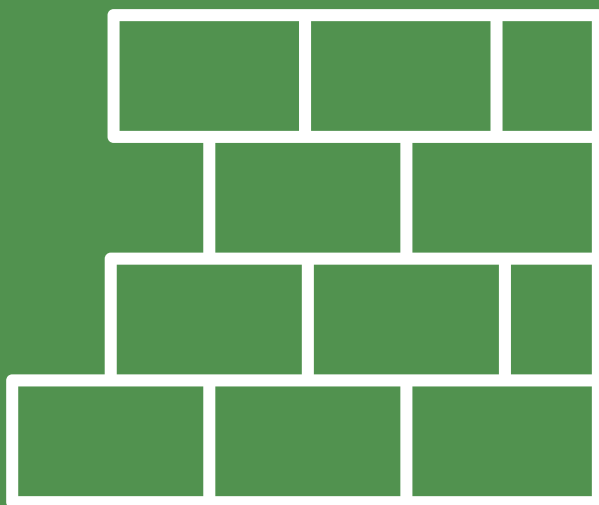


BRICK BY BRICK

**WHY WE MUST ACT
NOW TO REMAKE
OUR HOUSING MARKET**

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FABIAN IDEAS NO.664

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Fabian Ideas 664

First published July 2024
ISBN 978-0-7163-0664-1

Edited by Kate Murray and Iggy Wood

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British Library Cataloguing in Publication data. A catalogue record for this book is available from the British Library.

designbysoapbox.com
Printed and bound by Park Communications Ltd

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SUMMARY

Our 'property-owning democracy' is no longer working. The home ownership rate in England peaked in 2003 at 71 per cent of households. By the early 2010s, it had fallen to 65 per cent, with efforts by Conservative governments over the following 14 years failing to resuscitate it. In London, fewer than half (49 per cent) of all households now own their homes.¹

After more than 40 years of an experiment that, in stalling, has created serious consequences for many of those unable to enjoy its benefits, we are entitled to ask: "Is there not a better way of organising and managing the property market that is more equitable? One that achieves the mantra we hear so often from politicians of 'a decent home for all'?"

The election of a new Labour government provides a vital opportunity to rethink our housing ethos and remake the market.

Housing's critical social role is to provide families and individuals with a secure base from which to pursue their lives. That security has several elements, but at its heart is affordability. There can be no security if the housing options

available are not sustainably affordable. At present, the private housing markets for both sale and rent are so expensive relative to people's incomes that they fail the test of security for far too many. Government changes to welfare benefits and the development model for social housing since 2010 have also left those on the lowest incomes with few or no affordable choices and placed many in an intractable poverty trap.

The failings of the housing market adversely affect our society and our economy in ways that are both broad and profound. The quality and cost of housing impacts on people's health, finances, job prospects, educational attainment, mobility, family formation and aspiration. More insidiously, a dysfunctional housing market creates social divisions and tensions, magnifying inequalities and promoting corrosive disillusionment and alienation – with potentially dangerous results, both socially and for our democracy.

In the 1930s, the National Government embarked on a "crusade against the slums". In the 1950s, as Britain struggled to rebuild from the damage

of the second world war, Conservative housing minister Harold Macmillan mirrored this language, enhancing the Attlee government's council housebuilding programme under the banner of a 'great housing crusade'.

Now, with our housing system once more in crisis, we need a third housing crusade. Unless tackled with coherent policy and an unflinching will, unaffordable, insecure and poor quality housing will act as a severe brake on Labour's growth ambitions and ability to renew our public services.

Labour's election manifesto sets out promising proposals, including reform of the planning system, new mandatory housebuilding targets, improved infrastructure and sensible reform of the green belt and compulsory purchase rules. It declares that Labour will build 1.5m homes within five years, create new towns and urban extensions and deliver the 'biggest boost to affordable housing in a generation'.

But there is as yet no overarching guiding vision that engages with the many difficulties of bringing these aims to fruition. Our housing market is a highly complex system, replete with interdependencies, and changing its course so that it meets England's housing needs more effectively will mean tying together many elements – new investment, reorientation of existing investment, fiscal changes, systemic changes, more joined-up, effective and collaborative working between the main actors in the market and better coordination between government departments.

Most obviously, it will require a much clearer exposition of the ultimate objectives of housing policy.

The housing crisis has been allowed to grow, fester and worsen over such a protracted period that it cannot be tackled sustainably without consensus across the political divide. Creating a well-functioning market will, in all likelihood, take a generation, not one electoral cycle. We need the kind of consensus on housing that prevailed during the 1950s and 1960s. Our own more partisan political times make this much harder to achieve. Doing so will require politicians to change the national conversation around housing. So many people are now disadvantaged by the way our market works, or rather fails to work, that this is eminently possible. But it will require a concerted campaign with clear messages about its social and economic desirability.

That clarity can only come through the development of a new national strategy for housing. A key reason the housing crisis has worsened and housing policy has drifted in the last 14 years has been successive governments' inability to establish a credible, 'whole market' direction of travel, with a strategic document and mechanisms to hold ministers to account on housing policy. The constant and unnecessary merry-go-round of housing ministers under the Conservatives – 16 in 14 years – played into this drift and demonstrated that housing was not being treated as a first-order issue. This cannot continue if Labour is to succeed in its broader goals.

This pamphlet places the concept of the 'property-owning democracy' in a historical context. It sets out why we so badly need to change course; gives some pointers as to how the process of change can be managed; examines the likely objections that will be raised, before offering evidenced answers to them; and, finally, suggests some initial steps to get us onto a more positive and sustainable housing path, including the main elements of a new national housing strategy.

It does not try to make detailed policy prescriptions for the new government.

As others have said, "the menu of such proposals, emanating from a broad range of credible sources, is already long,"² and Labour's basic ideas are sound. More important now is the political will to make the very significant changes necessary, and a guiding overall framework that effectively prioritises and brings together all of the many strands of action needed.

Secure, affordable, decent quality housing is fundamental to people's ability to lead a good and purposeful life, which in turn is fundamental to the health of our society and economy.

CHAPTER 1

HOW DID WE GET HERE?

The housing crisis has developed over the course of a generation and is evident across every tenure.

HOME OWNERSHIP

Home ownership has fallen because house prices have risen faster than wages throughout most of the last 25 years. Office for National Statistics figures show that between 2000 and 2023 house prices rose 240 per cent while earnings rose 112 per cent. In 1997, buying a home cost less than five times average earnings in 89 per cent of English local authorities; by 2023, that affordability ratio held in just seven per cent of local areas. The average house price across England and Wales has climbed to a dizzying 8.3 times average annual full-time earnings.³

By some measures – and in some places – the data is even more stark. In the South West, for example, house prices are up 384 per cent since 1997, but median earnings by only 84 per cent.⁴ Over the slightly longer period from 1992 to 2023, house prices in England rose 377 per cent,

while median household disposable incomes grew by only 51 per cent across the UK.⁵

In the aftermath of the 2008 financial crisis, house prices initially fell 15 per cent, as the country went into a deep recession. A degree of panic about the potential impacts across the wider economy prompted the government and the Bank of England, with special pleading from the lending industry and private developers, to implement ‘stabilising’ mechanisms to stem the bleeding. These helped house prices recover by 2013.

More than a decade later, some of those support mechanisms have yet to be fully unwound, which, together with a long-term imbalance between housing supply and demand, creates a situation where it is hard for house prices to fall by much or for long, even as living standards flatline. House price growth has generally continued to outpace real incomes. This has helped concentrate financial power into the hands of those already best off, while excluding from the market those

without sizeable assets, including many younger people.

Halifax has reported that the average mortgage deposit put down by first time buyers in 2023 was £53,400 nationwide and £109,000 in London.⁶ As affordability has worsened, the age at which people buy their first home has increased. While 51 per cent of 25 to 34-year-olds owned their own home in 1989, only 28 per cent did so in 2019⁷, and many of the latter needed help from the ‘Bank of Mum and Dad’, a phrase unheard of before the 1990s.

The imbalance between supply and demand helps to perpetuate and exacerbate the problem. The main political parties all now accept that around 300,000 new homes a year are needed in England. But the latest figures from the Department of Levelling Up, Housing and Communities show that 159,290 new dwellings were completed in 2023 – a fraction over half of what is required. The last decade when more than 200,000 homes a year were built consistently was the 1970s, and the last time over 300,000 homes were completed in England in a single year was 1969.⁸ The resulting supply deficit puts a constant upward pressure on house prices.

PRIVATE RENTING

An inevitable corollary of this decline in owner-occupation, given the last government’s reluctance to adequately fund new social housing, has been the expansion of the insecure, expensive, under-regulated and often poorly maintained private rental sector (PRS). It has doubled in size since the early 2000s,

from under 10 per cent of households to roughly 20 per cent.⁹

Recently, however, as Conservative governments reduced tax incentives and sought to introduce new maintenance and energy efficiency requirements – a fifth of PRS homes are rated ‘non-decent’, ie not meeting minimum quality standards – and as inflation took hold, yields on rental properties fell. In response, landlords have hiked rents or, in some cases, decided to sell up.

Research from the estate agency Hamptons suggests a net 256,000 properties have been lost from the private rented sector since 2017, while the average monthly rent for new lets has climbed 40 per cent in the same period.¹⁰ Office for National Statistics figures show private rents rose nearly 11 per cent in London and nine per cent across the UK in the year to February 2024.¹¹

Despite rising rents, the Tories froze the level of local housing allowance (housing benefit for private tenants) every year from 2016 to 2020 and again from 2021 to 2024, making it harder for the lowest income households in the private sector to pay for their housing. Just five per cent of properties listed for private rent in England in early 2023 had rents fully covered by local housing allowance according to the Institute for Fiscal Studies.¹² Rents are so high and so many lower income families have been pushed into the PRS that nearly 40 per cent of private renters now receive some level of housing benefit.¹³

‘No fault’ evictions made under Section 21 of the Housing Act 1988 have rocketed. More than 26,000 households have been evicted through no

fault of their own since 2019¹⁴. The Conservatives promised to end ‘no fault’ evictions five years ago. They failed to do it. Labour has promised an immediate ban on the practice.

Inevitably, families have ended up homeless. Record numbers of households – 112,660, with 145,800 children – are living in temporary accommodation¹⁵ and the Combined Homelessness and Information Network (CHAIN) found 4,118 people sleeping rough in London in the first quarter of 2024, up 32 per cent on the previous year.¹⁶

The volume of people needing temporary accommodation and the soaring costs are helping to push some local councils towards bankruptcy, say local government leaders. Councils spent £1.7bn on temporary accommodation in 2022/23, an increase of 62 per cent since 2018.¹⁷ Costs at Hastings Council leapt from £730,000 in 2019 to £5.6m in 2023. Crawley in West Sussex has seen an even bigger jump, from £262,000 five years ago to £5.7m this year, with the council saying trends are set to continue and worsen.¹⁸

Finally recognising the damage being done, former chancellor Jeremy Hunt belatedly restored local housing allowance rates from April 2024 to cover the lowest 30 per cent of rents in the private market. New research from property consultants Savills, however, suggests that despite the change a far lower proportion of the private rental market (just 8.5 per cent of new listings) will be open to low-income renters, because of the pace at which private rents have been rising and the

technicalities around how the increase is applied.¹⁹

SOCIAL AND AFFORDABLE HOUSING

Meanwhile, in the last decade, the social rented housing stock has decreased by a net 21,800 homes a year²⁰ – the result of a dramatic 63 per cent cut in government grant funding for new low-cost rented housing from 2011, a change in funding conditions, demolitions, and a huge boost to right to buy discounts from 2012. There are currently 1.3m households on council housing waiting lists, up from 1.1m in 2018.²¹

As things stand, the situation is getting worse. In February 2024, London’s largest housing associations – the main providers of new social and affordable housing – said they would start building just 1,769 homes in 2023/24, compared to 7,363 in 2022/23.²² This massive 76 per cent collapse has been provoked by an onslaught of financial challenges, including, to name but three, the building safety crisis, the pandemic and higher borrowing costs. While reductions will probably be less severe elsewhere initially, new affordable housing ‘starts’ are likely to drop across the country in 2024. Housing association financial capacity for new development is stretched to the limit.

Social and affordable rented housing has been steadily ‘residualised’ since the introduction of right to buy in 1980, so that only the poorest, homeless people and those in the most desperate straits can qualify. In a country where property owning is king, these people

are second-class citizens, stigmatised for their poverty. It is not unreasonable to trace a dotted line through to 2017's Grenfell Tower tragedy – a disaster made possible by cutbacks in public investment, commercialisation and deregulation at the expense of safety, and a seeming indifference within the controlling bureaucracy to the plight of the poor.

Over two million council homes have been sold in England through right to buy since 1980, and, following resales, around 40 per cent of them are in the hands of private landlords.²³ The state is now frequently paying landlords market rates of housing benefit for people living in homes the local council previously owned and received rent from. Farcically, some councils are finding it is good value to buy back at market price homes they once sold at a substantial discount, as the cheapest and quickest way of increasing stock to meet their statutory duty to house people made homeless.

CONSEQUENCES

More detail could be layered into all of this, but the essential point should be clear: the property market in England is dysfunctional at every level. It is concentrating power and wealth into the hands of the already well off while failing to meet the basic social contract of providing security and support to those who need it. Stuck in the middle is a large cohort of people, 'the squeezed middle', including many younger couples and families and most key workers, who find themselves increasingly constrained

by high housing costs and the poor availability of affordable housing. Since 1980, the proportion of income that renting families dedicate to paying housing costs has doubled.²⁴

This has real world economic and social consequences. A multiplicity of adverse effects play out. Couples are unable to afford, or feel too insecure, to start families. Job prospects are damaged when people are unable to move and successful places are unable to grow. Physical and mental health issues caused by poor quality housing and financial problems proliferate. Overcrowding hinders educational progress. Homelessness and rough sleeping increase and social renters are stigmatised. Social mobility is thwarted. Social and financial inequalities are magnified. Disillusion and alienation grow. Both privilege and its lack become embedded and fixed.

In-work poverty, a relatively unknown phenomenon 20 years ago, is becoming common, brought about by a combination of labour market changes, benefit cuts, and soaring housing costs. As Paul Johnson, the director of the Institute for Fiscal Studies, argues in his 2023 book *Follow the Money*: "You can't begin to understand poverty in this country without understanding what has been happening to housing costs"; in-work poverty will not be fixed, he writes, "without doing something serious about housing."²⁵

The housing market, as it operates today, is a killer of social and economic productivity and progress.

CHAPTER 2

WHOSE LAND IS IT ANYWAY?

The ‘property-owning democracy’ concept is predicated on the twin beliefs that people generally want to own their own home and that the property market will give everyone the opportunity to find a home to suit them at a price they can afford via normal economic market mechanisms. The first belief holds water; the second does not.

The same political discourse that established the norm that only owning a home is ‘good’ also created the impression that doing so yields an inalienable right over the land underneath – an Englishman’s home is his castle, after all. This sense of entitlement is based on a false reading of the history of Britain’s land and property market.

In reality, all land remains controlled by the state. It grants planning permission for almost all new development and it has powers, used quite regularly, to take back land from any private owner using compulsory purchase. It decrees which land can be used for development and which cannot – hence our vast Areas of Outstanding Natural

Beauty, National Parks, Areas of Special Scientific Interest, and green belts surrounding many larger cities. The state keeps precise records of who owns what land through the Land Registry, maintaining oversight.

Large landowners have all, at some point, been granted title to their lands – by the controlling authority of the time – the monarch or the state. In the Middle Ages, the era of the feudal system and Lords of the Manor, royal-appointed manorial courts managed disputes concerning common land and between tenant farmers. By the mid-1500s, the Dissolution of the Monasteries increased the share of land held by the nobility, as the Tudor monarchs used the extra patronage opportunities to garner loyalty and much needed tax revenues. Attracting the monarch’s displeasure could arbitrarily mean forfeiture of land.

CONCENTRATION OF LAND OWNERSHIP AND ITS EFFECTS

A stronger concept of private ownership grew as Britain’s mercantile economy took shape, the monarch’s powers were

reined in, and agricultural technologies and knowledge improved. Common land was increasingly enclosed by estate owners in the 17th and 18th centuries, ostensibly to improve economic efficiency. Containing the land did indeed make farming, both arable and live-stock, more productive, providing better food and sustenance for local people. But smallholders often lost their grazing rights and with it their livelihoods, while landowners charged their tenants higher rents. Between 1604 and 1914, more than 5,200 individual Acts of Parliament were passed for the purpose of enclosure, covering 6.8m acres of land – more than one fifth of the total area of England.²⁶ Here again, the state, through parliament, acted as arbiter on the use of land.

The Industrial Revolution accelerated the concentration of private ownership, with wealthier landowners investing in factories, machinery and production in return for substantial profits as the population and the Empire grew. In 1786 there were still 250,000 landowners in Britain; by the 1820s it was 32,000. Displaced agricultural workers and tenants often left the countryside to work in the towns.

However, as the 19th century progressed, and it became apparent that the financial benefits of industrialisation flowed overwhelmingly to the owners rather than the labourers on whom success also depended, the mood around property began to change.

Workers often lived in appalling slum conditions. In the great trading cities of Manchester and Liverpool in the 1840s, around 10 per cent of

the population lived ‘below ground’ in damp, overcrowded, often windowless basements and cellars.²⁷ Lack of sanitation and space meant disease was rife.

As the architecture critic, Rowan Moore, explains in his 2023 book, *Property*,²⁸ these desperate conditions and inequalities created the moral and intellectual space for the French philosopher, Proudhon, to declare “all property is theft”, and for Marx’s analysis that property rights (most often gained originally by some form of plunder by the individual or state) were allowing the owners of the means of production to claim all the ‘surplus value’ created by their workers. The proletariat would only gain their proper share in what was commonly generated wealth through class consciousness and revolution.

In 1879, the American political economist, Henry George, asserted that: “Where the value of land is highest, civilisation exhibits the greatest luxury side by side with the most piteous destitution.” It is an insight that might be repeated today – just look at parts of Kensington and Westminster.

George claimed that much of the value of land came not from the private owners improving it but through local public investments – in the new railways, for example. Again, witness today the rapid house price inflation seen along the route of the new Elizabeth line from Reading to Shenfield during its construction, or close to ‘good’ state schools. He advocated for this ‘unearned increment’ to be taxed.

While politicians largely ignored these intellectual arguments, the sheer

degradation entailed by much of the working classes' plight eventually proved impossible to disregard.

The Rev. Andrew Mearns' 1883 pamphlet, *The Bitter Cry of Outcast London: An Inquiry into the Condition of the Abject Poor*, described in gruesome detail the day-to-day reality for many. It caused a sensation and led to the establishment of the 1884 Royal Commission on the Housing of the Working Classes, and the first of several Housing of the Working Classes Acts in 1885.²⁹

Another followed in 1890, shortly after the first volume of Charles Booth's *Inquiry into the Life and Labour of the People of London* was published (Beatrice Webb – then Potter – was one of Booth's core team of researchers). The report's maps graphically laid bare the sheer scale of poverty and dire living conditions in parts of the East End.

THE RISE AND FALL OF SOCIAL HOUSING

These Acts heralded the start of a century of the British state using its own land, as well as taking back direct control of large tracts of supposedly private land, to provide housing for those who could not afford to house themselves in good quality homes.

It started slowly. Local authorities were responsible for less than five per cent of all new houses built between 1890 and 1914. But the pace increased after 1918, with Lloyd George's 'homes for heroes' policy leading to sizeable new social housing estates. This was followed by large slum clearance programmes in the 1930s.

The apogee for state-developed housing came in the three decades following the second world war, when consensus between Labour and the Conservatives around the need for social housing saw the state completing up to 200,000 new homes a year, often more than the private sector.³⁰

As Moore describes, the Attlee Labour government's means to its housing ends after the war "were extensive and robust, going on draconian." Legislation, led by Housing and Health Minister Aneurin Bevan, included two Housing Acts in 1946 and 1949, the 1946 New Towns Act and the 1947 Town and Country Planning Act. Compulsory purchase was encouraged; public subsidies and low-interest loans were provided; a (short-lived) 'development charge' aimed to take the entire uplift in land value produced by the grant of planning permission; and local authorities were expected to limit private development to around 20 to 25 per cent of new homes built in their areas.

The Conservative housing minister of the early 1950s, Harold Macmillan, followed up by calling for a 'great housing crusade', and set a record for building new social housing – 245,160 homes in 1953 – that has never been matched.³¹

A key element in the programme was the creation of new towns, inspired by the same basic principles and financial methods as the early 20th century Garden City Movement, which developed places such as Welwyn and Letchworth in Hertfordshire. These new towns would be places with

good jobs, housing and services for their residents, but also leafy streets and easy access to parks, countryside and the benefits of nature. Profits from the land would be returned to benefit residents. This was social enterprise on a grand scale.

Twenty-seven new towns were completed in the 40 years after the war across Britain. They still house 2.8m people. The land for them was held or acquired by the state, compulsorily if necessary, with the public investment in homes and infrastructure partially funded by capturing increases in land value.

Over the long term, the new towns found varying degrees of success. Some are now showing their age and in need of substantial regeneration. Others less so; the largest of all, Milton Keynes, with close to 300,000 residents, is a genuine success story, consistently rated highly for its quality of life by those who live there.

However, the point here is not their relative success or otherwise; a similar mix of views might be found about large-scale private developments around the country. The point is that when the state chose to take a firm grip on the housing issue to better house those people either not provided for or badly provided for by the private sector it had a profound effect, and changed both the prevailing political and public mood and the reality on the ground.

And the most powerful impacts were felt not when the country was enjoying the delights of some economic nirvana, but during a period when it was beset by enormous debts and recovering from two world wars. Spells of decent

economic growth helped, but times of austerity and inflation did not kill off the policy. Only the change in economic philosophy under Margaret Thatcher from 1979 led to its demise.

The postwar history of British housebuilding demonstrates that, when the social and economic needs of the people require it, the state has the power to meet those needs, if governments can find the political will to do so. It also shows that property is never entirely private, and that the substantial gains which can accrue are often partly the result of state activity and intervention, rather than the actions of individual landowners.

While the proportion of households living in social housing has shrunk in this country from around a third in 1979 to 16 per cent today,³² this is not the result of historical inevitability, or what is socially optimum, but of a neoliberal economic orthodoxy, accentuated by Conservative governments over the past 14 years.

AN INTERNATIONAL PERSPECTIVE

There are numerous international examples where the state, sometimes inspired by Britain's earlier example, continues to take a stronger role in housing its population, often very successfully.³³

Vienna, for example, has a similar history of extensive government involvement in housing, initially developed in response to the destitution seen after the first world war, when tens of thousands of families ended up living in makeshift encampments on the outskirts of the city. In the

1920s, the city government tackled the issue head on, embarking on the creation of vast communities of social housing. But, unlike Britain, Vienna has continued to build at scale and around 60 per cent of the population currently lives in state-supported homes, with its communitarian approach remaining popular.

In Singapore, hardly a bastion of Marxist politics, 80 per cent of the population live in homes controlled

by the government. In Sweden, renting from the state is common amongst people on a variety of incomes. In both countries, rent is related to ability to pay.

It is hard to see this country either wishing or needing to achieve Viennese or Singaporean levels of state-run housing. But meeting the country's housing needs more effectively than we do at present is not a high bar.

CHAPTER 3

WHAT MIGHT A BETTER FUNCTIONING MARKET LOOK LIKE?

Nearly 30 years ago, in his 1995 book *The State We're In*, written at the tail end of 18 years of Conservative government, the journalist and political economist, Will Hutton, painted the picture of a '30/30/40' society.³⁴ The thesis is that British society essentially segments along the following lines: 30 per cent disadvantaged and marginalised; 30 per cent insecure; 40 per cent privileged. The argument is nuanced, and was originally based primarily on the impacts of the labour market on people's incomes and lives. Some of the 'insecure', for example, might be in 'middle class' jobs, but ones in which terms and conditions have been eroded by a capitalism focused on short-term gain and shareholder returns or the increasing marketisation of institutions like universities. We can argue about the precise percentages, and who exactly might fall into each category, but, overall, after austerity, a prolonged period of extremely weak real income growth and rising social and economic inequality, this remains

a reasonable analysis of the fundamental financial security or otherwise of most people's lives. Hutton reprised the basic idea in his 2015 book *How Good We Can Be*.

SOME ROUGH HOUSING TENURE PARAMETERS

If home ownership has stalled at 64 to 65 per cent of households, and at that level only with significant input from the Bank of Mum and Dad and a measure of price propping by the government and the housing development industry, it suggests that the market for sale has been pushing for some time at the very limits of affordability.

As a society, if we genuinely want to provide 'a decent home for all', then we need to achieve a housing market that is properly affordable to all. We need to develop a tenure split between home ownership, private renting, intermediate forms of housing and social rented housing which reinstates a closer and more manageable

connection between disposable incomes and housing costs, and which can flex with the grain of changes in the labour market, people's incomes and wider economic trends more effectively.

If we accept Hutton's analysis, we can assume that the privileged 40 per cent will be able to afford home ownership. At the other end of the scale, at least a quarter of households will, in all probability, never be able to afford to buy a home, a fact Conservative ministers from 2010 often seemed unwilling or unable to comprehend. (Encouraging people who could not afford it into home ownership is what provoked the sub-prime mortgage crisis in the US, precipitating the 2008 global financial crash).

UK parliamentary statistics from 2023 show that the proportion of households in poverty (with an income of 60 per cent or less of median household income) consistently hovers around 20 to 25 per cent.³⁵ Almost all of these people will require state-subsidised rented housing.

In the middle are people who will either want to live in the private rented sector for some time (generally in their younger years) because of its relative flexibility or currently have to live in the PRS for lack of choice. Alongside them, in a fairly broad income band, will be those who opt for or are led to intermediate tenures, such as discounted market rent and affordable rent (up to 80 per cent of the cost of market rent) or shared ownership (part renting, part buying). During difficult times, some of those at the lower end of this middle group might require social

rented housing for a while. But, over time, a reasonable proportion will go on to buy in the outright sale market as their circumstances allow.

So, the tenure split in a well-functioning housing market might work out something like this: around 55 to 60 per cent of households owning their homes; another 25 to 30 per cent living in social rented housing; and the remaining 10 to 20 per cent living in the private rented sector, shared ownership homes or some form of intermediate rental. But how do we get there?

THREE FUNDAMENTAL CHANGES

There are three essential changes necessary to deliver this type of market.

First, since home ownership and the size of the private rented sector would shrink proportionately from today's levels, the greatest challenge is to increase the volume of social rented housing and other affordable housing.

Labour has promised "the biggest increase in social and affordable housing in a generation." But the manifesto was light on the detail of what that might mean or how it could be achieved.³⁶

Research in 2018 by Heriot-Watt University for the National Housing Federation and Crisis estimated that 145,000 affordable homes a year were required to meet housing need – 90,000 for social rent, 30,000 at intermediate rents, and 25,000 for shared ownership. This was backed up by Shelter's 2019 Commission on the Future of Social Housing, which indicated

that 3.1m more affordable homes were needed over 20 years, an average of around 150,000 a year.³⁷

The latest government figures show that in 2022/23, 63,605 affordable homes were delivered in England, comprising 41,000 for rent, more than 21,000 for affordable home ownership, plus 1,000 ‘first homes’. The majority of the rented homes were for so-called affordable rent. Only 9,561 homes were for social rent, the lowest cost homes for tenants. Against this, more than 22,000 social rent homes were sold through right to buy or demolished.³⁸

The challenge to deliver the volume of new social and affordable homes the country needs each year is monumental. But it is not insuperable.

An updated analysis from Professor Glen Bramley at Heriot-Watt, published in 2024, suggests that planning for 300,000 homes a year, with 60,000 to 70,000 social rented homes, circa 20,000 more for shared ownership and a further 25,000 for intermediate rent remains reasonable over the second half of this decade, while economic, fiscal and capacity constraints are expected to continue. Such a programme could be managed without a significant uplift in publicly funded capital subsidies and borrowing, but would require a reorientation of subsidy towards social rent and stronger planning obligations on private developers. From 2030, when the constraints should have eased, the target should be 350,000 new homes a year overall, with 90,000 for social rent.³⁹

It is important to make clear that, with the population rising and the considerable value of planning

obligations, we need housebuilders to keep producing homes for the private market at least at their current rate, even as government policy works to rapidly increase the volume of homes for social rent being built. Achieving a well-functioning market will necessarily involve a mutually reinforcing and supportive housebuilding environment across the entire spectrum of the housing market.

As we start down this path, house prices and private rents do not need to fall in nominal terms. But they may need to stop rising for a time, or at least increase by less than people’s wages until the housing market and the broader economy have returned to some kind of equilibrium. There are ways of managing this, from monetary and fiscal policy to more direct government control over the release, distribution and price of land and the pace of building.

Second, and less tangibly, we need people to think differently about housing. Housing must be treated as part of the country’s essential infrastructure for social and economic progress. As homes, not investments. As part of communities, rather than individual bastions against the uncomfortable world beyond the door. As places to be lived in, rather than bought as second or holiday homes, as ostentatious shows of status or, worse, used as some kind of bank vault or financial warehouse (approximately 13 per cent of all new homes built in London are sold to overseas residents; a larger percentage centrally and reducing with distance from the centre. The higher the price, the higher the

proportion of overseas buyers. A small but significant proportion of these homes are only occasionally lived in).⁴⁰

In Rowan Moore's words, we should "place the social nature of property above or equal to its private character."

Third, just as a previous political generation changed the dynamic of the housing market when the needs of the people became so pressing that action had to be taken, so this generation can too. British politicians of the past and governments in other parts of the world have presented clear pathways to achieving that change successfully. The mechanisms already exist and are proven, as we have seen.

All of this is feasible. But, over the past two decades, NIMBYs have established an unhealthy political influence. The property 'haves' are preventing the property 'have nots' from achieving their aspirations; from living fulfilling lives and helping to maximise the country's economic and social growth. This must change.

That change will demand political will, the building of a broad consensus, and determination and perseverance in the face of inevitable problems. And just as it has taken time to get us into this mess, it will take time to get us out of it.

CHAPTER 4

FINDING THE MONEY

Increasing the supply of housing, including a big uplift in social and affordable housing, means rethinking housing investment. While some additional money will be needed, a great deal can be achieved by more effective use of both direct and indirect current investment.

RETHINKING DIRECT GOVERNMENT INVESTMENT

The social housing sector has long argued, and governments of all hues used to recognise, that, as with any infrastructure, investment in new social homes creates a future national asset. The money is not lost. The value of housing stock will be retained and likely grow over time, and the homes built can be used as security for additional borrowing. The National Housing Federation claims that for every £1 of public investment its housing association members receive they leverage up to £6 of private capital. The government can also offer guarantees over borrowing by others, issue its own low-interest loans, provide longer-term

certainty and stability in rent policy, and use other mechanisms that provide comfort and encouragement to lenders and other actors in the housing market. The state does not need to do all the heavy financial lifting itself. But it does need to do more.

The National Housing Federation and Shelter's latest estimate, based on research from the Centre for Economic and Business Research, is that the state would need to provide grants of around £12bn a year to enable the development of 90,000 social rented homes a year, plus other affordable housing.⁴¹ That is roughly the same amount the last government budgeted for new affordable housing over five years – yet less than half of what we spend on housing benefit each year.

Including the housing element of universal credit, the Conservative government spent more than £31bn supporting people's rent payments in 2022/23, a figure the Department of Work and Pensions forecasts will rise to £37bn by 2028/29.⁴² Investing £12bn in capital funding a year would reduce

the housing benefit bill by circa £4.5bn a year, the Centre for Economic and Business Research says. Fewer poorer families would be housed in the expensive and insecure private rented sector; rather than flowing into the pockets of individual or corporate landlords, their rental payments would instead go back into the social coffers, helping fund further capital expenditure as well as the management and maintenance of the homes.

Government finances would improve in other ways too. Extra construction would mean extra jobs and materials purchasing, delivering higher tax revenues. The Centre for Economic and Business Research further estimates that the social benefits of more affordable housing would include lower homelessness, lower crime, and health and education improvements, producing financial gains and supporting economic growth. Each year this programme is pursued, the additional grant expenditure would pay for itself within three years of homes being built and generate a net positive impact for the Exchequer of £12bn over 30 years.

In 2020, the cross-party Housing Select Committee report on building more social housing called for the government to make £10bn a year available for new social housebuilding.⁴³ A level of political consensus already exists that government needs to increase and reorientate capital funding to help resolve the housing crisis.

PROPERTY TAXATION

More contentiously, no doubt, taxation of property is ripe for reform.

As Paul Johnson of the Institute for Fiscal Studies says in *Follow the Money*: “Our system for taxing housing is an expensive and costly disaster.”⁴⁴ He takes particular aim at stamp duty and the structuring of council tax, but other property tax changes are also needed.

While most home buyers pay a level of stamp duty on their purchase, home sellers are not taxed on selling their main home, however much ‘unearned increment’ (or profit) has been made since they bought the property. Labour has no plans to change this.

Second home owners pay capital gains tax (CGT) of 18 per cent (basic rate taxpayers) or 24 per cent (higher rate) when they sell. This seems low given that some people have no home at all, especially since significant second home ownership in parts of the country, such as the South West, helps push house prices up, leaving local people priced out or paying a higher private rent.

In one of the very few housing measures of note in the March 2024 budget, the Conservative government reduced the higher rate of CGT for second home owners and landlords from April 2024 from 28 per cent to 24 per cent on the assumption that this would increase the available supply of housing as second homes are sold. As a mechanism for supporting availability and affordability this looks, at best, marginal. Labour has said it will not reverse this cut, but it should.

By 2028/29, the Treasury’s own figures show that the reduction makes a tiny £5m contribution, and thereafter the likelihood is that it will become

a cost to the public purse. The benefits of equalising CGT levels with income tax levels should at least be explored.

Second and holiday home owners can also be charged up to double council tax currently. But, surely, given the impact of these purchases on local lower income families, owners of multiple homes which are not used for long-term letting can afford to make a more generous contribution to local services and revenues.

BBC research showed a 40 per cent rise in holiday let homes in England between 2018 and 2021 alone, in line with the government's own estimates.⁴⁵ While the Furnished Holiday Lettings tax regime will be abolished from 2025, reducing to a degree the incentives compared to longer-term letting, this is unlikely to be a game-changer.

The cross-party Select Committee on Levelling Up, Housing and Communities recently labelled the council tax system, based on property valuations from 1991, outdated and regressive and called for a fundamental review.⁴⁶ Just how regressive was shown in January 2024, when it came to light that Buckingham Palace pays a lower council tax than the average three-bed semi in Blackpool. In fact, bizarrely, close to half of all homes in England pay more than the Palace.⁴⁷ That is to do with the way the system was originally set up and the relative opportunities for councils in more and less affluent areas to bring in sufficient income from alternative sources.

Elsewhere, Singapore has recently introduced a 60 per cent tax on property purchases in the city-state

by foreign nationals; Vancouver levies 20 per cent.⁴⁸ In England, foreign residents buying homes pay a two per cent stamp duty surcharge, while second home buyers pay an extra three per cent. Labour plans to increase the surcharge on non-UK residents by just one per cent. This is timid. It would not be unreasonable to charge both non-UK residents and second home owners considerably more.

Overall, housing tax policy is a mess. Where is the coherence? Where is the fairness? Where is the thinking about what kind of housing market and society we want to achieve?

Of course, major fiscal changes need proper consideration; there will inevitably be winners and losers and it would all need concerted explanation and communication. But, in the name of both equity and greater revenue raising, our system of taxing property should be rewired. And these are just a few of the more obvious potentially valuable changes.

REFORMING THE LAND MARKET

In May 2024, the House of Commons Select Committee on Levelling Up, Housing and Communities repeated its 2020 demand that land value capture should be used as a tool to support social housing “ensuring that the price of land does not inhibit the development of new social homes.”⁴⁹ This would mark a return to the principle of capturing some of the ‘unearned increment’ of land value for public benefit, a key part of the transformative policies that did much to improve people’s

housing circumstances after the second world war.

Since that time our land market has run out of control. Underlying land values increased fivefold between 1995 and 2016.⁵⁰

A 2018 report from the centre-right think tank, Onward, cited that 74 per cent of the growth in British housing costs from 1950 to 2012 was attributable to increases in the cost of land. A report from the centre-left think tank, the New Economics Foundation, also in 2018, found that the 10 per cent of local authorities with the most expensive land values experienced a much greater than average fall in affordable home completions between 2010 and 2015, as austerity was imposed, and contained 73 per cent of the English households in temporary accommodation.⁵¹

The high price of land has a direct impact on what we build, where we build, how much we can build and the affordability of homes.

The asking price of land in England is determined by the landowner, based on the existing use value plus their 'hope value' of how they think it might appreciate in the future, particularly once planning permission is granted. Under our current system, getting planning permission can increase the value of land by 100 times or more. Government estimates have suggested that regional increases in the value of agricultural land from obtaining planning permission for residential use vary from 47 times in the East Midlands to 163 times in the South East.⁵²

The New Economics Foundation put it like this: "When we talk about high rents, or high house prices, in many ways what we are really talking about is the unaffordability of land."

There is widespread recognition that reform of the 1961 Land Compensation Act is well overdue. The Onward think tank and others have called for government and local authorities to be able to purchase land at existing use value rather than inflated or speculative 'hope' values.⁵³

At the end of April 2024, the Sunak government went some way to enabling this by implementing a clause in the 2023 Levelling Up and Regeneration Act which allows bodies like local authorities and Homes England (the government's housing investment agency) to apply to the Secretary of State for the removal of hope value when land is bought for development through compulsory purchase.

This is positive, but it means the power to grant or deny is in the minister's hands. As the Levelling Up, Housing and Communities Select Committee says in its May 2024 report: "...the Secretary of State must be prepared to be flexible with the powers."

Labour has said it will go further on compulsory purchase compensation reform, with landowners awarded 'fair compensation' rather than inflated prices "for specific types of development."

Capturing more land value uplifts for public benefit would help force the land market back onto a more sensible and sustainable path and change the dynamics of the property

market. It is also essential in order to secure the range of local infrastructure improvements that need to sit alongside new housing, including expanded health and educational services, transport and road enhancements. One of the main reasons people oppose proposed developments near them is the fear that local services will not cope with the growth in numbers using them (although in reality many of those likely to take up the new homes may already be living in the area and using services and facilities).

The key here is to give local and regional authorities more power over the use of land in their areas, along with the capacity to deliver the volume of homes and local infrastructure the nation needs. As well as having the power to ignore ‘hope’ value, policy change should include removing the duty on public bodies selling land to achieve ‘best value’ (generally interpreted by the Treasury as market value) where additional social value will be gained from releasing the land at a lower price.

PLANNING OBLIGATIONS

Private developers will argue that a good amount of land value uplift is already captured through the planning obligations enshrined within Section 106 of the Town and Country Planning Act 1990 and the Community Infrastructure Levy introduced by the 2008 Planning Act.

It is true that some level of land value increase is captured. But is it enough? While planning obligations help to fund around 40 to 50 per cent of our inadequate levels of new affordable housing

each year,⁵⁴ developers often work hard at negotiating their obligations down, arguing that sites will be unviable if they meet their full social benefit requirements (mainly because of a willingness to pay such high prices for land). Under-resourced local authorities, hit badly by a decade of austerity budget cuts, find it difficult to marshal counterarguments effectively. So official planning obligation levels are frequently not met. In 2018, the Onward think tank noted that on new development schemes of 100 to 999 homes, 26 per cent of sites paid no planning obligation costs at all.⁵⁵

Labour’s additional one per cent stamp duty surcharge on foreign residents buying homes here will pay for 300 more planning officers to try to speed up planning and strengthen the enforcement of planning obligations. As Mayor of London, Sadiq Khan has had some success by changing planning policy to require higher levels of affordable housing on new developments in the capital, providing incentives for developers who meet the required levels, and working closely with councils to implement policy. This offers a possible model for the new government to follow.

According to their accounts, the top ten British housebuilders, building more than 40 per cent of all new private homes between them, had operating profits of close to £5bn in 2022/23, with margins mainly in the region of 15 to 20 per cent.⁵⁶ It is fair to say that viability across their sites must have been reasonable to reach such profit levels. And 2022/23 was by no means a vintage year in the

property market. Some people may remember the furore in 2018 when the (now former) boss of Persimmon, Jeff Fairburn, was granted a bonus of £110m for the year, later reduced to £75m following a public outcry. Senior Persimmon staff shared bonuses of £500m in total.⁵⁷

The market power of the biggest housebuilders acts as one element of the property market's dysfunction. Small and medium sized firms find it hard to compete for land or finance because the costs are so high. Research from Sheffield Hallam University in 2016 showed that the top ten housebuilders increased their market share from nine per cent in 1960 to 47 per cent in 2015.⁵⁸ This dominance allows them to control the pace and scale of new housing entering the market (the market 'absorption rate') to keep prices and profits up and maximise returns

to shareholders. Commercially astute, maybe, and good for the shareholders, but not so good for a country needing to build many more homes each year to help overcome a housing crisis. More than £16bn has been paid out to shareholders in dividends over the past 18 years by the top eight housebuilders alone.⁵⁹

These would still be strong businesses if their profits dropped somewhat and more value was diverted to public benefit. More than most businesses, housebuilders rely directly on the imprimatur of an enabling state, and they should acknowledge more fully their social obligations.

Labour should also work with lenders and local authorities to encourage increased development by more small and medium-sized housebuilders to promote stronger competition in the market.

CHAPTER 5

THE RISK OF SOCIAL DISCORD

Some people will argue that the levels of state intervention around housing being posited here are not tenable given current economic circumstances. That we cannot turn the clock back and imprint the solutions of the 1950s and 1960s on a 2020s world. That mindsets have changed, people are less deferential and biddable to politicians' proposals and, with 24-hour news and social media, politicians cannot ignore popular opposition so easily. That large-scale building of social housing would not work anymore, and that people don't want to live in and around estates with a high proportion of social housing.

These are the arguments of the property 'haves', motivated by a mixture of vested interest and genuine concern about the impact of building new housing estates on local services and the character of communities. They ignore the fact that we are all reliant on lower paid and key workers to keep those local services and economies functioning (something that became powerfully evident during the

pandemic). They ignore, too, the needs of the large and growing minority of the population who are not well housed, have no security of tenure or find where they live taking up too much of their income each month – a cohort that includes the majority of adults under 40, as well as an increasing number of older households living on fixed incomes in the PRS.

These latter groups do not need persuading of the need to change the way we manage our housing market. They are suffering its dysfunction constantly. Plenty of the well-housed are also aware that the market does not operate effectively, even if only through having to provide sizeable deposits or guarantees to their children's landlords or mortgage lenders.

Yet the political class has found itself in thrall since the financial crash to a limited segment of society keen to circle the wagons and hoard wealth, particularly property wealth, against the broader interests and needs of society.

CHANGING THE TERMS OF DEBATE

Throughout history, it has generally been the case that when governments choose to present an argument coherently and in a sustained way in favour of a particular policy, people are prepared to be led, especially where a strong public good can be discerned. The history of public housing is a prime example; universal education is another; fiscal policy, another; health and sanitation legislation, yet another. Some people who do not like certain policies understand the point of them. And even those who can't see the point often go along. The vested interests eventually fall into line. The exceptions that prove the rule have usually been iniquitous ideas, like the poll tax.

It is all but certain, given the state of our housing market today and the sheer number of people it disadvantages, that a government willing to make the case for housing change would be able to implement bold and far-reaching new policies to improve the situation. The key is to have the bravery to start, the courage to tackle opposition with strong counterarguments, and the willingness to provide the local incentives and infrastructure needed to get the more anxious or sceptical behind the change.

Labour has promised to build 1.5m new homes in five years, reintroduce local housing targets, develop new towns, make sensible green belt modifications and shake up the planning system. The party should be under no illusion that this can be done without provoking controversy and, in some places, fury. Keir Starmer has stated

he will “bulldoze through barriers” to change where necessary and Labour will not be afraid to make full use of intervention powers to build the houses needed.

But time should be spent early on in his administration on a strong public campaign of persuasion, demonstrating why change in the way we run our housing market is so necessary. It is important to change minds, allay concerns and make clear that considerable power is being handed down to the local level to finalise housing plans. We need to make every effort to recreate the consensus on housing that prevailed in the post-war era. Antagonism and constant challenge will only delay progress. Intervention powers are a useful tool and may well be needed in places, but should be a last resort.

Once the terms of debate are changed and some of the naysayers are persuaded, almost anything will become possible.

THE POTENTIAL FOR PROTEST

Conversely, where the needs of the people are ignored, a rising tide of protest can force politicians' hands. In this country, our political class has generally been pragmatic when push has come to shove over social issues – see the serial Acts extending suffrage, for example, or education, or welfare, or the ending of Empire. We have preferred reform to revolution, unlike many other European countries over the last two centuries.

We are reaching the point where it is not too far-fetched to think that if politicians do not start tackling

some of the deep and intractable social issues that have arisen in the last 15 to 20 years, the people will make them act. The summer riots of 2011 had at their heart social discontents. They were contained, but little has happened since to relieve the distress which, with continued austerity, has worsened in many places. The next time may be more serious.

Social and affordable housing plays an important part in tackling deprivation and social exclusion through its lower costs and the level of security it provides. Ignoring that fact is dangerous, and especially so in our modern world where social media can whip up storms at great speed.

The Conservative governments from 2010 were far too complacent about the deteriorating state of the housing market. But the risks are evident. Earlier this year, Michael Gove, the

former Secretary of State for Levelling Up, Housing and Communities, was one of the first politicians to explicitly acknowledge this. In an interview with the Times in February 2024, he warned that the political failure to tackle the housing crisis could endanger democracy. He suggested that if people no longer feel capitalism is working for them and they are 'shut out', there is a risk they will turn towards more dictatorial forms of government.⁶⁰

All parties being theoretically in favour of building 300,000 new homes a year or more is one thing. But such a target requires major change in our housing system and public discourse to make it happen. It is a total that has not been reached for more than 50 years. The right-leaning Centre for Policy Studies think tank estimates the shortfall in new homes at 1.34m over the past decade alone.⁶¹

CHAPTER 6

THE ENVIRONMENTAL AND PLANNING CHALLENGE

Even amongst some of those who recognise the need to build many more homes, there are genuine concerns about the potential impact on environmental sustainability. The principal worries centre around future carbon emissions and the protection of England's green and pleasant land.

SENSIBLE LAND USE

The argument that building the homes we need means 'concreting over the countryside', as some Conservative politicians and NIMBYs have suggested, is manufactured, emotive and wrong.

The 25.2m existing residential dwellings in England (including the gardens) take up just 6.2 per cent of all land, according to the latest land use statistics from the Department of Levelling Up, Housing and Communities.⁶² The UK is alone among the G7 group of western advanced economies in seeing no increase in the amount of built-up land per head since 1990, the Resolution Foundation says.⁶³

Agriculture occupies 63 per cent of England's land; forest, open land and water takes another 20 per cent; outdoor recreation two per cent. All 'built-up' land, including transport infrastructure and industrial and commercial buildings, consumes 10.5 per cent of the total land mass of England.

Over 37 per cent of all land is protected from development by one or more designations, including land in green belts, National Parks, Areas of Outstanding Natural Beauty and Areas of Special Scientific Interest. Green belts account for 12.6 per cent of all land, more than the total built up area and twice as much as residential use. The green belt around our capital is three times the size of Greater London itself.

A 2019 report produced by the London School of Economics for the Centre for Cities think tank argued that the release of just 1.8 per cent of existing green belt land, all within half a mile or so of railway stations, could deliver 2.1m 'climate-friendly' new homes

with a sub-45 minute rail commute to jobs in our bigger cities. It suggested that development profits should be reinvested into railway infrastructure and social housing.⁶⁴

This could sit well with the Labour party's willingness to see development of 'greybelt' land – 'poor quality' and 'ugly' green belt land which has had previous use, such as old car parks, light industrial areas and wasteland. The new residential developments would be required to meet 'golden rules', including a high percentage of affordable housing, to ensure changes benefit local communities and nature.

Meanwhile, golf courses take up a similar amount of land to domestic dwellings, (discounting the gardens), according to the Financial Times. What a prime example of how skewed our values have become – a game enjoyed predominantly by a smallish number of older and wealthier men occupies vast tracts of land while we have over 100,000 homeless families living in temporary accommodation!

This presents another obvious opportunity for sensible change. There are nearly 100 golf courses around London alone, taking up more land than Hackney and Tower Hamlets combined. More than 40 of them are owned by public bodies. Golf courses occupy nearly as much land in the capital as every other sport put together. When two of Berkshire's 46 golf courses decided to merge recently, the sale of one course to property developers led to 223 new homes, and the sale proceeds enabled the other course to be substantially upgraded.⁶⁵

Worth mentioning, too, is that both the Conservatives and Labour endorse a 'brownfield first' policy – reworking land already built on or used previously before actively seeking out new greenfield (virgin) sites for development.

REGENERATION AND IMPROVING EXISTING HOMES

Regeneration of previously used land, buildings and estates can make an important contribution to meeting England's housing needs. It creates opportunities to deal with poor quality housing, which blights people's health and mental wellbeing; supports the drive for net zero through energy efficiency gains; and offers the possibility of densification – increasing the volume of homes for a given area of land and so reducing the amount of greenfield land that will ultimately be required.

An estimated 14 per cent of households live in homes that do not meet minimum standards – more in the private rented sector, fewer in the social housing sector.⁶⁶ Research from the Building Research Establishment has shown the extent of the potential gains from dealing with England's poor quality housing.

Around 2.4m homes in England contain one or more of the most serious Category 1 health and safety hazards, approaching 10 per cent of all residential properties. Two thirds of these are owner-occupied. The £9.2bn cost of dealing with the Category 1 hazards would produce a societal payback over 30 years of £135.5bn, the BRE argues, through savings to the NHS, lower

energy bills, reduced cost of carbon emissions, higher asset values, and improved economic opportunities as a result of better health. The last Labour government's programme of bringing social rented homes up to a Decent Homes Standard from 2001 to 2010 produced estimated savings to the NHS alone of £392m a year.⁶⁷

Many estate regeneration schemes now also result in densification. Increased densities not only help to meet housing needs; they are often necessary to achieve scheme viability. Our big cities are relatively lightly populated by international standards. A 2016 report from the Centre for London, looking specifically at four boroughs, found that around 20 per cent of London's additional housing needs could be met by densifying existing estates. Higher population densities can also create bigger markets for local businesses and help attract inward investment to our cities.⁶⁸

Regeneration and stock improvement, like new development, is not simply 'money out'; there are both individual and societal gains from the expenditure, including boosts to the economy.

Overall, then, building and renovating the homes required does not need to substantially alter the natural fabric of England or lead to any kind of concrete jungle.

PLANNING

The planning system is at the core of how we use and regenerate our land and, as it stands, represents a major obstacle to delivering the homes England needs.

This subject probably merits an additional paper in itself. But, keeping it simple, the 75-year-old planning framework we still mainly work to is no longer fit for purpose. It does not allow for the planning permissions we need and it is slow, expensive and cumbersome. "Every attempt at reform fails," says Paul Johnson, "because the vested interests of those who already own their own home trump the wider needs of the economy and the population."⁶⁹

Piecemeal reforms have been introduced (some more useful than others) and the 2023 Levelling Up and Regeneration Act contained further moves in the right direction. These included the requirement for local authorities to speed up the production of their local plans, more devolution of powers, and enabling the creation of a new generation of urban development corporations. Labour has promised to go further and faster, including a swift revision of the National Planning Policy Framework. But will it be enough?

The reality is that fundamental changes are necessary. The Conservatives had a plausible answer to this in 2020. Their Planning White Paper proposed replacing the existing framework with a three-zone system: growth areas, where substantial new development and major regeneration could take place; renewal areas, suitable for smaller scale development and intensification; and protected areas, broadly along the lines of those already existing (green belt, AONBs, etc).⁷⁰

This plan was derailed by opposition from a group of their backbenchers galvanised mainly by a proposal

to introduce mandatory local housing targets. They construed the paper – wrongly – as creating a planning free-for-all, but were also partly motivated by their own individual electoral considerations. However, the proposals are all there, sitting in the background, if Labour chooses to pick them up.

To be clear, while zoning is the most common planning method in developed countries, it is not a panacea. The structure needs careful consideration, especially with regard to the allocation of responsibilities to national and local authorities and the local incentives and targets put in place to deliver the required development. But, with good design, moving to a zoned system could provide more modern, flexible and faster planning to achieve the homes and infrastructure we need.

CUTTING CARBON EMISSIONS FROM HOUSING

In 2025, compliance with the Future Homes Standard will become mandatory. The rules will require all new homes built thereafter to produce carbon emissions at a level 75 to 80 per cent lower than the current building regulations allow. The other 20 to 25 per cent reduction necessary to achieve net zero in the newer housing stock is due to come from decarbonisation of the electricity grid by 2050.

Building works inevitably require energy and water usage and involve a level of industrial waste and transportation emissions. But all of these can be minimised, particularly through the use of more modern

methods of construction, such as factory-built homes.

Efforts are being made in this direction – there is a stipulation within the current Affordable Homes Programme, for example, that developers seeking grant funding for new social and affordable housing must provide 25 per cent of new homes using some form of modern methods. But progress is erratic. There have been many false starts over recent years and offsite building has never managed to achieve a critical mass. The costs of construction using modern methods are still generally higher than for traditional methods.

There are similar issues around decarbonisation of the existing housing stock. Many people feel neither sufficiently confident in the new technologies available nor sufficiently incentivised to take the plunge.

Creating a green economy cannot happen without stronger action on the decarbonisation of new and existing housing. This will require renewed impetus and thinking from the government about how it can be funded and how property owners and developers can be incentivised to make the necessary changes. Labour's £1.1bn a year warm homes plan is unlikely to be sufficient.

Quickening the pace of building additional electricity grid and water capacity where substantial new development takes place is also vital. As Labour has identified, this goes back to reform of the planning system.

THE SKILLS BASE

The other big capacity problem with the potential to derail the best

housing development intentions is the skills base within the construction industry. The construction workforce is ageing, and Brexit led to an exodus of some of the UK's skilled immigrant tradespeople. Having sufficient highly skilled tradespeople throughout the construction supply chain is critical to the pace and scale of future development.

Greater use of modern methods of construction can help by reducing the number of workers needed onsite and creating attractive, skilled jobs in factories. Various apprenticeship schemes also support the development of a new generation of construction workers. But the pace of change to modern methods and the throughput of new workers

into the industry is inadequate at present.

Planning system reform, reducing carbon emissions from housing and improvements to the skills base all circle us back to stronger government intervention. It is likely that only direct action from government can catalyse the necessary forward momentum around these issues. Labour has no choice but to tackle them quickly if it is to deliver the new housing it has promised. The government can legislate; it can invest more effectively; it can incentivise; and it can establish coalitions of interest within construction, finance, local authorities, housing associations, the utilities and more broadly to maximise change and positive results.

CHAPTER 7

TOWARDS A NEW HOUSING MARKET

It will be apparent by now that the housing crisis can only be solved if the state is willing to resume a much stronger role in directing how the property market functions. It will hopefully also be apparent how much positive change can be achieved relatively quickly when governments choose to take on an issue and make it a firm priority.

THE TWO PREREQUISITES FOR SUCCESS

The positive case for a big governmental focus on housing must be made to ensure that the public are engaged and onside. Given the housing situation of so many people in the country, this door is already creaking open; it needs determined politicians to push it wide. So Labour must accompany its plans and initial actions with a strong and sustained communications campaign.

Above all, there needs to be a clear national strategy for housing that sets the framework for government to work to and allows for genuine accountability. The lack of a foundational strategy and plan for housing over the past 14 years

has been one of the factors allowing policy to drift and conditions to continue worsening. Achieving sustained change is going to take time, far longer than one parliament. We need a framework that commands broad consensus and that will outlast one five-year government term.

While Labour has clearly thought through its intended housing programme and many of the proposals are sound, interdependencies and complexities in the market are such that the new government risks failure if certain parts of its plans are pursued without first creating an overarching strategy that pieces the jigsaw together.

Within the housing industry, and particularly among those working in social and affordable housing, there is widespread recognition that we cannot get onto a sustainable path for dealing with England's housing crisis without a comprehensive guiding strategy.

WHAT SHOULD A NATIONAL STRATEGY CONTAIN?

To begin with, it should express a vision of what a well-functioning housing

market might look like, including a broad proportional split between social rent, intermediate forms of housing tenure and home ownership, and noting the social, economic and environmental characteristics of successful neighbourhoods, villages, towns and cities. This would recognise the basic social contract of every household being able to access a home it can afford and the connection between a well-functioning housing market and a well-functioning economy. It would acknowledge the contribution good quality, affordable housing makes to people's health, educational prospects, employment opportunities, financial prospects and family aspirations.

It should then present the foundational steps needed to get there and set core objectives, including a sense of time frames and the number of new homes required per year.

It should identify the key players, including government, local authorities, lenders, developers and housing associations, their roles and how they might be coordinated.

It should estimate an overall financing requirement to achieve its objectives, with a realistic analysis of what the private sector might contribute and the resources the government would need to invest, including the use of fiscal incentives and guarantees.

It should make the connection to wider imperatives, such as achieving net zero, managing an ageing population, tackling intergenerational inequality and minimising child poverty, and outline housing's part in these.

It should offer detail on the necessary systemic changes, including the specific shape of property taxation, planning and land market reform; clearly identifying what the centre would continue to control and what should be devolved to regional and local level; an assessment of brownfield and greenfield land use; and the contribution regenerated or renewed existing stock could make to delivery.

Recognising the time it will take to achieve a well-functioning market, it should consider the long transitional frameworks necessary to ensure more vulnerable people in society are properly catered for, including a homelessness alleviation strategy and increasing the availability of housing for those needing care and support. It should ensure housing, employment and welfare benefits policy work in tandem, noting the connections between them for people's wellbeing.

It should set out the consumer regulatory framework for both the private and social sector around construction quality, minimum standards, repairs and maintenance, landlord and tenant responsibilities, security of tenure, rent review periods and reasonable maximum annual rent and service charge increases linked to inflation.

It should position the state in an active enabling role, modifying policy, resources and the plan according to regular monitoring, evaluation and review of the strategy.

Critically, it should not be ideological. It should recognise the place of both private and public ownership within a well-functioning market.

However, action should not be delayed while the terms of public debate are changed and the strategy drawn up. The need is too urgent, and elements of what must happen – like greater public investment in building more social housing and progress towards net zero – are obvious or already partly in train.

POLITICAL CONSENSUS AND STEWARDSHIP

If, in light of the partisan nature of politics now, some of the thornier issues require a different approach to generate consensus, an independent Royal Commission with a limited, targeted remit could consider the evidence and establish the parameters for progress and change. This could be backed up by the cross-party Housing Select Committee or some wider task force of cross-party appointees using the Royal Commission's findings to finalise a blueprint all the main parties could sign up to.

An alternative way to manage political division could be the establishment of a Housing Strategy Committee, working alongside the department responsible for housing and offering

technical expertise, robust scrutiny of government proposals, and assessments of progress towards an agreed vision. This was suggested in a report, *Homes for All*, published by the Church of England and the Nationwide Foundation at the end of April 2024.⁷¹ A body of this type could create a level of accountability for housing delivery that has been sadly absent since 2010.

The report also argued that central government should have “a stewardship mindset” around housing, recognising that policy decisions today will impact future generations and reflecting on “the appropriateness of short-term or short-cut solutions.” The fact that the authors felt the need to say this at all is instructive about how far the effectiveness of national oversight and responsibility for housing has decayed.

For too long, the desire and will to make housing a true priority in public policymaking and investment has not been there. This lack of political will has now brought us to a place where the failure of our housing system is having severe negative consequences across our society and economy. It is time to draw a line and make a determined new start.

CONCLUSION

History, both here and in many other countries, demonstrates that consensus on housing is possible and, once secured, that major change can be delivered. As work by the Centre for Economic and Business Research for the National Housing Federation and Shelter shows, social and economic benefits would swiftly follow.

Good, affordable housing is the cornerstone of a good life. The extra public investment would more than pay for itself, financially and socially. If it can solve – or even semi-solve – the housing crisis, the new government will catalyse a range of positive impacts across economic growth, health, education, employment, family formation and aspiration, and social cohesion and engagement.

We cannot allow the wretched housing situation we have drifted into to continue festering. It has been in the ‘too difficult’ pile for far too long, and has now reached the point where it is damaging too many people’s lives and hampering the nation’s economic growth and progress. It is also becoming a potential threat to social stability.

“Housing,” Harold Macmillan said in the early 1950s, “is not a question of Conservatism or Socialism. It is a question of humanity.”⁷² We need that kind of compassionate and collaborative thinking today more than ever. The new Labour government has the opportunity and the duty to restore economic sense and social value to our battered and dysfunctional housing system. It is a profound moral responsibility.

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SIMON GRAHAM

For 40 years, we have been conducting a radical housing experiment. It has failed.

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FABIAN IDEAS NO.664

ISBN 978-0-7163-0664-1

£5.95