



HOUSING REPORT

The impact of immigration on housing in the UK

1. The recently revealed inflexibility of housing supply and a major increase in the immigration projection point to even greater pressures on the housing market, especially for first time buyers who will face still higher prices.
2. An independent report just published by H M Treasury ¹ examined the reasons for the under supply of housing in the UK. It suggested that we need to build an extra 39,000 houses per year, even without allowing for the replacement of the existing housing stock. It found that there was a weak response of housing supply to changes in demand. It continued “higher demand therefore tends to be translated into higher house prices rather than increased output of houses.”
3. The report dealt only with supply. Its estimates of demand were based on a seven year old population projection. ² International migration is nowadays a major factor in household projections. Indeed, these projections indicated that, over a 25 year period, a variation of + 40,000 on net migration would add about 450,000 new households - or 18,000 a year.³
4. Net migration in 1996 was projected at 65,000 per year, thus accounting for 29,000 of the 39,000 shortfall estimated by the Barker Report. However, the latest official projection for net immigration is 103,000 per year.⁴ The extra 38, 000 immigrants translate, on the same basis, into an additional housing requirement of 17,000 per year. This suggests a shortfall in housing of about 56,000 a year (39 + 17), about 80% of it due to net inward migration.
5. The picture would, of course be even worse if the projection turned out to be an underestimate and net immigration continued at the average level for the last five years of about 158,000 a year (excluding illegal immigrants). In this case the housing shortfall would be a further 25,000 bringing the total shortfall to 81,000 a year, 87% due to net migration, with a corresponding effect on house prices.

¹ Review of Housing Supply, Interim Report. Kate Barker. December 2003

² Ibid page 40 footnote 3. Household demand was based on 1996 projections.

³ Housing statistics: Projection of households in England 2021 - Office of the Deputy Prime Minister - Table G7

⁴ issued on 18 Dec 2003