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Only one lucky generation ever struck housing gold

The young and the old know all about renting - it's those born in the Fifties who managed to cash in



Photo: PA

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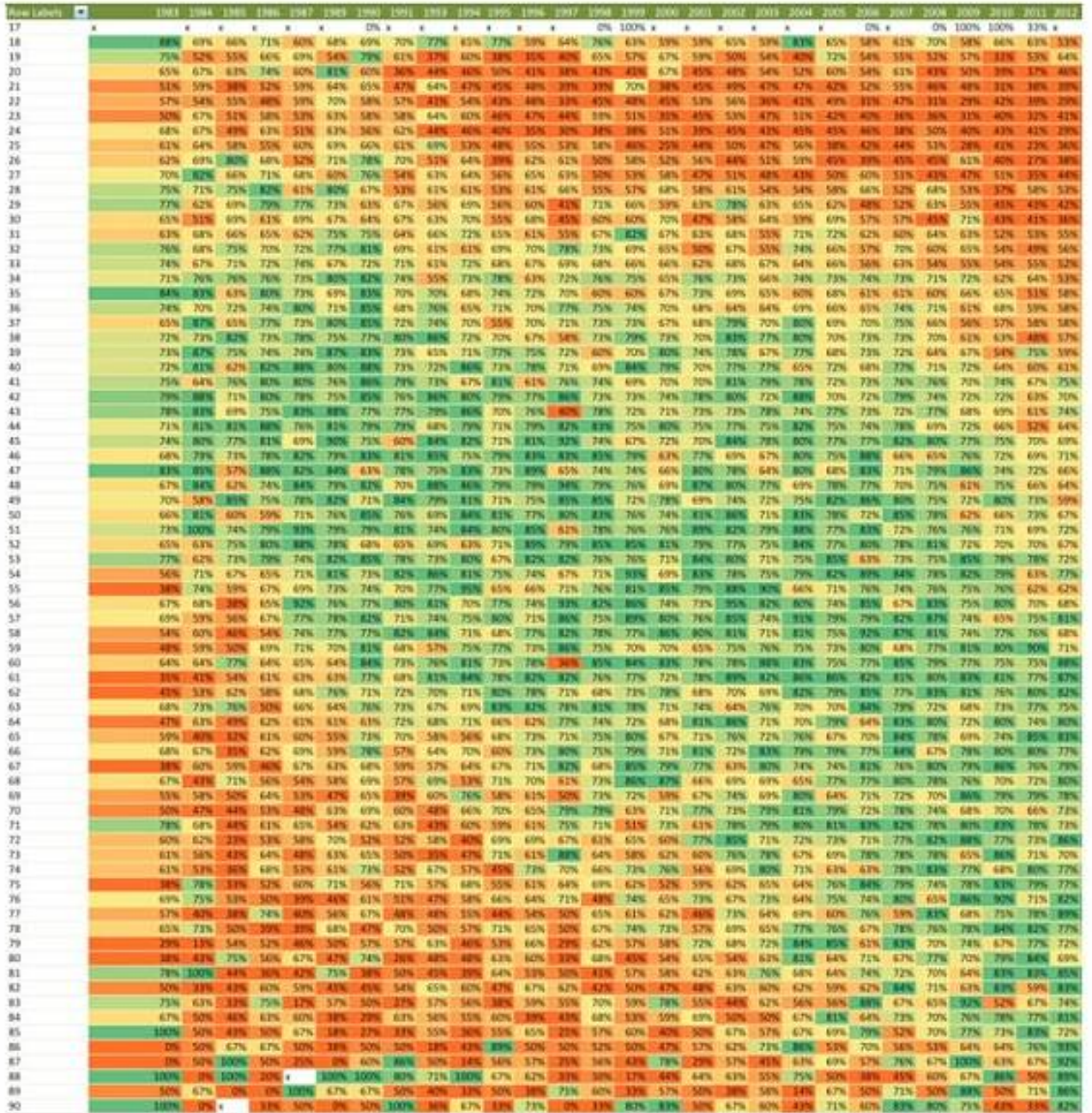
25 Comments

If there's one thing that drives **Generation Rent** up the wall it's hearing stories about their elders snapping up detached

Georgian houses in Knightsbridge for a song back in the day. Such stories give the impression that buying a wonderful home used to be a doddle – that they were practically given away for free – only for things to change dramatically and create a situation that is now terribly unfair. For these malcontents I have some words of comfort: apart from one brief period, **buying a home has always been hard.**

Take this statistic, for example. Of those now in their eighties, only half were homeowners or had a mortgage by their fifties. The others rented. People currently in their nineties had it even harder. So, though it may surprise some young people, the elderly of today also come from the generation when it was the norm to rent.

That story was true before them too. Britain in the Twenties and Thirties was a country in which the population was still coming off the land. Most housebuilding in rapidly expanding cities was carried out by speculative investors for landlords, or by landlords themselves. In most cases, wages were too low to allow people to do anything but rent. Then, when wages rose after the Second World War (when there was a shortage of labour) there was an acute shortage of housing to buy.



The golden generation of home ownership - an exception not the rule. This chart shows the proportion of people in the UK who live in a home owned outright or mortgaged by date (x axis, from 1982 on left, to 2012) and their age (y axis, from 17 years old at top to 90). Green boxes represents high ownership (greater than 60 per cent). The chart clearly shows the existence of a golden generation of high homeownership, sandwiched by much lower rates. [The full data is here](#)

In response, rival Conservative and Labour governments competed to outdo each other in how many council homes

they could build, while individuals also built privately in great numbers. Yet even then it could still take a long time to save a deposit, convince a building society manager to lend to you and organise the building of your own home. **During the Seventies, of course, there was mortgage rationing and double-digit interest rates, and council house building slowed.**

It was in the Eighties that this story – what had been the norm – began to change. For when it comes to housing, those now aged 60 are part of a golden generation. In 1983 as many as three quarters of this age group, then aged just 28, lived in a home that was either owned outright or on which there was a mortgage. By the time today's 60 years olds were aged 38, in 1993, some 86 per cent were living in owner-occupied housing.

Only one in seven of that generation were renting in their late thirties. It was far easier for them to buy than it had been for their parents and far easier than it was to be for their children. The difference is that those now aged 80 know that it was not always like this, while young people today have experience nothing else. Naturally, the latter generation can be forgiven for thinking that if you work hard and save hard everyone can end up being securely housed – and feeling bitter when this proves not to be true.

For example I was aged 23 when, in the early Nineties, I bought my first home in Newcastle upon Tyne with my then girlfriend. Neither of us had a permanent job. I only had a two-year contract. I was a research associate at the university studying housing. My salary was not large and I had almost no savings. Because I was studying housing, I decided to ask 16 banks and building societies if they would give us a joint mortgage. All 16 of them interviewed me and many interviewed both of us. All of them sucked their teeth or otherwise looked disparagingly at us asking to borrow so much money when we had so little job security and low wages. All of them made it look as if it would be very hard for them to lend us the money and we would have to wait and see. And then all but one offered us a mortgage. We bought our first home, a three-bed-end-terrace for about £50,000. It was not hard to do.

Had I not asked 16 lenders if they would lend and discovered that 15 would say yes, I would have been left with the impression that I was very lucky to be granted a mortgage back then; but it was not luck, they had so much money to lend that they were forced to lend it to people who were cohabiting, young and only in temporary employment. The “Big Bang” of 1986 had forced them to compete with each other and they needed our interest payments.

Average house price and average annual earnings per region			
REGION	AVE. HOUSE PRICE (£)	AVE. ANNUAL EARNING (£)	SALARY TO HOUSE HOUSE PRICE RATIO
UK	260,000	26,910	9.66
Wales	166,000	24,559.60	6.76
Scotland	187,000	26,431.60	7.07
Northern Ireland	132,000	23,920	5.52
North East	152,000	24,450.40	6.22
North West	168,000	24,986	6.72
Yorkshire and the Humber	172,000	24,913.20	6.90
East Midlands	181,000	24,679.20	7.33
West Midlands	193,000	25,199.20	7.66
East	269,000	26,260	10.24
London	485,000	34,200.40	14.18
South East	320,000	27,903.20	11.47
South West	238,000	24,960	9.54

Source: Average house price for April 2014, House Price Index (ONS) and Average full time gross annual earnings for April 2013 (ONS)

There are far stricter rules now on lending. Partly this is because it cannot be assumed that house prices will continue to rise. They are now so high they may not, so banks are worried that if lend recklessly they will not be able to recoup their monies through repossession. Now that government is underwriting the banks, especially though help-to-buy, it does not want to be left with the unsecured debt either.

The result of this is that just over a third of people aged 30 are today able to start to buy a home in Britain. Indeed, it is not until people are in their sixties nowadays that they are in a significant home-owning or buying majority.

I am the last of the lucky generation. Indeed, I am probably the youngest of that cohort. When I did get a permanent job at the University of Bristol in the late Nineties I was so shocked at the house prices there – in comparison to Newcastle upon Tyne – that I rented and only later bought upon moving back north to Leeds. Not buying in Bristol in the Nineties was almost certainly the most stupid financial decision of my life.

But today having a mortgage at all has become a privilege, so who am I to complain?

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