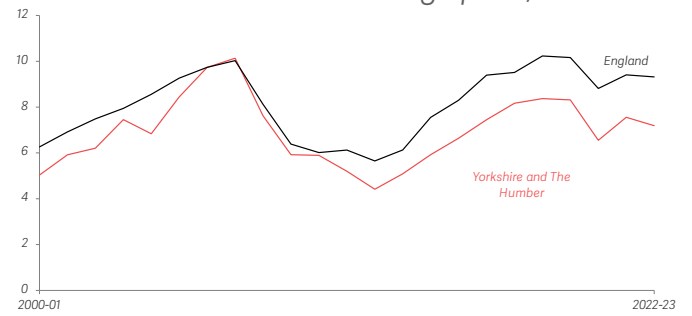


*Housing costs as a share of income*



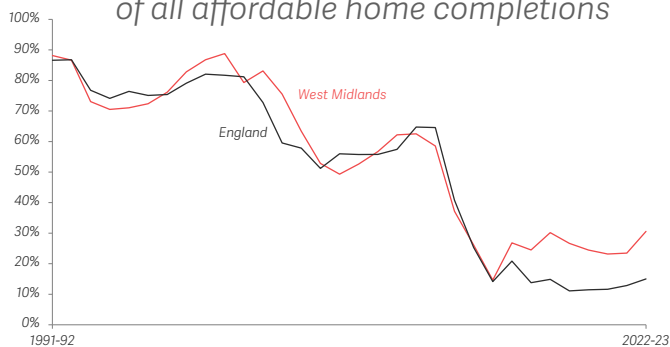
We should expect housing costs as a share of income to rise for mortgagees in future data, but they will remain far below the high costs faced by private renters.

*Net additional dwellings per 1,000*



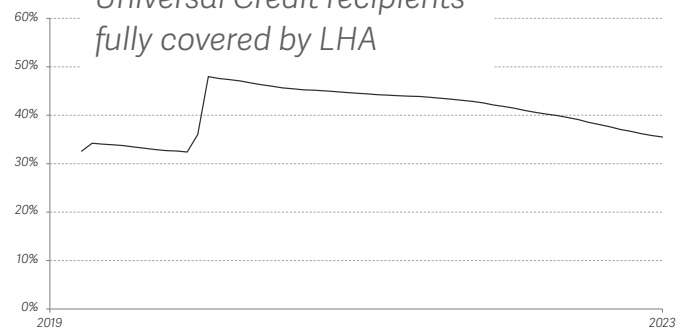
Net additions as a share of total stock fell in 2020-21, after increasing to the pre-financial crisis high.

*Social rented properties, as a share of all affordable home completions*



True social rental properties fell significantly as a proportion of all the affordable housing built in England through the 2010s.

*Universal Credit recipients fully covered by LHA*



The share of households receiving UC with housing costs fully covered by LHA has fallen recently, but is higher than before the pandemic.

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

For more information on this report, contact:

**Lindsay Judge, Research Director**

0203 372 2960 | [lindsay.judge@resolutionfoundation.org](mailto:lindsay.judge@resolutionfoundation.org)