

The New Homeless

Almost half of all homeowners and renters are worried about paying their housing costs in the next 12 months

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Key Findings

- 44% of mortgage holders are worried about being able to meet their mortgage payments over the next 12 months.
- Nearly half (47%) of local authority and housing association tenants are worried about being able to meet their rent payments over the next 12 months.
- Over two fifths (41%) of private renters are worried about being able to pay the rent over the next 12 months.

Introduction

Whilst the impact of the housing crisis on the homeless has been well documented, the government's failure to manage the crisis is having severe repercussions for everyday people from all segments of society. People who have traditionally felt secure against any likelihood of having their homes repossessed now have to seriously face up to the very real prospect of losing their homes, as the financial crisis deepens. With senior Government figures admitting that we are entering a recession "*deeper than any we have known*"¹ this research attempts to quantify the extent and depth of public concern.

Today, households across Britain are facing immense pressures to keep up with their living costs. Hard pressed families have been forced to spend less on essentials like clothing, reduce outgoings where possible and take on additional jobs or overtime in order to keep a roof over their heads.

Previous work by Iain Duncan Smith's Centre for Social Justice has highlighted the pressure on families caused by financial distress and shown how periods of financial hardship can have a long lasting impact on the individuals concerned.²

The primary research in this report lifts the veil on how ordinary families are now more stressed than ever before about keeping a roof over their heads.

¹ http://news.bbc.co.uk/1/hi/uk_politics/7784718.stm

² <http://www.centreforsocialjustice.org.uk/>

Background reasoning for report

According to research conducted by the Bank of England households are struggling to repay their debts. 13% of households said they were having trouble paying their rent or mortgage, and 10% were finding it difficult to keep up with bills. 16% of those surveyed said they had put off purchases as they were concerned they would be unable to get credit.³ This report uses the information about those who are currently struggling to pay their mortgages as a baseline to project forward about their level of concern about keeping up with their rent or mortgage payments over the next 12 to 24 months.

It's not the first time that an attempt has been made to quantify the level of household debt in society. Previous research by housing charity Shelter revealed that 4 million households have been kept awake at night worrying about their housing costs, while 6 million households believe that paying for housing has caused stress and depression in the family.

Shelter's research showed that, in order to meet their housing costs over the previous twelve months:

- 3 million households sold possessions
- 2.8 million households borrowed money
- 4.1 million households used a credit card
- 6.3 million households spent less on food
- 2.4 million households took an additional job or worked over time and
- 2.2 million households reduced spending on clothing for their children.⁴

Next came research published by Standard & Poor's which indicated that the credit crunch was not restricted to those with "sub prime" mortgages, but was starting to engulf "prime borrowers" who were falling into delinquency at rates never seen since records began (in 2000). The percentage of loans not being paid back on time has risen to 3.24%.⁵ This group would once have been considered almost universally secure and a good investment for the banks.

John Varley, Group Chief Executive of Barclays, predicts that unemployment will rise to 7% over the next 12 months.⁶ Such dire employment projections do not bode well for the millions of families that would be affected, directly and indirectly, by such a massive change in employment levels. New research from previous recessions, published for the first time in this document, indicates that the rate of unemployment can be directly correlated with the repossession rate, meaning that if John Varley's predictions are born out it will have a devastating effect on homeowners.

³ Bank of England Quarterly Briefing - The financial position of British households: evidence from the 2008 NMG Research survey

⁴ Ibid.

⁵ Standard and Poor's - No Relief For U.K. Prime RMBS Performance As Arrears And Repossessions Continue To Rise In Q3

⁶ Said during interview with Sky News, 15/12/08 at 1930PM

How the growth of debt has put households under pressure

With Britain reaching record levels of personal debt: £1.9 trillion, of which £1.4 trillion is secured against property,⁷ thousands face the real prospect of being evicted from their homes. Furthermore, given the state of the housing crisis, it is increasingly possible that many of these vulnerable families will succumb to the pressures they are currently facing and be forced into homelessness.

Since 1997, the cost of the average home has increased by 300%, the cost of renting privately has increased by 50%, while the number of households on social housing waiting lists has increased by two-thirds in the last ten years: from 1.1 to 1.7 million.⁸ At present, 1 million households are paying more than two-thirds of their income on housing costs - while 2.2 million are paying more than half their income on housing costs.⁹

Between 2003/4 and 2007/8, gross income increased by 13%. However, this figure pales in comparison to the increase in fixed monthly household costs - which have risen by a staggering 45% in the same period. A key component of the rising household costs may be attributed to the increase in average monthly mortgage repayments – which have risen by 78% due to higher interest rates and an increase in the typical mortgage size.¹⁰ Although base rates have now fallen, the disconnect between those on genuine tracker mortgages without so called ‘collars’ (lower limits underneath which lenders will not allow their mortgages to fall) and the actual Bank of England base rate, mean that many households are failing to benefit from the reductions.

Under severe financial strain, families have found themselves defaulting on their mortgage repayments. Data gathered from the Council of Mortgage Lenders has revealed an alarming rise in the number of mortgages in arrears for over three months has risen from 99,400 in 2003 to 129,800 in 2007.¹¹ By the 3rd quarter of 2008 168,000 mortgages were in arrears by more than 3 months, by the end of 2008 the CML expects this figure to rise to 170,000 mortgages.¹²

The CML data also shows that 11,400 households are up to £11,000 in arrears, 25,900 households are up to £7,800 in arrears and 73,400 households are up to £5,000 in arrears.

The increasing burden has resulted in thousands of families being threatened with eviction with the Royal Institute of Chartered Surveyors estimating that 123 houses will have been repossessed per day during 2008.¹³

⁷ Bank of England

⁸ Department of Communities and Local Government

⁹ Shelter: Breaking Point

¹⁰ Ernst & Young: Annual Discretionary Income Study. July 2008

¹¹ Council of Mortgage Lenders: Arrears on mortgages by number of months in arrears. February 2008

¹² CML Press Release – 8th August 2008

¹³ RICS: Access to the housing market 351 percent worse than 1996. January 2008

The CML has forecasted that 45,000 properties will be repossessed by the end of 2008, and 75,000 next year.¹⁴

Local Authorities not safe either

Recent work carried out by the Audit Commission reveals the extent of effects of the current economic downturn on council tax and rent arrears and the increased pressure on social housing expected as a result of increased repossessions.

Almost three-quarters of councils are anticipating increases in council tax and rent arrears as the recession and rising unemployment affects household incomes.

Central government made a commitment to reduce homelessness in 1999, and a commitment to halving the numbers of people accepted as homeless who are waiting in temporary accommodation by 2010 (Ref. 14). The achievement of these targets is likely to be affected by the economic downturn.

Local authorities have a responsibility to provide housing for those who become statutorily homeless, and many authorities are concerned about this issue. A third of authorities have already observed increases in homelessness; two-thirds are predicting higher homelessness in 2009/10.¹⁵

¹⁴ CML Press Release – 8th August 2008

¹⁵ Audit Commission, Crunch time? The impact of the economic downturn on local government finances, 19 December 2008. <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=891AD844-E222-431C-804D-9C48C89A33E0>

Findings based on the new YouGov Polling

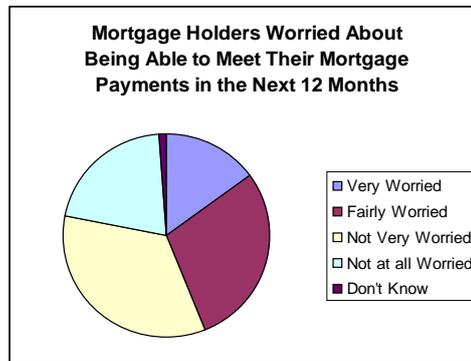
With the stark backdrop of the figures discussed in this report above, and following extensive discussions with housing professionals, the Shadow Housing Minister, Grant Shapps MP, commissioned YouGov (through the phi5000)¹⁶ to carry out polling to specifically look at looking at the extent to which people are concerned about their ability to pay for their housing costs.

We asked people, taking into consideration their own financial situation and the general economic situation, whether they were worried about paying their mortgage or rent over the next 12 months and the next 24 months.

Question 1 (to mortgage-holders):

Thinking about the next 12 MONTHS your own financial situation and the current economic situation to what extent if at all are you worried about being able to meet your mortgage payments?

Very worried	15
Fairly worried	29
Not very worried	34
Not at all worried	21
Don't know	1

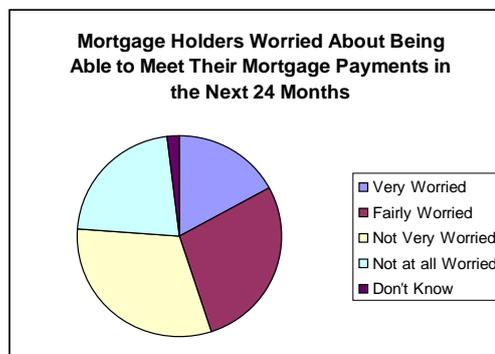


So 44% of respondents are worried about paying their mortgage in the next 12 months with 1 in 7 very worried.

Question 2 (to mortgage-holders):

Thinking about the next 2 YEARS your own financial situation and the current economic situation to what extent if at all are you worried about being able to meet your mortgage payments?

Very worried	17
Fairly worried	28
Not very worried	31
Not at all worried	22
Don't know	2



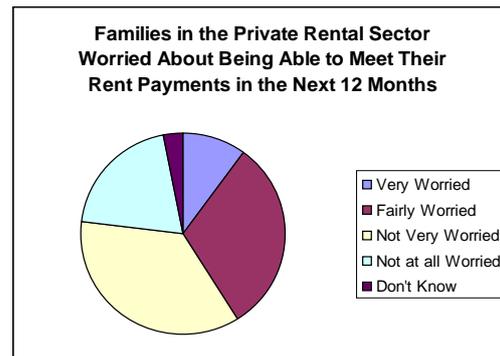
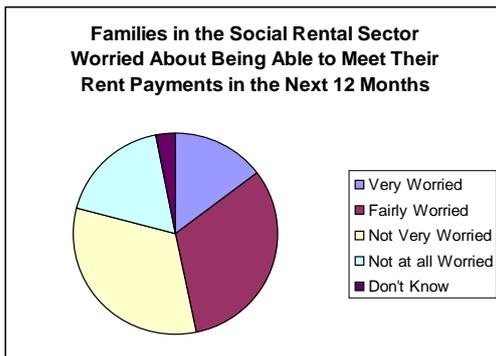
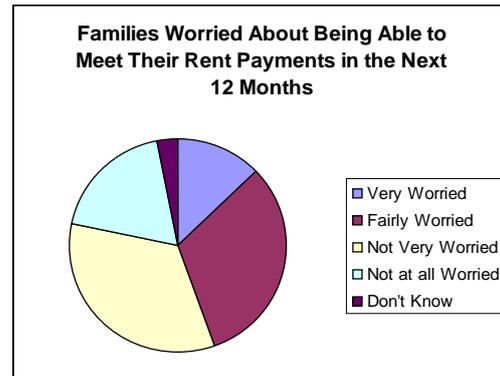
¹⁶ www.politicshome.com

So 45% of respondents are worried about paying their mortgage in the next 2 years with 1 in 6 very worried.

Question 3 (tenants):

Thinking about the next 12 MONTHS your own financial situation and the current economic situation to what extent if at all are you worried about being able to meet your rent payments?

	Total	Private Rent	Social Rent
Very worried	13	10	15
Fairly worried	32	31	32
Not very worried	34	36	33
Not at all worried	19	20	18
Don't know	3	3	3

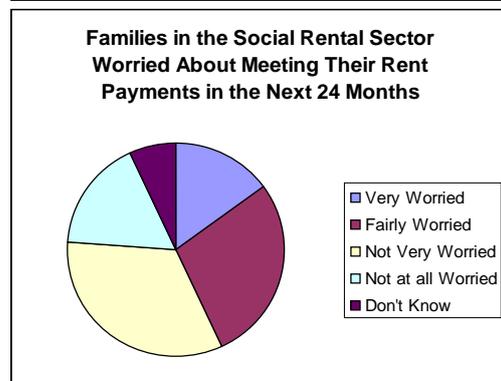
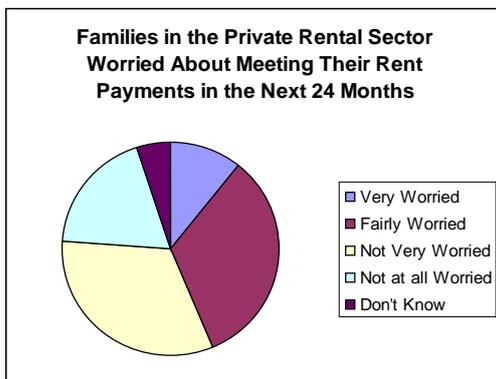
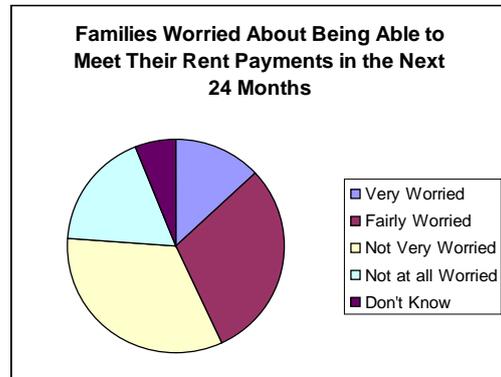


45% of all tenants are worried about paying their rent over the next year; 41 % of those in private rented accommodation and 47% of those in social rented accommodation.

Question 4 (tenants):

Thinking about the next 2 YEARS your own financial situation and the current economic situation to what extent if at all are you worried about being able to meet your rent payments?

	Total	Private Rent	Social Rent
Very worried	13	11	15
Fairly worried	30	33	28
Not very worried	33	33	33
Not at all worried	18	19	17
Don't know	6	5	7



So 43% of all tenants are worried about paying their rent over the next 2 years; 44% of those in private rented accommodation and 43% of those in social rented accommodation.

Conclusion

The key three conclusions of the polling data are:

- 44% of mortgage holders are worried about being able to meet their mortgage payments over the next 12 months.
- Nearly half (47%) of local authority and housing association tenants are worried about being able to meet their rent payments over the next 12 months.
- Over two fifths (41%) of private renters are worried about being able to pay the rent over the next 12 months.

Concern amongst people in all types of housing tenure is remarkably constant, but the underlying data also reveals that people from right across the socioeconomic spectrum are worried. For example, socioeconomic groups A B C1s are just as likely to be worried about being able to pay their mortgage as groups C2, D and Es.

In other words, there appears to be no segment of society that does not now share a deep concern about their ability to pay for the roof over their head.

Quotes

“Householders up and down the country and in every kind of housing are now concerned, as never before, about their ability to maintain a roof over their heads over the next 12 months.

“While Gordon Brown would like us to believe that they fixed the roof when the sun was shining, it’s now becoming clear that for many hard working families keeping a roof over their own head is the top concern.

“Despite this, the government continues to release a series of poorly thought out announcements which are often contradictory and confusing to the public.”

Grant Shapps MP