

Housing Crisis in the United Kingdom

Derek Siriboe

Department of Economics, Denison University

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Dr. Ngwinui Azenui

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Abstract

This paper aims to analyze the relationship between population growth, affordability, and government policies and their impact on the housing market in the United Kingdom. The study comprises a literature review and the gathering of data from the Office for National Statistics (ONS) to supply an analysis of recent trends in the housing market and population growth. In addition, the study demonstrates how effective government regulations influence the housing market and how urgently creative solutions are needed to meet the rising demand for affordable housing in the face of population expansion. Overall, this article contributes substantially to the knowledge of the UK housing market and offers insightful information to stakeholders, policymakers, and researchers.

Keywords: affordable housing, government policies, population growth

Housing Crisis in the United Kingdom

The British Isles include Wales, Scotland, Northern Ireland, and England. The largest island in the archipelago, home to England, Scotland, and Wales, is called Great Britain in geography. The political union of England, Scotland, Wales, and Northern Ireland is known as the United Kingdom. Therefore, Northern Ireland is an area that is a part of the UK but is not regarded as a country, whereas England, Scotland, and Wales are constituent countries of the United Kingdom. Although England, Scotland, Wales, and Northern Ireland have many things in common, they all have different political systems.

Due to a vast disparity between supply and demand, the housing market in the United Kingdom is currently in crisis. The population growth in the UK, particularly in England, has contributed to a rise in housing demand, driving up home costs and creating concerns about affordability. This has led to an increased number of people living in subpar, overcrowded homes, some of whom are homeless. Despite its efforts, the UK government still needs help to meet the rising demand for affordable homes. The primary objective of this research is to present a thorough and concise analysis of the connections between population growth, affordability, and governmental policies and how these factors affect the housing market. The study's secondary objective is to observe and analyze other significant events that may have involved the housing market, such as the United Kingdom's exit from the European Union (Brexit), changes to the stamp duty system, and the COVID-19 pandemic. Government policies promoting homeownership, the private rental sector, and affordable housing affect the housing market differently. Housing affordability policies can increase property prices while lowering homelessness and improving housing quality. Policies that regulate the private rental market may reduce the availability of rental properties and drive-up rents, but they can also give tenants

stability. In addition to promoting stability and advantages for families and communities, encouraging homeownership can raise demand and property values. For these policies to accomplish their intended objectives, effective implementation is necessary.

Population

The Office for National Statistics provided Table 1, which gives a thorough summary of the population of the United Kingdom and its component nations. The table includes vital statistics, such as population density, median age, and population size. These indicators give us essential information on the population demographics of the UK and its member states.

Table 1: Population of the UK and its constituent countries, mid-2021

	Population mid-2011	Population mid-2021	Median age mid- 2011	Median age mid- 2021	Population density (pop per sq. km) mid-2021
UK	63,285,000	67,026,000	39.6	40.7	276
England	53,107,000	56,536,000	39.4	40.5	434
Wales	3,064,000	3,105,000	41.5	43.1	150
Northern Ireland	1,814,000	1,905,000	37.4	39.8	141
Scotland	5,300,000	5,480,000	41.3	42.2	70
Source:	Office for National Statistics (ONS)				

Note. From "Population Estimates for the UK, England, Wales, Scotland and Northern Ireland"

by N. Park (2022, December 21). Retrieved

from <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2021>.

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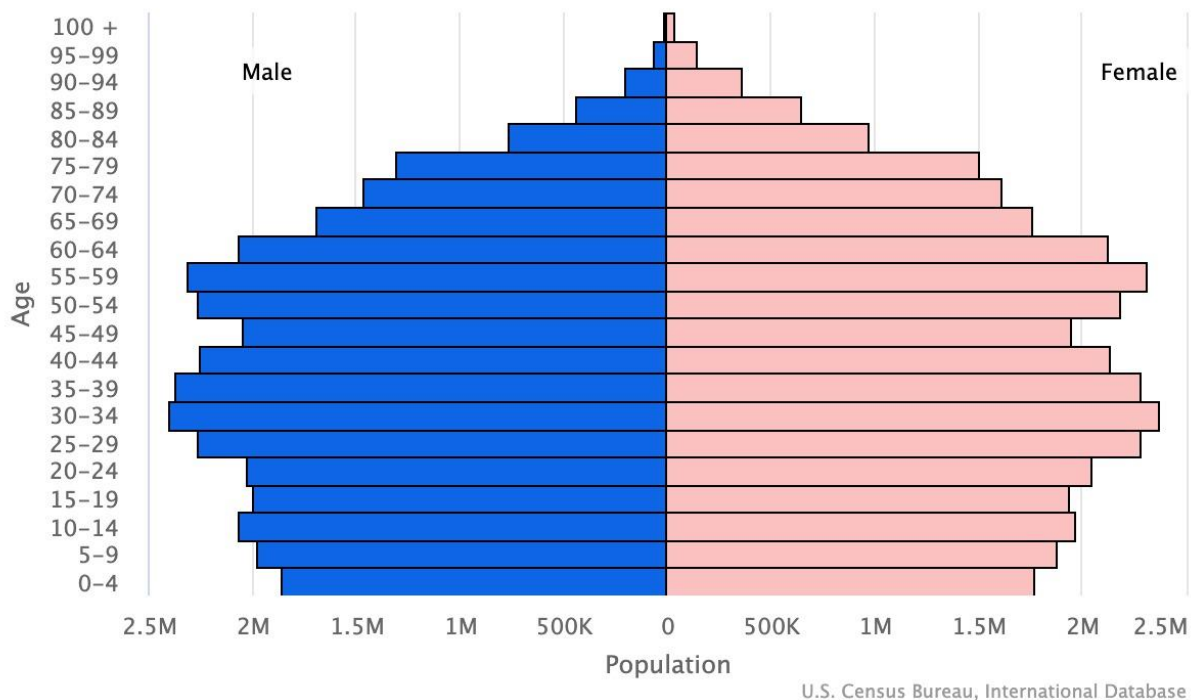
The general increase in population size in the UK, which increased from 63.3 million in mid-2011 to 67.0 million in mid-2021, is one prominent trend noted in Table 1. Thus, the

population of the UK has risen by 3.7 million people (5.9%) since mid-2011, with England's population growth rate of 6.5% being the highest of the four. The expanding populations of Scotland and England are the main drivers of this increase. Wales and Northern Ireland, on the other hand, have only had small population growth. Due to the COVID-19 pandemic, Scotland's census was conducted in March 2022, a year later than the rest of the UK. As a result, mid-2020 population projections for Scotland were revised to mid-2021.

The population density of the UK is also included in the table, with England having the highest density, followed by Wales, Northern Ireland, and Scotland. England had the most significant population density of the four UK countries in the middle of 2021, with a substantial variation across the country, with London having the highest population density at 5,596 people per square kilometer (km) and the Southwest having the lowest at 240 people per square km. The aging of the population is another significant trend shown in Table 1. Wales has the most incredible median age at 43.1 years, up from 39.6 in the middle of 2011 to 40.7 in the middle of 2021. The median age is rising in each region, and this tendency is seen throughout all the UK's member nations. Significant economic repercussions of an aging population include potential stress on the healthcare and pension systems.

Figure 0

United Kingdom Population Pyramid



Note. Adapted from International Database. Retrieved from https://www.census.gov/data-tools/demo/idb/#/country?COUNTRY_YEAR=2023&COUNTRY_YR_ANIM=2023&FIPS_SINGLE=UK. Copyright 2023 by U.S. Census Bureau.

The population pyramid as shown in Figure 0 for the UK in 2021 is a rectangular bar with a slight taper at the top. The population's generally constant age distribution, combined with recent modest variations in birth and death rates, accounts for the rectangular shape of the population. The population is aging, with a significantly decreasing share of younger people, as evidenced by the taper toward the top. Due to a relatively steady birth rate in recent years, the age groups with the most significant populations at the bottom of the pyramid are those between 25 and 29 and 30-34. Since 2012, there have been fewer births in the UK.

Nevertheless, the drop has been modest, resulting in a stable population younger than in other nations. Age groups are placed relatively equally in the pyramid's center, which illustrates a broadly stable population structure, with only slight variations in birth and death rates. The 85+ age group, however, is the smallest at the summit of the pyramid due to a lower life expectancy and a smaller percentage of elderly persons. The United Kingdom's 2021 demographic pyramid shows an aging population with a largely steady population structure. However, as the older age groups increase, the UK may need help meeting the needs of an aging population regarding social services and healthcare.

The UK's population is aging, and the age structure of the UK is changing in favor of older ages due to falling fertility rates and longer lifespans. Policymakers and analysts should consider the old-age dependence ratio as it illustrates the possible economic effects of an aging population. The burden of supporting the old rises as the proportion of seniors to workers rises, putting a strain on public resources and slowing economic growth. To solve the issues associated with an aging population, the UK government must promote immigration and implement measures encouraging older employees to participate in labor. The old-age dependency ratio (OADR), a conventional metric for assessing the effects of an aging population, represents the proportion of SPA and older individuals per 1,000 individuals in the 16 to SPA age range. The UK's OADR in 2020 was 280; by 2041, it is expected to rise to 352. This indicates that there are more persons of pensionable age than people who should be in the workforce. (Gilbert-Johns, 2022)

In "Population Ageing," David N. Weil examines population aging and its economic effects. The study thoroughly explains the factors contributing to population aging, its influence on asset values, and the connections between aging, saving, and capital accumulation. In Weil's

article, the economic effects of population aging are highlighted. Weil clarifies how population aging affects markets and institutions by examining the connection between aging and economic behavior. By studying the normative and beneficial approaches to aging and capital accumulation, he also offers a valuable framework for understanding the economic implications of demographic shifts; Weil presents a nuanced examination of how societies might get ready for an older population (Weil, 2006). Weil investigates the economic impacts of population aging in detail but ignores the broader demographic patterns that influence population aging. For instance, the consequences of immigration or the evolving roles of women in society, both of which can affect fertility rates and population increase, are not discussed in the article.

A natural change of -8,069 was recorded in the UK in 2020, with 681,560 live births and 689,629 deaths. This is the second time since data collection that the population has fallen due to natural change since 1976. With 31,120 fewer births than in 2019, the number of births in 2020 will be at its lowest since 2002. Since records began in 1938, the total fertility rate (TFR) has decreased to its current level, with women having 1.56 children on average in 2020. The number of fatalities in 2020 was 689,629, a record high compared to 1918 (715,246).

Nevertheless, 39.6 million people lived worldwide in 1918 compared to 67.1 million in 2020. Age-standardized mortality rates, which consider changes in the population's size and age composition, allow for a more accurate comparison of deaths across time. 2020 saw the highest age-standardized mortality rate since 2008 at 1,062.5. (Gilbert-Johns, 2022)

Historically, the main force behind the UK's population expansion has been natural change. However, since the 1990s, net migration has significantly impacted and taken over as the primary growth driver. Data on long-term migration from the year ending in December 2020 demonstrates that immigrants continued to increase the population of the UK. In the year ending

December 2020, 33,000 more people are expected to move to the UK than to leave. This is much less than in prior years, when levels peaked in the year ending in March 2015 at 331,000. This is expected because of the decreased travel due to the coronavirus (COVID-19) pandemic. The projections, however, cannot be directly compared to those made before the coronavirus pandemic due to changes in methodology.

Weil's study offers a good foundation for comprehending the economic ramifications of this demographic shift when looking at the aging population in the United Kingdom. The labor force will drop as the UK population ages, which could slow down economic growth. In addition, budgets for the government and the capacity to care for an elderly population may be impacted. The breadth of Weil's study must be broadened, as was already highlighted as one of its weaknesses. Considering the more significant demographic trends influencing population aging in the UK scenario is critical. For instance, immigration has recently made a sizable contribution to population growth in the UK. This could offset some of the negative economic impacts of population aging by providing a source of new workers and consumers.

Migration to the UK has been the main driver of population growth since the 1990s. Births, deaths, immigration, and emigration are the four factors that contribute to population change at the UK level. "Natural change" is the difference between the number of live births and deaths. In periods of positive natural change, there are more births than deaths. When it is negative, more people die than are born. The term "net migration" refers to the difference between the number of long-term immigrants (those who move to the UK for at least a year) and the number of long-term emigrants (those who leave the UK for more than a year). The population estimates at the year's halfway point do not include those who have only recently moved; they are calculated elsewhere.

The authors' arguments in "The Impact of International Migration on Inclusive Growth: A Review " focus on how global migration affects inclusive growth for the migrants and the destination and origin countries. The authors present empirical data suggesting that the influx of immigrants may have a net neutral or positive effect on natives' employment and wages due to immigrants filling distinct and complementary positions. (*The Impact of International Migration on Inclusive Growth: A Review*, 2021). Immigration significantly affects the UK's Population growth and overall economic landscape. The authors' contention that immigration has a generally favorable or neutral impact on the receiving economy aligns with the UK's situation, which has been the main driver of population growth since the 1990s. By examining these perspectives together, it becomes evident that immigration has contributed to the UK's population growth and played a crucial role in shaping the labor market and promoting inclusive growth in the country.

The population of the UK is still increasing, but more slowly than before. Since 1982, the population of the UK has increased annually. The population increased from 66.8 million in mid-2019 to 67.1 million in mid-2020. This indicates that between mid-2019 and mid-2020, the population increased by 0.4%, or an additional 284,000 individuals. The ONS 2020-based interim national population predictions suggest that the UK population will surpass 69.2 million by the middle of 2030 and reach 70.5 million by the middle of 2041. Improvements in life expectancy continue to be slow. Males and females in the UK had birth expectancies between 2018 and 2020 of 79.0 and 82.9 years, respectively. The decrease in life expectancy increases across the UK is still present, as evidenced by the period life expectancy data from the National Life Tables, which also indicate higher mortality in 2020 due to the coronavirus pandemic. However, the ONS cohort life expectancy estimates consider a future with improved mortality.

According to this metric, male and female life expectancy at birth in the UK in 2020 is 87.3 years and 90.2 years, respectively. (Gilbert-Johns, 2022)

Population growth and aging are related, as seen by the population patterns in the United Kingdom. The economy is anticipated to be significantly impacted by this population expansion and the aging of the population, especially in terms of housing affordability and the need for government initiatives to address these issues. Additionally, as the population ages, there is a potential slowdown in economic growth and an increasing burden on public resources such as the housing market. By offering a source of new employees and consumers, immigration—the main factor in population expansion since the 1990s—could help mitigate some of these adverse effects.

Housing Market

The housing market is the purchasing and selling of homes, whether for habitation or investment. In the UK, almost equal proportions of households rent from private landlords and social housing, with one-third of households having a mortgage and the other third owning their homes outright. The housing market and consumer spending are strongly related because rising property prices result in greater confidence and borrowing against the home's worth to purchase goods and services. The article "House Prices and Consumer Spending" (Berger, Guerrieri, Lorenzoni, & Vavra, 2018) is one scholarly study that supports the link between the housing market and consumer spending. According to the writers of this paper, a wealth effect explains why rising home prices enhance consumer spending. Homeowners feel wealthier as housing costs rise and are more willing to spend money on products and services. Homeowners may also borrow money or open credit lines using the equity in their homes as collateral, which can boost their purchasing power. They discovered that rising property prices increased consumer

expenditure, notably on goods and services related to the house, such as furniture and home improvement.

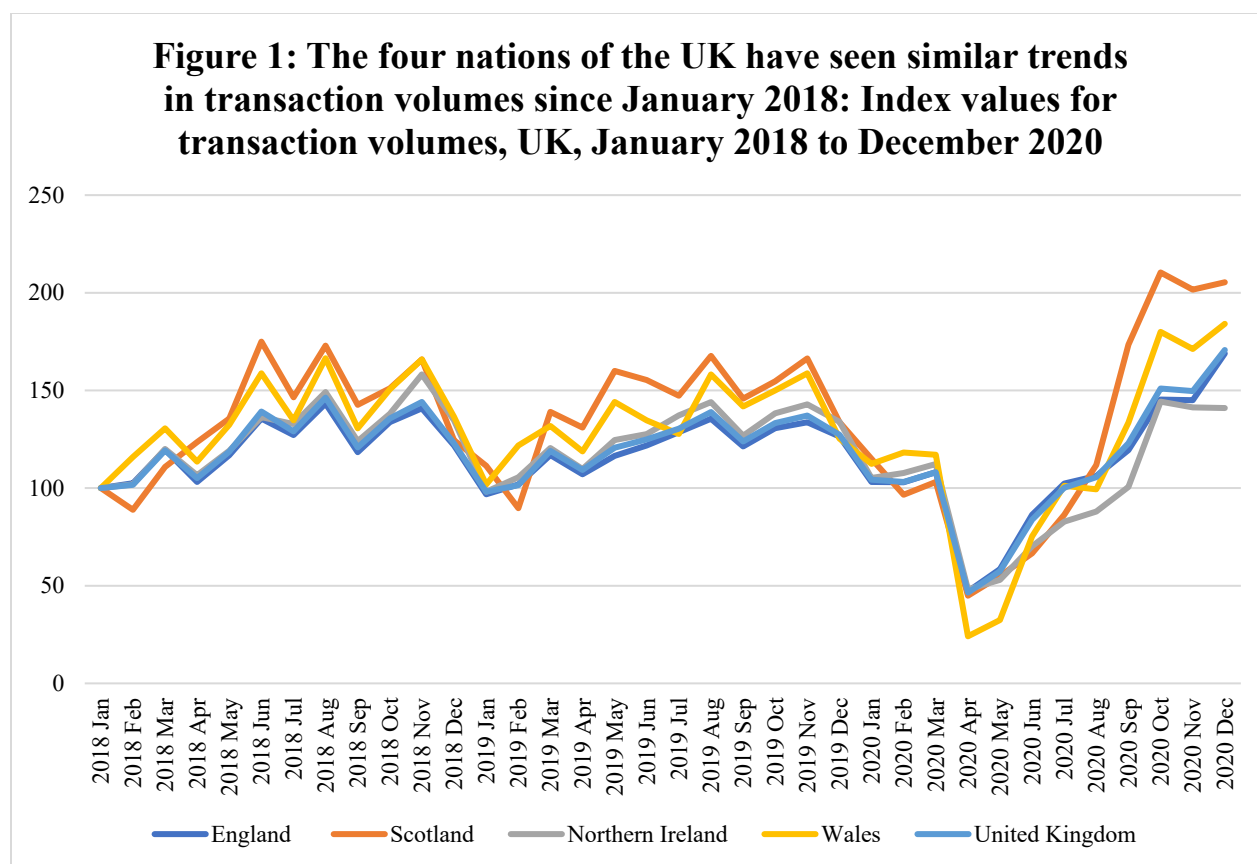
On the other hand, declining real estate values may lead to less spending and investment. According to the Bank of England, most of the household debt in the UK comes from mortgages, and during a recession, excessive borrowing can jeopardize the financial system (England, 2020). Moreover, housing investment is crucial in boosting the UK's GDP by generating jobs, investing in land, and building supplies, and promoting local economies through local services.

It is essential to consider that existing-home purchases and sales have a positive economic impact, even though their direct effect on GDP might not be as apparent as new housing investments. For instance, the value added by real estate agents who sell homes is included in the GDP calculations. Moreover, the services involved in selling existing homes, such as appraising, cleaning, marketing, and legal services, all contribute to the GDP. Therefore, even though an existing home is a used good, the transactions and benefits associated with its sale still significantly contribute to the country's economic growth.

As a result, a housing market crisis in the United Kingdom affects new housing investments. In addition, it has repercussions on the broader economy due to decreased spending and investments related to existing-home sales. Considering both aspects of the housing market, it becomes clear that the crisis has far-reaching implications for the United Kingdom's overall economic well-being.

The fall in annual house price growth in April may partly reflect the type of property transactions completed at that time. People were advised to stay in a new house during tight restrictions. As such, property transactions conducted during that time may have been more concentrated than usual among those without complicating factors such as a chain, including

first-time buyers, who would typically be at the lower end of the price scale than former owner-occupiers. According to data from the ONS, purchases by previous owner-occupiers decreased by 61% year over year in April 2020, more than first-time buyers' purchases or buy-to-let purchases, which had declines of 53% and 54%, respectively. In areas where the House Price Index (HPI) shows the steepest price decreases, the statistics also reveal significant discrepancies between first-time buyers and past owner-occupier purchases for Quarter 2 (Apr to June) 2020. Even before the implementation of the property transaction tax holiday, the subsequent spike in prices in June 2020, particularly at the top end of the price spectrum, may have been the result of some pent-up demand following the relaxing of lockup restrictions. From March to April 2020, transactions dropped precipitously, and they have subsequently steadily increased. According to Figure 1, the four countries that make up the UK experienced comparable sales volume patterns in 2020. England, the UK's most populated country, often sets the pace for the rest. Despite continuous price rises, transaction volumes were steady between October and November 2020. The nationwide lockdown imposed in England in November 2020 and later removed in December, as well as the increase in volumes in December 2020, may be reflected in these events.



Note. Adapted from "Recent trends in the housing market" by K. Keane (2021, February 3).

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COVID-19 Pandemic and Stamp Duty

The first new coronavirus cases were identified in the United Kingdom in late January 2020. To try to contain the virus's spread, the government imposed a lockdown in March 2020. Many businesses and schools were forced to close during this lockdown, and there were also limits on travel and social events. As a result, millions lost their employment due to the pandemic, and many firms were forced to close, significantly impacting the UK economy. In addition, the epidemic substantially affected the property sector, moving home sales and price

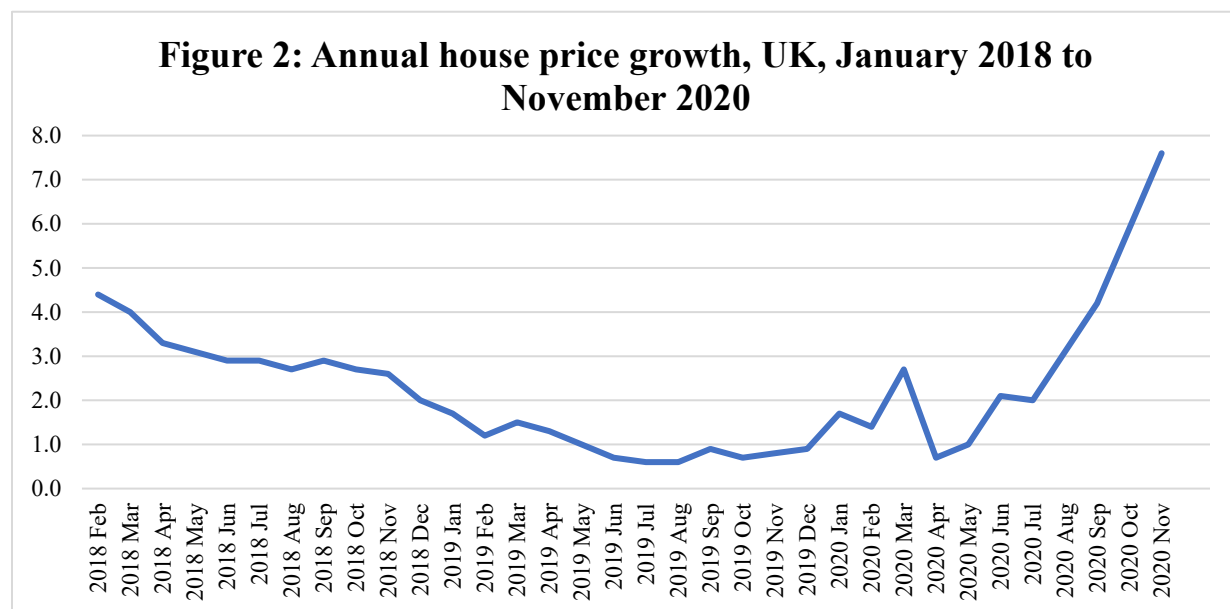
rises. The COVID-19 pandemic has dramatically damaged the UK property market. House prices dropped significantly at the pandemic's start, but they quickly recovered and reached a record high by November 2020. Policies like the stamp duty holiday implemented to boost businesses, household incomes, and the housing market are responsible for this rebound. The holiday temporarily abolished or lowered stamp duty to facilitate the housing market, a levy UK property buyers must pay.

The pandemic has also impacted housing tastes, with a rise in demand for terraced, detached, and semi-detached homes that provide more room for living and working from home. This trend has raised home values in places 20 to 40 kilometers outside the city center and central London. However, the rental market has experienced conflicting results, with rents declining in urban centers and rising in rural areas. (Cheshire, Hilber & Schöni, 2021). As evidence of shifting customer tastes, another piece from the right move hub (Steve Jenkins, 2020) notes that average prices are rising more quickly in rural areas, and home prices are rising faster than apartments.

The garden is the most significant characteristic for individuals considering buying or renting a property in the UK after the lockdown, according to a Rightmove poll of 4,000 prospective house movers. A two-bedroom house is the most sought-after property type among renters, and four to six-bedroom residences are the most popular among buyers. Many people place a high value on outdoor space. Today, commute times and access to transportation are less critical, while better home workspaces, fast internet, and spare rooms are more highly desired. Savills, an estate agency, has observed a rise in interest in rural living and demand for seaside real estate. (Peachey, 2020)

The long-term desire for detached homes with more extensive gardens precedes the pandemic and has influenced the location of these homes away from urban cores. The property market may have been encouraged by programs like the mortgage guarantee scheme and the stamp duty holiday during the pandemic, but its termination could exacerbate a subsequent collapse. It is crucial to remember that cities have historically bounced back from crises, and urban design will probably change due to advances brought on by pandemics. However, house affordability in the UK will remain problematic if the planning system is more relaxed.

The annual growth in UK home prices from January 2018 to November 2020 is shown in Figure 2. The data reveals an upward trend in the yearly growth of home prices, with a notable increase of 7.6% in November 2020. A spike in home demand that could be caused by several factors, such as low-interest rates and the government's stamp duty holiday implemented to support the property market, could be indicated by the considerable increase in house prices in 2020.



Note. Adapted from "UK House Price Index" by A. North (2023). Retrieved

from <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/nove>

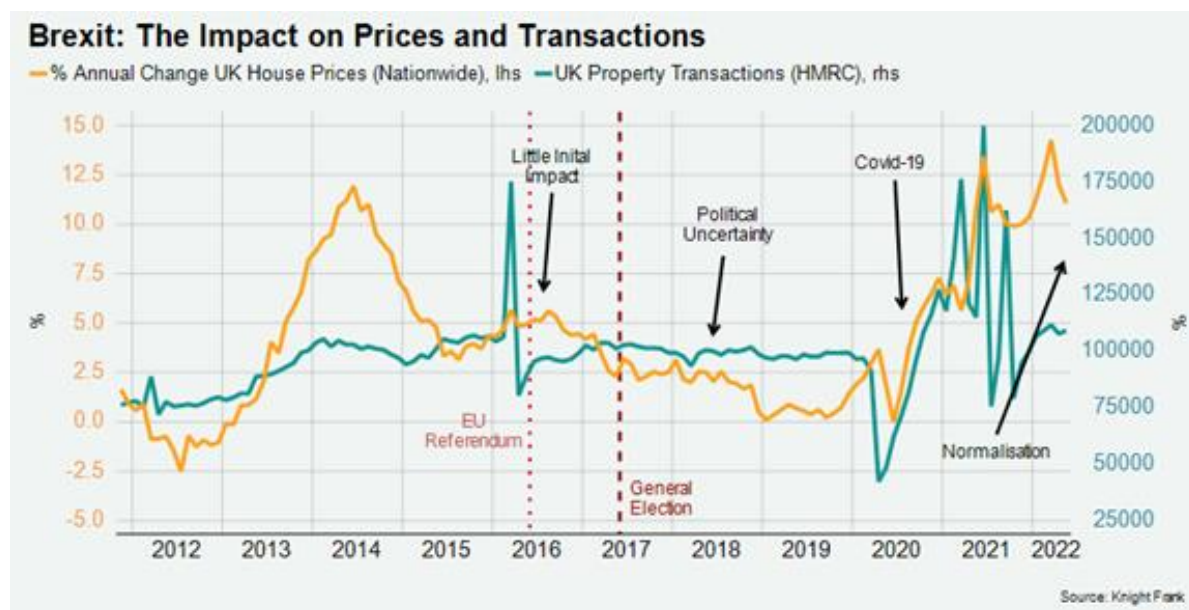
[mber2020#:~:text=UK%20average%20house%20prices%20increased,has%20seen%20since%20June%202016](#). Copyright 2023 by Office for National Statistics.

A spike in home demand caused by several factors, such as low-interest rates and the government's stamp duty holiday implemented to support the property market during the COVID-19 pandemic, could be indicated by the considerable increase in house prices in 2020, as shown in Figure 2. However, while the rise in housing costs may have some positive effects, such as encouraging construction and stimulating economic growth, it can also have drawbacks. For instance, first-time purchasers may find it more challenging to afford homes due to inflated prices, which may prolong their reliance on rental properties and delay their entry into the housing market. Additionally, it might worsen wealth disparity, as those who already own property see their wealth increase while others struggle to enter the market. This can perpetuate social divisions and limit upward mobility. Furthermore, higher house prices can make it more difficult for low-income families to find affordable homes, exacerbating housing insecurity and potentially increasing demand for social housing and other government-assisted housing programs. In the long run, these consequences could strain government resources.

Brexit

By combining the phrases "British" and "exit," the term "Brexit" refers to the UK's decision to quit the European Union (EU). Brexit has significantly impacted several economic sectors, including the housing market. On June 23, 2016, the UK held a referendum in which most participants (52%) chose to exit the EU. After years of discussions and extensions, the UK started a transition phase that ended on December 31, 2020, and the UK formally departed the EU on January 31, 2020.

Figure 3 : Brexit: The Impact on Prices and Transactions



Note. From "Brexit Six Years On: Assessing the Impact on UK Housing" by T. Bill (2022).

Retrieved from <https://www.knightfrank.com/research/article/2022-06-23-brexit-six-years-on-assessing-the-impact-on-uk-housing>. Copyright 2022 by Knight Frank.

The UK property market went through a period of unpredictability and price swings after the Brexit vote. As a result, the Brexit vote resulted in a temporary slowing in house price increase, according to a study, "The short-run impact of Brexit on the United Kingdom housing market" (2020). According to the researchers, "average quarterly growth rates [in house prices] fell by 1.1 percentage points following the referendum" (Nanthakumar, Bojke, & Laird, 2020, p. 34). The uncertainty surrounding the UK's future relationship with the EU and the probable economic repercussions of exiting the bloc can be blamed for this slowdown.

However, due to several circumstances, including the weakening of the pound, which increased the appeal of UK real estate to overseas investors, house prices started to rise again.

According to a study by Dr. Paul Cheshire and Professor Christine Whitehead titled "Brexit and the London Housing Market: A Preliminary Assessment" (2020), "the sharp depreciation of sterling following the Brexit referendum made UK property more attractive to overseas buyers, which helped to offset some of the negative impacts on demand" (Cheshire & Whitehead, 2020, p. 26). The property market in London and the Southeast was underpinned by this demand increase, particularly from foreign purchasers. The UK's construction industry has also been affected by Brexit, with worries about labor shortages and the accessibility of building materials due to probable trade hurdles with the EU. However, it is crucial to remember that until the UK has adequately adapted to its new relationship with the EU, the full impact of Brexit on the property market might be partially evident, as shown in Figure 3.

Affordability

Since the cost of housing has continuously outpaced wage growth in the UK, home affordability has been a significant concern. Examining the connection between population growth and housing affordability is essential given the current housing affordability situation in the UK, notably in England and Wales, because England and Wales comprise approximately 89% of the UK's population.

Out of 330 local authority areas in England and Wales, housing affordability improved in 235 (71%), worsened in 89 (27%), and remained the same in the remaining 2%, according to the local authority housing affordability analysis for 2022. In 2022, affordability was better in 25% of locations compared to 2019, while it got worse in 75%, showing a longer-term pattern of declining affordability. Additionally, compared to 2021, average housing prices climbed in 64% of areas, while average wages increased by 71%. In Wales, the figure was 6.2 times their annual wages, whereas, in England, full-time workers could anticipate spending about 8.3 times their

yearly income on a property. Every local authority has seen a decline in housing affordability over the past 25 years, but London and the surrounding areas have seen the worst. Only 7% of local authorities would have an affordability ratio of less than five times workers' wages in 2022 compared to 89% in 1997. (Pateman, 2023)

The UK's population increase, partly fueled by immigration, is one of the key causes contributing to the country's declining housing affordability. The leading cause of population growth in the UK since the 1990s has been immigration. As the population grows, so does the demand for housing, which strains the housing supply and drives up home prices. It becomes more difficult for individuals and families to acquire homes due to this upward pressure on housing costs, especially for first-time buyers and low-income households. Immigration complicates housing affordability since it affects the supply and demand of labor in the building sector. In some circumstances, immigration can help ease labor shortages in the building industry, allowing for the construction of additional homes and contributing to the solution of the housing affordability problem. Nevertheless, with the UK's exit from the European Union (Brexit), worries regarding labor shortages and the accessibility of building materials have surfaced because of probable trade hurdles with the EU.

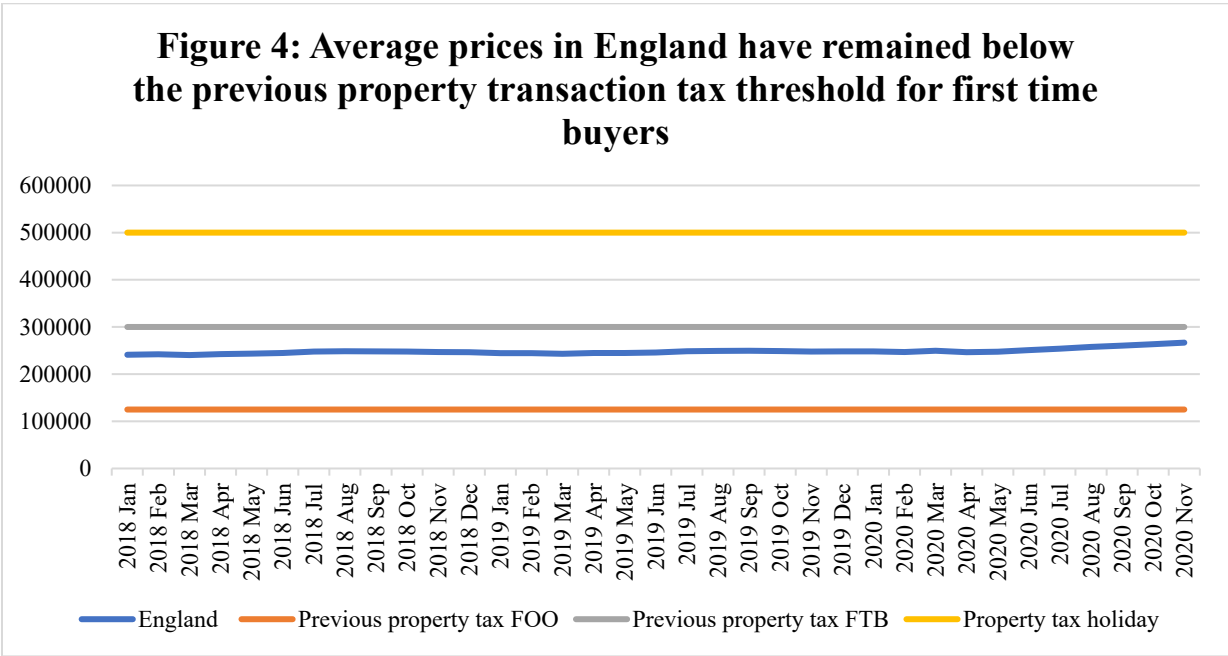
A multifaceted strategy is needed to address housing affordability in the UK, considering the issues that influence it, such as immigration and population increase. The availability of more reasonably priced housing, the adoption of laws that support sustainable wage growth, and ensuring that the building sector has access to the labor and materials required to fulfill the rising demand for housing are all potential remedies. In addition, policymakers must carefully analyze how immigration affects housing affordability and seek to create plans that balance immigration's advantages and its difficulties on the housing market. A comprehensive strategy

that considers the problem's multiple characteristics and attempts to foster a more fair and sustainable housing market for all is needed to address this problematic issue.

Government Policies

The United Kingdom has been grappling with a housing crisis for several years now, as the cost of housing continuously outpaces wage growth, resulting in a significant decline in housing affordability. In addition, government policies such as rent control, tax incentives, and housing subsidies substantially impact the housing market.

The UK government's July 2020 implementation of property transaction tax breaks has notably affected the nation's average home prices in England, Northern Ireland, Scotland, and Wales. The highest savings from the holiday were £15,000 in England and Northern Ireland, £2,450 in Wales, and £2,100 in Scotland due to the considerable increase in the property transaction tax thresholds. Figure 4 emphasizes the substantial savings potential of the PTT holiday, with the highest possible save in England and Northern Ireland being £15,000. (North, 2023).



Note. Adapted from "UK House Price Index" by A. North, 2023. Retrieved from <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/november2020>. Copyright 2023 by Ons.gov.uk; Office for National Statistics.

Previous property tax FOO refers to the property tax rates and thresholds applicable to first-time owner-occupiers, i.e., individuals purchasing a property for the first time to reside in it themselves. This group may or may not have previously owned the property for investment purposes. On the other hand, Previous property tax FTB refers to the property tax rates and thresholds applicable to first-time buyers, i.e., individuals purchasing a property for the first time, regardless of whether they intend to reside or rent it out. The rise in average prices since the holiday's implementation is probably due to a combination of pent-up demand and the holiday's incentive for buyers to close deals. According to Figure 4, the average price of a home in England and Northern Ireland has continued to be below the PTT barrier for first-time buyers. However, the PTT threshold was dramatically raised by implementing the property transaction tax holidays in July 2020, which increased the national average price of real estate since then.

Rent control policies regulate the private rental market by limiting how much landlords charge tenants. This protects tenants from excessive rent increases and ensures that rental housing remains accessible to lower-income households. However, rent control policies have been criticized for discouraging investment in the rental market, leading to a decline in the quality and quantity of rental properties available. Housing subsidies are the government's financial assistance programs to help low-income households secure affordable housing. These subsidies can take various forms, including direct cash transfers, housing vouchers, or tax credits. Housing subsidies have been instrumental in providing affordable housing options for vulnerable populations, preventing homelessness, and reducing housing insecurity. Tax

incentives are a crucial tool the government uses to encourage investment in the housing market. These incentives include tax breaks for developers constructing new housing units, tax credits for first-time homebuyers, and tax deductions for mortgage interest payments. Tax incentives have been successful in stimulating housing construction and promoting homeownership. However, they have also been criticized for disproportionately benefiting higher-income households and contributing to housing price inflation.

Government policies promoting homeownership, the private rental sector, and affordable housing affect the housing market differently. While some approaches, such as tax incentives and property transaction tax breaks, have successfully stimulated the housing market and encouraged investment, they have also contributed to rising house prices and housing unaffordability. On the other hand, rent control policies and housing subsidies have played a critical role in ensuring housing remains accessible to low-income households. However, they have faced criticism for their potential negative impact on the rental market. Therefore, housing affordability policies should be carefully designed and implemented to address the housing crisis effectively and create a more equitable housing market.

Conclusion

In conclusion, the United Kingdom's housing crisis is a complex issue driven by multiple factors, including population growth, affordability, and government policies. This paper has comprehensively analyzed the relationship between these factors and their impact on the housing market. The study has highlighted the crucial role of government policies such as rent control, tax incentives, and housing subsidies in shaping the housing market while noting their potential unintended consequences on affordability and housing quality.

Addressing the housing crisis requires a multifaceted approach considering the broader economic context, including the effects of Brexit and the COVID-19 pandemic on the market. Policymakers must strike a balance between stimulating the housing market, promoting homeownership, and ensuring the availability of affordable housing for all citizens. This involves carefully designing and implementing policies that cater to the population's diverse needs, including low-income households and first-time buyers. Furthermore, addressing the housing crisis requires acknowledging the interplay between population growth, migration, and housing demand. Policymakers must consider the impact of immigration on housing affordability and strive to create policies that balance the benefits and challenges of immigration on the housing market. A comprehensive strategy that considers the multifaceted nature of the problem and seeks to create a more equitable and sustainable housing market is needed to tackle this pressing issue.

In summary, the housing crisis in the United Kingdom is a complex and multifaceted issue that requires a carefully crafted and targeted approach. Government policies promoting homeownership, the private rental sector, and affordable housing affect the housing market differently, and housing affordability policies must be designed with these differences in mind. By taking a holistic approach that considers the various factors at play, policymakers can work towards creating a fair, sustainable, and accessible housing market for all citizens in the United Kingdom.

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