



A Centre for Policy Studies Briefing Note:

Housing and Immigration

Summary

In the wake of the Chesham & Amersham by-election, the argument has been made that plans to build more houses are being driven largely or even solely by immigration. This note examines the true state of affairs. It finds that immigration is responsible for a significant part of housing demand – but that the outdated formulae being used to calculate housing need are actually disguising the true extent, potentially to the tune of more than 40,000 homes per year. It argues that the Government could use the Planning Bill to incorporate net migration in housing estimates in a more transparent way. This will improve both policy and political debate around housing, not least by stopping politicians or political parties simultaneously promising to both relax migration controls and build fewer homes.

How are household projections created?

The English housing system rations the number of new permissions according to 'housing need'.¹ This is the number of new households forming, and so the number of new homes that should be built each year. The figures used to create the numbers of new permissions are crucial, because this number of new permissions determines how much land is released for new homes, and how much areas of existing housebuilding must see their density increased.

One of the central problems with the current housing debate is that housing numbers are based on out-of-date figures from the 2014 housing projections, which in turn used data from 2012-14. There is no statutory requirement for the Government to update its projections on a particular schedule – and even if there were, it would make sense to wait until the disruption and dislocation caused by the pandemic has subsided before updating the calculations. However, this means that by the time new local plans are drawn up in the mid-2020s, the data they are ultimately relying on will be 10 or more years out of date.

This flaw is particularly important when it comes to net international migration, the difference between those leaving and coming to the country.

Currently, Government housing targets are based on the 2014 estimate that we are creating 214,000 new households a year. Various tweaks are done to turn this household number into a housing target, including adjustments based on affordability. The end result is a national target for new housing, as of December 2020, of 297,000 a year.

¹ This is often termed as rationing land, but it can include recycling residential land at a higher density and so rationing the number of new permissions is more accurate.

The 2014 figures predicted that net migration would run at 170,500 a year and assumed that household size would be around 2.36 in 2012 but fall to 2.22 by 2037.² It also assumed that the new arrivals would form households of identical size to the existing population. This implied that there would be around 72,250 new migrant households formed every year, ie that migration was responsible for almost exactly a third of housing demand, or 33.7%.

Getting these numbers correct is crucial, because otherwise we will grant the wrong number of permissions, and build the wrong number of homes (assuming we can ensure new permissions are actually built out, one of the many problems the Government's planning reforms aim to tackle). It is therefore alarming that there are serious concerns that the existing data is not accurate.³ But even if it were, net migration does not flow into new home targets in the way that it should or could.

How net migration impacts on housing policy

In 2017, the Government introduced a new annual housing target of just over 266,000 homes across England.⁴ In 2020, it attempted to increase this substantially, particularly in rural areas. There was a backlash among MPs, who pointed out that under the proposed algorithm the South-East would be expected to deliver 57% more homes, while big cities would see their housing allocation actually drop.⁵

The Government U-turned and the proposed changes were dropped. Instead, new numbers were put in place based on the old system, but with a 35% uplift in the larger urban areas. The total housing number is now proposed to be 297,605.⁶ This is an increase of just over 30,000 homes a year.

The key reason for planning reform is that the Government believes – rightly – that we need more homes, particularly in the South, to allow people to own a home and have a family.

The problem with the new numbers, however, is that net annual migration is not the 170,500 a year predicted in 2014. In the five years to 2019, across the UK as a whole, it ran at 281,291.⁷ Given that 90% of migrants move to England, this works out at around 48,387 additional homes (assuming 2.3 people per household) every year across the UK, adjusted to 43,545 homes in England to account for that 90% ratio.⁸

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811253/Household_Projections_2014-based_Methodology_Report.pdf

³ See <https://ukandeu.ac.uk/eu-settlement-scheme-the-5-million/>

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/652888/Planning_for_Homes_Consultation_Document.pdf

⁵ <https://www.conservativehome.com/thecolumnists/2020/08/neil-obrien-2.html>

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https://lichfields.uk/blog/2020/december/16/mangling-the-mutant-change-to-the-standard-method-for-local-housing-need/#_ftn2

⁷<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2019estimates#births-deaths-and-international-migration>

⁸ <https://migrationobservatory.ox.ac.uk/resources/briefings/where-do-migrants-live-in-the-uk/>

In other words, the difference between the new and the old housing targets is less than the total increase from net migration since the 2014 projections – meaning we are running just to stand still.

In addition, migration is heavily skewed not just towards England but towards London and the South, with more than 50% of UK migration (and nearly 60% of migration to England) going to just these two regions alone.⁹ So any increase in the number of new homes needed due to net migration has to be focused in these areas.

However, these migration figures do not feed into the housing numbers very clearly or transparently.

It is not really understood how far London's housing pressures relate to international migration. London's population would be falling were it not for high net international migration. Excluding international migration, London's population would have fallen by 700,000 from 2010 to 2019. So reducing net international migration to London would, over time, reduce the pressure for new homes in the South since it would slow the flow of people from London to the nearby South and make London more affordable.

Conclusion

The Government is absolutely right to focus on planning reform. Simpler local plans, more focus on design and infrastructure, and ensuring we meet housing need are all to be welcomed, and MPs should support the principle, even if engaging on the detail.

Of course, as previous CPS work has set out, the key has to be ensuring that housing targets are met rather than just generated, since no one can live in a housing target. This is why our recent report *The Housing Guarantee* focused heavily on the housing delivery test (ie whether councils meet their housing targets) as a key aspect of planning reform.

In the wake of the Chesham and Amersham by-election, there will inevitably be political pressure to water down the planning reforms, after the success of a NIMBY-ist campaign run by the Lib Dems which focused heavily on housebuilding and HS2.

At the same time, however, pressure from immigration is increasing. The UK is now able to apply limits to EU migrants – whose numbers have in any event been falling steadily since the Brexit vote in any event, with just net EU migration of around 75,000 in the last three years.¹⁰ However, international migration has held up strongly – and the income threshold for migrants seeking work has been reduced from £30,000 to £26,500.

Whatever the level of immigration, the current approach to housing targets is unhelpful, because the out-of-date figures do not give us the accurate numbers we need. But it also allows opportunistic politicians, such as the Lib Dems in Chesham & Amersham, to face in two directions at once – supporting higher immigration and yet opposing new homes. This

⁹ <https://migrationobservatory.ox.ac.uk/resources/briefings/where-do-migrants-live-in-the-uk/>

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<https://migrationobservatory.ox.ac.uk/resources/briefings/long-term-international-migration-flows-to-and-from-the-uk/>

makes planning reform even more difficult than it is, and weakens the moral case around families and home ownership.

We therefore propose that as part of the Planning Bill, local plans should be adjusted every two years to accommodate up-to-date levels of net migration.

This would ensure if the government does increase net migration, this does not increase housing pressures. It should also include more detailed and transparent modelling around migrant flows to the different regions of the UK, and attempt to capture knock-on impacts (eg what would happen to the flow of people into the wider South-East if housing in London became more affordable over time).

The Government could, in fact, go further by including modelling in each local plan of the impact of additional increases in net international migration, say in increments of 50,000. This would ensure that politicians cannot face both directions at once, by promising that they will oppose new homes while pledging to increase net migration – a position which is logically absurd, since a more relaxed immigration policy either means more competition for existing properties or a major increase in new homes to house new arrivals.

The Government is right to propose planning reform, but this needs to go hand in hand with a clearer explanation of the impact of immigration, in order to boost support for home ownership. The policy of expanding home ownership via housebuilding is already under significant political pressure. Politicians must ensure that higher migration does not further jeopardise public acceptance of housebuilding. Making the current system more honest will result in both better policy and a healthier, more realistic political debate.

If you would like to discuss any of these ideas further with our experts, please do not hesitate to get in touch with Callum Price, Head of External Relations, on callum@cps.org.uk.