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COMMENTARY

# Six provocations on the origins and impacts of the UK housing emergency

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## ABSTRACT

British housing systems seem trapped in a 'perfect storm' of rising costs, declining choice, affordability stress, and unmet need. Housing outcomes are increasingly polarised, with implications for intergenerational conflict, economic and social inequalities, and environmental sustainability. There is no easy explanation, and no quick fix. These six short reflections, shared during an interdisciplinary meeting of Fellows of the British Academy, on the origins, impacts, and future of the present housing 'crisis' are thus timely provocations adding momentum to key debates. This article accompanies another in this issue, 'The UK housing emergency: personal reflections', by Shani Dhanda, Susan J. Smith, and Jessie Speer.

**Keywords** housing systems, housing environments, housing crisis, financialisation, housing costs, residential property taxation, housing demography

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## Introduction

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The character, causes, and consequences of Britain's housing emergency are so wide-ranging as to seem intractable. It is difficult to watch the news or open a magazine, much less a scholarly journal, without finding a new opinion or recent update. Key commentaries refer variously to financialisation, assetisation, and the re-emergence of rentier capitalism—processes through which housing, mortgage, and financial markets have become inextricably interlinked with uneven, unequalising results.

For all that housing is a global challenge, the British housing system is, as John Muellbuer puts it in this issue, distinctively 'dysfunctional'. The following six short essays are not intended to address the complexities of this, but they do offer provocative commentaries from a variety of disciplinary perspectives. That is, the collection is not so much a 'whole' that exceeds the sum of its parts, as a springboard for wider reflection and action.

It is impossible to make sense of the present, let alone tilt to the future, without the help of history. Martin Daunton therefore opens the commentary, describing the British housing system as it was a century and more ago. Although the shape of economic inequality then was much as it is now, housing operated quite differently. Not only were most homes rented prior to 1920 (whereas in 2020 nearly two-thirds were owner-occupied), but overall, they were cheaper relative to incomes, and relative to other European countries, than they are today. It is easy to imagine that when owner-occupation began to expand in the 1930s everything would change. It did not, because the difference between then and now has less to do with tenure, than with finance. Avner Offer picks up the story, explaining how home building stalled as house prices rose following a round of financial deregulation during the 1980s. He points out that, notwithstanding how divisive the outcome might be, winners still outnumber losers, and there is limited political or institutional appetite for meaningful change. Housing, he argues, 'has become a 'wicked problem', with multiple stakeholders locked into a harmful status quo'.

The urgency of breaking into that cycle is underlined by Michael Murphy, who highlights the growing mismatch between demographic change, housing need, and the supply of affordable homes. Against this background, the structural shifts needed to bring housing costs back into line with incomes seem insurmountable. Yet failure to act has consequences. These include: the polarisation of housing assets, not least (though not only) through the retreat of owner-occupation, once celebrated as 'the people's wealth'; growing precarity among mortgagors at the edges of owner-occupation; and upward pressure on private rents (Smith *et al.* 2022). Standards of living between the property-rich and poor have been diverging (Cribb *et al.* 2024), reflecting eye-watering disparities in the proportion of incomes absorbed by housing costs (Cribb *et al.* 2023).

The impact of an ageing housing stock, increasingly unaffordable, yet ill-suited to the scale of demand and unable to meet a range of housing needs, is uneven across constituencies (see Speer's and Dhanda's personal reflections elsewhere in this issue). There are marked generational, cross-cohort, and regional inequalities in housing affordability, for example (see Cheshire & Hilber 2024); there is also evidence that minority ethnic groups are disproportionately vulnerable to housing disadvantage and deprivation (Robinson *et al.* 2024). Emily Grundy's provocation explores a further dimension, focusing on what is, perhaps, a litmus test for the strain the housing system is under, namely the impact of the housing emergency on the health and wellbeing of older people.

If it seems inconceivable that the direction of travel captured in the first four essays has been sustained for so long, Ben Ansell's provocation goes some way to accounting for it, by tapping into public opinion on perhaps the most politically appealing option for improving housing affordability—enlarging the stock of permanent homes.

A number of secondary survey resources can be used to cast light on public attitudes towards housing. If they have one finding in common it is how quixotic and inconsistent such views can be. The 2018 British Social Attitudes survey, for example (MHCLG 2019), found that although, on balance, more home occupiers would, than would not, feel comfortable living next to social housing, homeowners (the majority overall) are, unsurprisingly, substantially more wary of this than social renters. This sends mixed messages to planners and developers—something underlined in a recent IPSOS (2024) housing poll, which found broad consensus on the facts of a housing crisis, but rather vague views on how to deal with it, except in the most general terms.

In terms of support for policy interventions, there is ample evidence of people's resistance to change, but few general survey questions are explicitly designed to track these views into political alignments and voting outcomes. Ben Ansell, however, who has long argued that political scientists need to take housing much more seriously, tackles this by addressing households' support for, or opposition to, local housebuilding. Newbuild is, he argues, one of two key levers with the potential to bring house prices more into line with incomes. Ansell's findings suggest that, while housing systems create more 'winners' than 'losers', there is—notwithstanding the extent to which people might hold differentiated, indeed contradictory, views about housing—a long way for any government to go to win enough hearts and minds to build sufficient new homes to secure a fairer housing future.

John Muellbauer's contribution turns attention to a second potentially game-changing intervention—residential property tax reform. Tinkering with tax is rarely popular, but Muellbauer's provocation nevertheless raises the possibility that the balance of public opinion and political appetite could change if credible alternatives are bought into play. His essay is, in that sense, a beacon of hope in the shape of a four-part policy package including land value capture and planning reform, but anchored on a Green Land Value Tax.

The tax revenue from residential property in the UK is higher, as a proportion of the total, than in most other OECD countries (OECD 2022). The problem is that—against the benchmarks of efficiency, equity, and revenue potential—the UK's approach to property taxation falls short. Perhaps a way forward is to broaden the net and share the burden more fairly. Meaningful tax reform can seem politically unthinkable. Yet Muellbauer's proposal for a progressive, proportionate approach to a tax regime that few serious commentators regard as fit for purpose, might just appeal. It could even secure popular buy-in to a future that is less unequal as well as environmentally sustainable.

## Historical antecedents

Martin Daunton FBA

Housing tenure in England before the First World War was markedly different from the present. Small landlords owned around 90 per cent of houses, which were rented as weekly lets to working-class and monthly or yearly lets for other tenants. This housing system had three features. Small speculative builders responsible for most construction fuelled periods of boom when over-supply led to high vacancies, falling rents, and lower house prices. Builders and landlords secured some funds from local building societies that collected household savings, and even more from funds held by solicitors. It was a closed system that did not draw on money markets. Finally, builders had a ready supply of cheap land because of the drop in land values with food imports from the New World. Although building standards were controlled by local byelaws, there were no planning regulations to limit the supply of land (Daunton 1983).

The result was that homes were of rising quality and more affordable than in other countries at the time or in the later 20th century. In 1884, Robert Giffen, the Board of Trade statistician, was confident that rents were 'the higher price for a superior article which the worker can afford' (Giffen 1884: 12–13). The Board's surveys of working-class wages and rents around 1910 found that housing in England was more affordable than in Germany or France. The major exception was Scotland where costs of building tenements were increased by strict regulations and land supply was restricted by the Scottish system of land tenure (Daunton 1983: 55, 68–71; Rodger 1983).

The housing market experienced a crisis from around 1900 when a housing boom led to an oversupply of housing and a rising level of vacancies. Crucially, house values fell more than after earlier booms. Higher local taxes were needed to pay for better services and infrastructure, so that landlords' returns were squeezed at a time of high vacancies and stagnant wages that made it difficult to pass on additional costs. At the same time, local authorities reduced the 'compounding' allowance paid to landlords. Rapid turnover of weekly tenants meant collecting rates was difficult, so councils paid a generous allowance to landlords for collecting rates in rent. Rising taxes, falling compounding allowances, and higher mortgage interest meant that profits collapsed. The result was a sharp fall in house prices, by as much as 40 per cent in both London and Glasgow (Daunton 1983: 161; Englander 1983; Offer 1981: 270).

Scotland had particular problems arising from distinctive landlord–tenant relations. Most tenancies were yearly, so that housing and labour markets were out of line, given that workers might change jobs at short notice. Budgeting was difficult because of discrepancies between receiving wages and paying rent and rates. There were very high levels of eviction and sequestration of goods for non-payment of rent, with frequent recourse to the courts. Further, both tenants and landlords were individually liable for annual payment of rates, without compounding. This tenurial system was under strain before the First World War, and legislation in 1911 introduced major reforms. Compounding was welcomed by tenants and the local authorities, but landlords complained at the niggardly allowance. They also resented the shift to shorter tenancies and the removal of sequestration. In return, landlords were given greater power of summary eviction. Landlord–tenant relations were tense and exploded into open hostilities during the war (Daunton 1983; Englander 1983; Watchman 2025).

By the First World War, the number of empty properties in British cities was falling and a return to building might have been expected. It did not happen. Ownership of rented property was less attractive than safe municipal or government bonds even before the war, which ended any possibility that building would recover within the existing housing system. The problem was particularly acute in Glasgow. The booming munitions industries gave landlords an opportunity to recover pre-war losses. In 1915, rent strikes led by women coincided with industrial disputes, and both ended up in court, which called into question the legitimacy of the legal system and state authority. The outcome was to sacrifice landlords. Rent controls were extended from munition workers and Scotland to the entire country, pegging rents in working-class property at the level of August 1914, and forbidding mortgages from being called in or charging higher interest. The Act was a serious challenge both to landlords and to the provision of private mortgages from solicitors, who were receiving less than the rate on government bonds.

Rent controls were meant to expire at the end of the war, which would lead to renewed unrest at a time of serious political tension. In 1920, controls were retained and extended, with an increase below inflation and exemption for houses built after April 1919. The strategy was to provide council housing until the shortage ended, at which point local authorities could retreat and—so it was hoped—the prewar housing system return. This did not happen. Local authorities were hampered by high costs of material and labour, and by problems of securing sufficient land at a reasonable price. As a result, only 170,000 council houses were built of 500,000 needed to end the shortage. More council housing was built later in 1920s and during major slum clearance schemes in the 1930s. Rent controls were weakened, but in 1938 over a quarter of the housing stock of England and Wales still had controlled rents (Bowley 1945; Daunton 1984, 1987: 4).

The private building boom of the 1930s finally removed the housing shortage and rents fell. (Samy 2015: 21–3). In 1938, private rental had declined to 53.9 per cent of the stock in England and Wales, and only 19.4 per cent of houses built between the wars. Public rental accounted for 11.2 per cent of the total stock and 31.5 per cent of property built between the wars. The striking change was the rise in owner-occupation to 34.9 per cent of all houses, and 49.1 per cent of those built between the wars (Daunton 1987: 4). The housing boom was in owner-occupied property.

Building societies replaced solicitors as the main source of finance, linking northern districts with excess savings to high demand for loans in the south. They encouraged owner-occupation through their advertising, reduction in deposits, and extension of loan periods. Interest rates fell after Britain left the gold standard in 1931, and materials were cheaper in the depression. The result was a massive building boom. By the late 1930s, the market was close to saturation. Building societies and builders colluded in making excessive loans to unwary homeowners for poorly built houses, which led to 'mortgage strikes' by aggrieved owner-occupiers. The outbreak of war averted a possible crisis in the housing market. What is certainly clear is that owner-occupiers in the 1930s were not buying with any expectation of capital appreciation. Prices fell, and they had no reason to foresee the gains they or their children would make in later decades (Craig 1986; Humphries 1987; Samy 2016; Samy 2015: 18–19; Scott 2013: ch. 4 and 5; Swenarton & Taylor 1985).

To summarise, the interwar period marked a major shift in the housing market, with a decline in private rental and a rise in public rental. Owner-occupation expanded, with finance from building societies in a closed system relying on their own deposits rather than access to money markets. The owners were looking for somewhere better to live, using their labour income for the use value of houses rather than seeking capital appreciation. This was the system that was to be overturned in the 1970s by financial liberalisation and the 'right to buy' council houses.

## Financial roots of the British housing crisis

Avner Offer FBA

Peak housebuilding in Britain was in 1936, when eight new houses were built for every one thousand people. Between 1946 and 1980 the average was about 5.5. After 1980 it dropped to 3.3 (*English Housing Survey* all years: Table 209; Mitchell 1988: 390, 392). Before 1980 new housing came mostly from two sources: about 55 per cent was built as public housing by local authorities and housing associations and the rest was financed by loans from building societies (*English Housing Survey* all years: Table 244). These building societies were true financial intermediaries, converting household savings into loans, which were financed exclusively out of member deposits. This was a self-regulating system, which aligned the supply of credit, and hence of house prices as well, roughly with household incomes.

The Thatcher reforms of 1980 onwards cut the supply of new housing almost by half, and it never recovered. The part that collapsed (down to an average 18 per cent of the total) was the supply of new social housing. Thatcher gave public tenants the right to buy their dwellings, and made it difficult for local authorities to build new ones. New Labour did not reverse this preference. Just as consequential was the removal of credit restrictions on mortgage lending. To begin with, in 1980, the 'corset' system, which restricted commercial bank lending, was abolished. Historically, British banks had avoided residential lending, but now they moved into mortgages. Most building societies converted subsequently into banks.

Unlike building societies, banks are not true financial intermediaries. They have discretion to leverage their funding, in other words, to increase their lending at will. They need to be funded for liquidity and solvency, but not directly for money to lend. They credit borrower accounts, without drawing down any other funds. Instead, the supply of bank credit is mostly constrained and capped by the supply of credible borrowers. Households are ideal in that respect. Shelter is a necessity, so households compete to the limits of their income, providing an incentive for both adults to work. Household earnings, the largest income flow in the economy, was captured for debt service. Easy credit raises house prices, and as they rise, the loan's security improves. This incentive was irresistible: between 1980 and 2010 domestic credit expanded some eight times more than GDP from trough to peak (Offer 2017: 1060). This flow of credit drove a house price spiral.

For borrowers this was also a good deal. Housing wealth rose faster than both earnings and debt (Offer 2017: 1062–4). As an asset, housing is also an attractive tax shelter. From 1963 onwards, the imputed rental flow was not taxed. Family homes were exempt in whole or part from capital gains tax, stamp duty, and death duties. By the 1980s homeownership acquired a political majority: some two thirds of households owned their home or were buying it.

Debt service at these levels began to destabilise the economy. In 1990 debt service costs as a percentage of non-financial income peaked at about 20 per cent, and this was followed by a recession. As debt service rose to absorb household income, it squeezed out other demand in the economy, which eventually led to financial instability, economic recession, and crisis. In 2008 debt service rose to a peak of almost 30 per cent of non-financial income, and the economy has not yet recovered from the crisis that followed (Drehman & Juselius 2012: 26). A social crisis followed. Early movers harvested a windfall as house prices rose almost four times between 1980 and 2008. Prices rose beyond the reach of latecomers. In 1980 almost half of young people between the ages of 25 and 34 were buying their own homes. By 2016 this had fallen by half, with the rest, 'Generation Rent', in a variety of insecure footholds: social housing, renting privately, as lodgers or guests, and about a fifth still in their parents' homes (Corlett & Judge 2017: 2/12).

There are more winners than losers, primarily the commercial banks who shifted their lending towards real estate, mostly to finance the purchase of older housing. Most of this credit created nothing new except transaction costs. Productive investment took second place. This might be one root of a larger economic malaise. Property interests invested in politics too. Between 2010 and 2020 such interests accounted for over a fifth of the Conservative Party's reportable donations (Transparency International 2021: 34). Among households the winners in the property game formed a political majority. The property windfall enriched them with no effort, much more than work could have done.

The abundant flow of housing credit is the most potent driver of the housing crisis, and yet it is little noted in policy debates. The most widely touted reform is to weaken the planning system in order to release more land. That is the flagship policy of the current Labour government, which promises 1½ million new homes in five years. This hugely ambitious target (still a fifth less than the post-war average) is unlikely to be achieved. It relies on private purchase, and makes very little provision for those in rented accommodation. It will be resented and resisted in the name of local democracy and environmental integrity.

The flexible labour market that British governments aspire to is not consistent with a competitive housing market: the better off will crowd the poor out of shelter. But more social housing does not seem to be on the cards. A centrist government has little appetite for something that reeks of socialism and which might offend the neoliberal zeitgeist. It regards itself as being financially constrained, and relies on private funding to achieve its housing targets.

If land values increase without any effort on the part of the owner, then taxing them does not diminish economic incentives. A tax on increasing land values has long been on the progressive agenda, but was always resisted as being subversive of property rights. It is politically challenging, there might be too many losers, and the will is not there. Local taxation is regressive, weighing more heavily on the cheapest properties. More revenue could be extracted without any injustice. Even that reform has been too much for any government.

And yet, a well-regulated rental market with security for tenants (as in the German-speaking countries) might still attract private investment. The house-price spiral could be moderated by restoring the link between earnings and the volume of housing credit, as building societies used to do. But the banks will not want to lose their bonanza, and housebuyers might not welcome credit rationing and falling prices. Housing has become a ‘wicked problem’, with multiple stakeholders locked into a harmful status quo.

## Housing dynamics and housing futures in Britain

Michael Murphy FBA

Britain’s housing crisis has been attributed to several interrelated factors that include: planning systems not fit for purpose; economic advantages for owner-occupation that favour owner-occupation, over-consumption, and lack of mobility; insufficient construction capacity; and government neglect of low-income groups. These issues exacerbate the key underlying factor, a persistent mismatch between housing needs and provision, often measured by the relationship between the number of households and available properties. A population dynamics framework is one way of exploring the long-term implications of housing trends, focusing on the factors influencing housing stock and future constraints. The narrative concentrates on key issues, although it is recognised that some of drivers merit more detailed attention than is possible here.

### Housing demand: key drivers

A primary driver of increased housing demand is the long-standing trend toward independent living arrangements, a preference unlikely to reverse in the foreseeable future. If preferences and expectations remain stable, housing stock must increase in line with population size and demographic shifts to maintain the status quo.

Population projections suggest significant growth, despite recent volatility. While recent annual increases of 800,000 are expected to decline, the Office for National Statistics (ONS) projects a 2.7 million population increase between 2024 and 2029. Moreover, population ageing exacerbates housing demand, as older adults typically form smaller households. Consequently, the housing stock would need to grow faster than overall population size to accommodate these shifts.

### Housing supply dynamics

Estimates of UK households and dwellings range from twenty-five to thirty million depending on definitions and sources used, with an average household size of 2.35 persons. Based on simple population growth, between 2024 and 2029, there would be over one million additional households and a corresponding number of dwellings required together with an additional 400,000 further dwellings due to population ageing. The government's plan to construct 1.5 million new homes within this period aims to alleviate this anticipated added housing pressure, although scepticism remains about the feasibility of this target. New housing supply can increase through other means: conversion of larger homes into flats; repurposing of agricultural or commercial premises; and reactivating vacant properties, although all are potentially reversible. Countervailing trends, such as conversion to holiday lets, second homes, and demolition may offset gains. Moreover, new-build homes have accounted for approximately 90 per cent of increases in housing stock in recent decades. For more on housebuilding see Langengen *et al.* (2024) and Watling & Breach (2023).

### Longevity and maintenance of housing stock

Housing has a finite lifespan, necessitating replacement to maintain the size and quality of the stock. If the average lifespan of housing is assumed to be 100 years, approximately one per cent of the stock would need be replaced annually (under some simplifying assumptions, such as overall numbers being relatively constant). Current demolition levels, furthermore, are low, averaging 6,000 annually compared to 90,000 in the 1960s. With these levels of turnover, some of the current housing stock would theoretically persist for four millennia.

A major reason why the housing stock has not fallen even further behind demand is that older buildings are increasingly being retained and refurbished. Between 2001 and 2022, the median age of England's housing stock rose from forty-six to sixty-two years, although particularly low numbers of new-build properties in that period also contributed. Older properties, particularly those predating World War I, are more likely to exhibit structural defects and fail to meet modern standards. In 2022, one-third of privately rented homes were classified as 'non-decent', a proportion twice as high as in the social rented sector. Emerging concerns include the future of 1960s and 1970s tower blocks built with a design life of fifty years, whose expected effective lifespan of sixty to ninety years may end within the next few decades, due to maintenance challenges and material degradation. Experience with upgrading such properties has not been encouraging.

### Challenges from policy and market dynamics

The longevity of the housing stock means that short-term measures can have only limited impact on overall numbers and responses to external pressures. Two sector-specific challenges highlight the tension between higher-priority policy choices that may impact negatively on long-term housing sustainability but are deemed to be outweighed by overall benefits:

(1) *Migration and housing pressure*: Increased migration increases pressure on housing, particularly for low-income households in private rental markets. However, sectors like higher education and social care argue that severe restrictive migration policies could threaten their viability, and would necessitate substantial government support (see also Speer, this issue).
(2) *Financial liberalisation*: As Avner Offer observes (above) the liberalisation of the financial sector in 1986 marked a shift from traditional building societies, often locally based, prioritising young married couples who had been savers and had strict limits on amounts available and deposits required. Although this approach would now be considered patriarchal and discriminatory, it restricted both the numbers and resources of potential purchasers. Subsequently, mortgage lending was attractive to new housing finance providers, who made funding more widely available not only for owner-occupation but also for purchase of property to rent. However, supply could not match increased demand leading to speculative investment and affordability crises.

**The housing crisis: affordability and societal implications**

The affordability of homeownership for young adults and access to social rental housing for low-income families is a major component of the present housing crisis. Housing affordability, measured by the ratio of new-build housing prices to average incomes, has deteriorated significantly, increasing two- or three-fold from 3.5 in 1997 to 8.3 in 2022. This decline in affordability has rendered homeownership increasingly unattainable for individuals without access to financial support through bequests or family loans. Consequently, societal inequalities have deepened—both between socioeconomic classes and across generational lines.

Addressing these disparities requires long-term structural changes. To revert housing affordability to 1997 levels, real home prices would need to decrease by 60 per cent. However, achieving such a reduction in the short term poses significant challenges, and even a gradual adjustment ‘soft landing’ raises complex questions. For instance, implementing a strategy where housing costs increase at a rate below income growth, for example, by 3 per cent, annually over several decades, would necessitate a bipartisan political consensus. Furthermore, such measures must be carefully managed to avoid the rise of populist rejectionist parties opposing housing reforms.

Rising housing costs have varied implications for different demographic groups. For most homeowners, who purchased properties on average seventeen years ago, escalating house prices have been largely inconsequential, since their costs are unaltered. In the longer term many may of course anticipate major future financial benefits from the increased value of their property. Overall, however, existing owner-occupiers—representing a substantial proportion of the population—are less directly impacted by rising prices compared to private renters or prospective homebuyers (renters in social rental sector are partially insulated). Nonetheless, a sustained decline in real housing prices could disincentivise property purchases for both owner-occupation and renting.

The potential consequences of falling real house prices must also be contextualised within broader economic risks. The 2008 financial crisis, often referred to as the ‘Great Recession’, was triggered by the collapse of the US subprime mortgage market. Conversely, the continuation of the upward trajectory in house prices poses its own risks, including for the rental sector. As house prices rise, landlords are likely to increase rents to ensure competitive returns relative to other investment options. Simultaneously, housing associations, constrained by limited government support, face growing competition with private developers to secure commercial loans from the financial sector.

***In summary***, addressing the housing crisis requires a careful balancing of demographic, economic, social, and political considerations. Achieving sustainable solutions necessitates long-term planning and collaboration across political and institutional divides. This would need to recognise the interconnected nature of key factors and develop strategies that ensure adequate and equitable housing provision for future generations. As both Avner Offer and Martin Daunton show, this will demand particular attention to minimising unintended consequences for vulnerable populations and the broader economy.

***Note:*** *The analyses above are based mainly on official statistics from the Ministry of Housing. Communities & Local Government, the Office for National Statistics and Parliamentary sources* (Barton *et al.* 2023; Cromarty & Barton 2024; DLUHC 2023; *English Housing Survey* all years, ONS 2023).

## Housing and health in the older population

Emily Grundy FBA

In common with other European countries, the UK has an old and ageing population. Between 2023 and 2035 the proportion aged 75 and over is projected to increase from some 9 per cent to 11 per cent and the number aged 85 and over will grow by one million, with their representation increasing from 2.5 per cent to 3.5 per cent. Unlike many European countries, the UK also has a high rate of population growth. Related to these trends, there is, as several contributors to this issue show, an acknowledged housing crisis. Although most often discussed in terms of housing quantity, the quality of the housing stock is also important. Both these features have uneven, unequalising impacts, between regions, as well as socially and across the income distribution. Moreover, the UK has a higher proportion of pre-1946 housing stock than any European Union country (Nicol *et al.* 2016) and in 2018 only 9 per cent of homes in England met prescribed accessibility standards. This makes it particularly ill-suited to meeting the needs of an ageing population, whose experiences are in many ways a litmus test for the operation of the housing system as a whole.

### Housing and household circumstances of the UK’s older population

A small proportion (<3 per cent) of older—predominantly very old—people, live in care homes. The 2021 Census of England & Wales found that among the majority in private households, 81 per cent of people aged 65 and over lived in owner-occupied housing, 13 per cent in socially rented housing, and 6 per cent in privately rented or other types of tenure. About a quarter of men and a third of women aged 65 and over live alone; this proportion rises to 80 per cent among women aged 80 and over. Most of the remainder live with a partner. According to the definition used in the 2021 Census, 23 per cent of older people lived in 'under-occupied' homes. Other estimates using more restrictive definitions have suggested that as many as half of 65–79-year-olds live in housing with two or more 'spare' bedrooms (MHCLG 2024). Some 10 per cent of older people (predominantly aged 75 and over) live in specialist housing, such as sheltered accommodation provided by a local authority or housing association or leasehold later life homes in retirement villages or similar schemes provided by private developers.

The older population as a whole appears advantaged in comparison with younger adults in terms of the proportion in secure and relatively spacious accommodation. Low-income older adults on means-tested benefits have been spared the application of the 'bedroom tax' applied to younger tenants deemed to have surplus space. Additionally, more older than younger people benefit from council tax reductions for people living alone. However, many older people live in unsuitable homes that are potentially dangerous or disabling (Centre for Ageing Better 2021). Only 12 per cent of older people have level access at the entrance of their building, fewer than half have a bathroom on the entry level of their home and in 2020–1, 15 per cent of older households lived in homes that failed to meet the minimum standards on absence of hazards, thermal comfort, state of repair and facilities specified for new dwellings (DLUHC 2022).

**Housing and health**

Suitable housing is especially important for older people who on average spend longer at home than younger people and may have mobility or health limitations, including poorer thermoregulation, making them vulnerable to the effects of cold and risks posed by poor accessibility and trip hazards (Donald 2009). Data from the Health Survey for England show that high proportions of older people, especially the older old, have difficulties with bathing or showering or getting up and down stairs. Poorly designed homes may prevent older people with functional limitations undertaking essential activities of daily living (such as personal care) or instrumental activities of daily living (such as going out to the shops or preparing meals). Recent studies have shown that those living in poor-quality homes, and those in social housing, have an earlier age of onset of need for help with care (Cartagena Farias *et al.* 2023), although this may partly reflect characteristics associated both with tenure and health, including allocation policies in the socially rented sector.

Dangerous and disabling features of older people's housing also have substantial implications for health and social care services. In 2022/23, there were 210,000 emergency hospital admissions of older people due to falls, and unaddressed fall hazards in the home are estimated to cost the NHS in England £435 million per annum (OHID 2022).

Some efforts have been made to improve the quality of the housing stock. The Decent Homes standard introduced in 2000 set out minimum standards which local authorities and other social landlords were required to meet by 2010. Accordingly in 2015–17 among households, including a person aged 60 and over, the proportion classed as non-decent overall was lowest—15 per cent—in the socially rented sector compared with 30 per cent in the privately rented sector and 21 per cent of owner-occupied homes.

Apart from improving residents' quality of life and reducing carbon emissions, the cost of housing renovations may be offset by savings on health care costs. One study which linked tenant records to health care and mortality records and compared the outcomes for those in blocks that had been renovated with those in blocks awaiting renovation found that residents aged 60 and over in upgraded blocks had 39 per cent fewer hospital admissions over a follow-up period of up to ten years (Rodgers *et al.* 2018).

Specific housing adaptations may also improve older adults' safety and functional ability. In England local authorities are responsible for providing minor adaptations (such as grab rails) for older people who need them. Means-tested funding for more substantial adaptations is available through Disabled Facilities Grants. However, there are substantial variations between local authorities in the help provided and often delays in providing services (see also Dhanda this issue). Tenants renting privately, a small but growing group, need the permission of their landlord for adaptations. Results from a number of randomised controlled trials indicate that adaptations protect against falls and fall-related injuries. Recent analyses of longitudinal data from the English Longitudinal Study of Ageing also suggest that adaptations may have a preventive effect and slow down the development of disability in those with initially few functional limitations (Chandola & Rouxel 2022; Wu & Grundy 2025). Australian studies have found that adaptations reduced the amount of help with care needed by older people, all of which suggests adaptations are a valuable means of enabling 'ageing in place'.

**Policy options**

In terms of meeting the needs of both an ageing and growing population, recommendations are mixed. A recent report strongly advocated more development of specialist later-life housing both to meet the needs of older people and to free up family housing for younger people. However, many older people want to remain in their long-term homes. Moreover, it has been estimated that new-build specialist housing is unaffordable for at least half the older population (MHCLG 2024). High moving costs, including stamp duty, are also cited as a disincentive. Other downsizing solutions may be impeded by similar costs and concerns.

Upgrading and adapting older people's housing has benefits for their health, and costs may be offset by savings on health care. However, this option does not release family properties for younger people and may be daunting for older homeowners to arrange and manage. As with moving, timing is important. Very old or frail people, especially those with cognitive impairment, may find it difficult to adjust to a new or adapted home. In this connection it should be noted that later ages at parenthood in current cohorts of older people compared to earlier generations, coupled with the difficulties younger people experience in securing housing, mean that co-residence with an adult child may extend later in life than in the past. Although co-residence, in larger houses at least, may seem like an efficient use of the stock, the practice may also delay decisions about 'downsizing' or adapting housing, especially given the undersupply of homes for older people and the current complexities of navigating that market.

Overall, a much more joined-up approach, and significant investment, are needed to secure age-friendly housing.

## Public opinion on housing in the United Kingdom

Ben Ansell FBA

Over the past three decades, the British housing market has detached itself from the fortunes of the wider economy. While economic growth has stagnated compared to the postwar era, culminating in the past decade where growth rates have been lower than at any time since the Napoleonic era, the value of housing has continued to boom. This has produced an invidious situation where the ratio of house prices to incomes has reached (for modern times) unprecedented levels, rising from a multiple of average houses costing just over four times average earnings in the early 1990s to around nine times by 2022. Such levels were only surpassed in the era before 1870, according to data from Schroders (Lamont 2023), when most homes were rented.

Rising house prices create winners. They also create losers. Those who were able to buy housing before the turn of the millennium, or who have inherited it, have made huge windfalls that they could not plausibly have acquired through saving alone. Those who do not own housing have faced ever-higher, indeed unattainable, down-payments and even in an era of low interest rates, often spend much greater proportions of their income on monthly housing costs (Judge & Leslie 2021).

Economic winners and losers should mean dissension and disagreement among citizens over housing policy. And, as we shall see, they do—with a clear age gradient in attitudes towards building and taxing houses. But the winners of Britain's housing market have one clear advantage—numbers. Just under two-thirds of Britons are homeowners, which means they have a clear incentive to keep house prices high and rising. As Ansell & Cansunar (2021) show, housing unaffordability is not a self-correcting phenomenon—across Europe, those areas with higher house prices are also those where residents show less interest in government redistribution or spending on housing policy, at least in surveys.

There are at least two superficially simple ways of reducing house prices relative to incomes: build more houses, increasing supply, or tax property (including second homes), reducing demand. But for the reason just given—homeowners are a super-majority of the population (and indeed electorate), such simple solutions prove to be politically extremely complex.

As part of a multi-year European Research Council grant on the politics of wealth inequality, I conducted a series of surveys, using YouGov's panel of British residents, to try to better understand public opinion around policies related to housing. I asked questions around both housing supply and tax, but here I concentrate on the first.

I asked questions about housebuilding across two separate surveys, fielded in June 2021 and October 2022. I asked panellists the following question: 'Thinking about new housing in your local area. How much would you support or oppose more homes being built in your local area?' People answered on a five-point scale: strongly oppose, somewhat oppose, neither support nor oppose, somewhat support, strongly support. Note that the question emphasised the word 'local' twice, given that we suspected that the key barrier to new housebuilding was people's concerns about it affecting their daily lives, whereas a question about building new houses in general might allow respondents to assume the houses would be built somewhere far away that would not bother them.

In terms of aggregate support, we found an almost perfect divide: 38 per cent of people supported building new houses locally, 39 per cent opposed, and 23 per cent answered 'neither support nor oppose' (the great British fence-sitters). Only a limited number of demographic groups saw an outright majority saying 'support' or 'strongly support'—people who voted Labour or Scottish National Party in the 2019 General Election, people with postgraduate education, and people with household incomes over £100,000. By contrast, support was 33 per cent or less among people who had voted Conservative or Brexit Party, people who already owned houses, people over the age of 50, and people who lived in the Green Belt or Areas of Outstanding Natural Beauty. It should not surprise the reader that the opposed groups were more politically salient—older people and homeowners have much higher turnout rates (Ansell & Gingrich 2024), and the Conservatives had won a large victory in 2019.

With around 6,000 respondents, I was able to use a statistical technique called Multilevel Regression with Post-stratification, better-known as MRP, to estimate local-area levels of support for building new houses. MRP uses census-provided data on the age, gender, education, and homeownership composition of local authorities and combines it with the estimated relationships in my data between those demographics and support for building new houses. Along with existing local-level aggregate data on voting behaviour and so forth, we can combine this into local-level estimate of supporting home-building.[1] I was then able to match these estimates to actual housebuilding data from the Department for Levelling Up, Housing and Communities: 'permanent dwellings started and completed' in 2021–2, which refers only to new builds and thus links closely to my survey question. Figure 1 demonstrates the bivariate relationship at the local authority level.

The most obvious conclusion from Figure 1 is that the relationship between support and actual activity is negative. Where a majority of people want more building—in, for example, Haringey, Bristol, or Brighton, new construction is

[1] In this analysis I drew on the code and data provided by Chris Hanretty in his very helpful guide (Hanretty 2020).

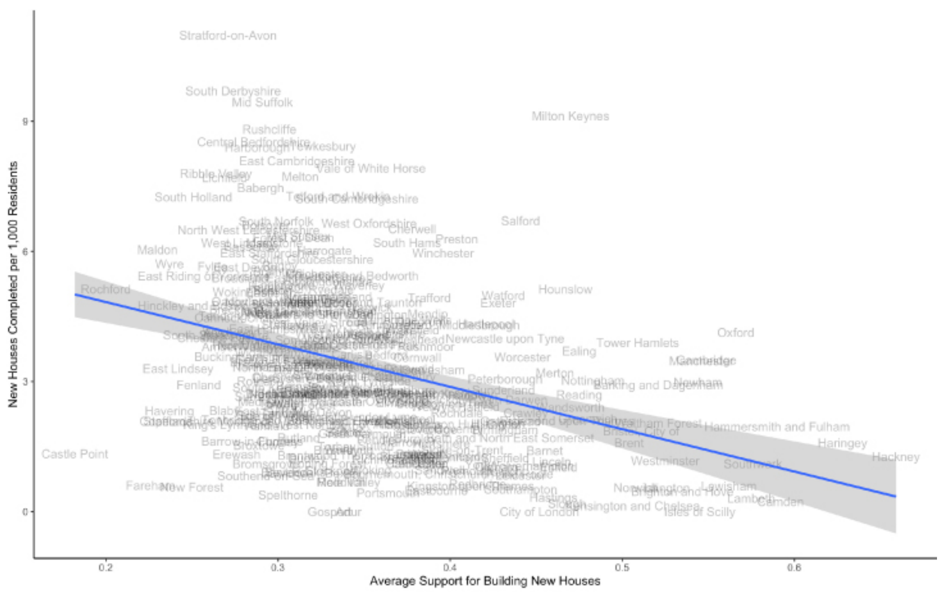


**Figure 1.** The relationship between public opinion and construction of new dwellings.

low. Where fewer than 30 per cent want new building—Stratford-upon-Avon, the Ribble Valley, or Maldon—construction is high. Bluntly, this is not an ideal match between public preferences and outcomes. It is possible that there is a thermostatic effect going on—low building makes people see the case for more; high building makes them want less, or feel they have done their bit. It is hard to disentangle the direction of causation in a scatterplot. But in static terms, it is clear people are not satisfied.

What do people say about why they don't want new housing? After asking my housing question, I let people write in a text box the reason for their answer. I could then look at which words have particular association with various demographic groups, conducting a series of $t$-tests to see which words have the highest group differences. Homeowners, for example are likely to use words such as 'doctor', 'school', 'road', and above all 'infrastructure'. Renters, by contrast are more likely to use words such as 'affordable', 'can't', 'price', and 'homeless'. In other words, homeowners care about their local services being negatively affected, renters care about wider affordability issues.

Bridging this gap in how homeowners and renters think about new housing, particularly when the former are a majority, is the major challenge for any programme of home-building. The new Labour government have suggested they will be 'builders' not 'blockers'. They should remember that the public, on the whole, is inclined to be 'blockers'. Ultimately the cause of the British housing affordability crisis is, well, the British public.

***Note:*** *The project profiled above received funding from the European Research Council (ERC) under the European Union's Horizon 2020 research and innovation programme, grant agreement number 724949. The ERC project code for this project is WEALTHPOL.*

## Holistic policies to tackle the UK's housing crisis—and improve growth prospects

John Muellbauer FBA

The UK's housing market is among the most dysfunctional in the world, characterised by regressive property taxes, complex planning systems, long commuting times, and poorly insulated homes. As the Resolution Foundation reports, the UK's sky-high housing costs make poorer families far worse off than comparable poor families in Germany, the Netherlands, and France (Janan & Pittaway 2025). Among the G7 economies, the UK has the highest fraction of property values in land rather than buildings. Since the 1980s, low national saving rates and persistent balance of payments deficits have led to increasing foreign ownership of UK wealth, further undermining domestic investment and stability.

The roots of these issues stem from past policies (see Muellbauer & Soskice 2022), which lowered national rates of saving and investment. These policies included the sale of council housing without adequate replacements. Additionally, the 1961 Land Compensation Acts (UK Public General Acts 1961) gave landowners excessive privileges, while real-estate booms driven by credit have diverted resources away from productive investments.

A spate of international studies provide empirical evidence on the mechanisms that impinge on productivity growth. They include Müller & Verner (2021), with evidence from a study of 116 countries since 1940, Doerr (2020) on US firms, Chakraborty *et al.* (2018) on the diversion of credit from more productive functions into real estate, Hau & Ouyang (2018) for a similar mechanism in China, and Hericourt *et al.* (2022) for European country-level evidence. Hirano & Stiglitz (2024) formalise these ideas in a theoretical model.

In the UK, rising land prices have disproportionately benefitted landowners and financial sectors, fostering rent-seeking behaviour over entrepreneurship. These problems were exacerbated by lax financial regulation before the Global Financial Crisis, which left a lasting impact on government debt and economic resilience. Combined with the UK's cumbersome planning system, these structural problems help explain the UK's poor productivity growth record.

To address these challenges, a four-part policy package is proposed. First, enabling Land Value Capture (LVC) would ensure that the benefits of land value increases are shared fairly between landowners and the wider society. This will require further reform of the 1961 Land Compensation Act (Communities and Local Government 2017) beyond the first step taken in changes to the compulsory purchase order system in the Levelling-up and Regeneration Act 2023 (LURA (UK Public General Acts 2023)).[2] Also, while the shift in the

[2] Under LURA, local authorities can apply to the Secretary of State to remove, or cap, hope value from compensation payments to landowners whose land is being compulsorily purchased for education, affordable housing, or health-related schemes. This excludes wider regeneration projects, for example, with a commercial element, and does not remove the rights of landowners for subsequent compensation when land they had sold is later given planning permission. Agencies such as Homes England need to be fully enabled to buy up land without planning permission at auctions for a new town development with commercial partners, using planning gain to fund social housing and infrastructure. This means that Compulsory Purchase Order powers to deal with hold-out owners threatening to scupper such projects need to be available and that subsequent compensation rights need to be removed.

Treasury's fiscal rule from limiting gross debt to GDP to net *financial* debt to GDP was a welcome relaxation, a further tweak, in which publicly owned land at market value can also be offset against debt, would increase the ability to use LVC to fund infrastructure and housing projects, promoting the integration of these policies. Second, increasing the construction of social housing is essential to improve affordability and availability, particularly for vulnerable populations. Third, planning reform toward more flexible land-use zoning (Watling & Breach 2023) is needed to streamline processes, ensuring automatic approval for compliant proposals and merging Local Plans with Local Transport Plans to align development priorities. Fourth, property tax reform must address the regressive nature of Council Tax, which remains unfair across regions and income levels, see Figures 2 and 3. Better designed property taxes would complement the first three parts of this package. They would enhance land value capture and help fund social housing. They would result in better allocation of the existing housing stock and interact with a more flexible planning system in encouraging developers to shift away from building luxury homes to more affordable homes—all steps to improving housing affordability.

Contrary to popular belief, there is no inherent conflict between reducing inequality and promoting economic growth. Well-designed property taxes can simultaneously broaden the tax base, stabilise the economy, and enhance

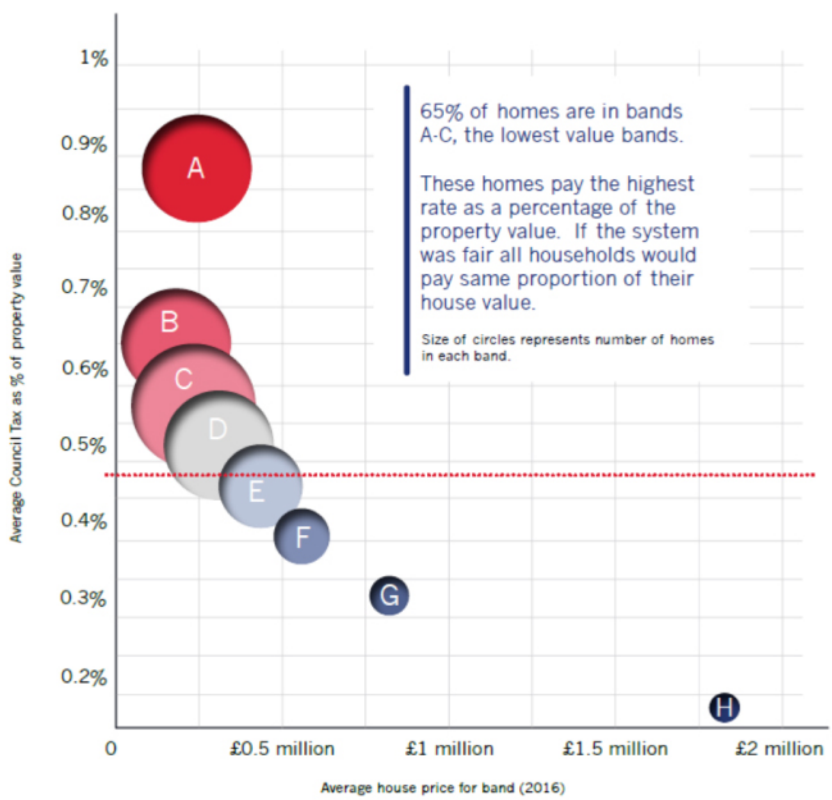


**Figure 2.** The individual regressivity of Council Tax in England, from Dixon *et al.* (2021).

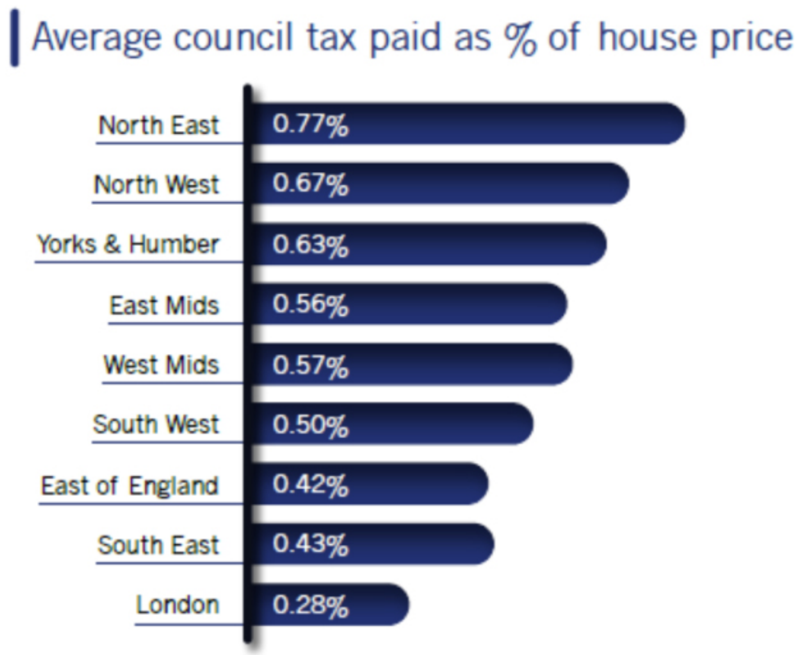


**Figure 3.** The regional regressivity of Council Tax in England, from Dixon *et al.* (2021).

productivity. Such policies would reduce intergenerational inequality, improve housing affordability, and support labour-market flexibility by encouraging mobility. Additionally, these reforms could help address regional disparities and reduce greenhouse gas emissions by incentivising energy-efficient homes.

A Green Land Value Tax (GLVT) represents a crucial innovation in property taxation [see Muellbauer (2023) for details, and Muellbauer (2024) for a summary]. GLVT resolves the tension between achieving climate goals and improving housing affordability. With land prices at record highs, younger generations are increasingly priced out of ownership. OECD studies have shown that property taxes tied to market values promote economic stability and growth. A GLVT would combine a land charge and building charge while offering energy usage discounts to encourage energy-efficient buildings. Regular revaluations would discourage speculation, and households with significant land wealth but low cash flow, such as retirees, could defer tax payments until the property is sold or transferred.

The deferral mechanism ensures fairness and protects vulnerable property-rich but cash-poor households. This model involves the tax authority registering a proportional interest at the Land Registry, which is settled upon sale or transfer of the property. Designed for simplicity, this deferral system requires no complex forms or means testing. Underwriting by the national government would guarantee stable revenues for local authorities, ensuring public services remain funded.

Additional reforms to property taxation include expanding the tax base to cover high-value agricultural and vacant land. Investments in the Land Registry would improve the accuracy of land title coverage, supporting fair taxation. Reducing Stamp Duty would encourage labour mobility by removing barriers to buying and selling homes, enhancing housing-market flexibility. A phased implementation of these changes, coupled with public education campaigns, would ensure a smooth transition and minimise disruption. Split-rate taxation structures for residential and business properties would further align tax systems with economic goals.

The proposed reforms begin with property revaluations to facilitate proportional taxation, incorporating green discounts to incentivise sustainability. Gradual adjustments would prevent sudden tax increases, while concerns about land value estimation can be addressed through modernised assessment methods (detailed in Muellbauer 2023) and transparent processes.

***In summary***, holistic policies that include Land Value Capture, planning reform, and redesigned property taxes, ultimately towards Green Land Value Taxation, present a comprehensive strategy to address the UK's housing crisis. These measures offer a pathway to enhance housing affordability, promote economic stability, and reduce regional inequalities. Importantly, they align with the nation's climate goals by encouraging sustainable development, improving energy efficiency, and fostering a fairer, more dynamic economy.

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