



Cambridge University  
Land Society



# A vision for the UK housing market

by Anna Clare Harper and Emma Fletcher



For the **Whitehall Group** of the Cambridge University Land Society

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With a foreword by **Dame Kate Barker DBE**

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Concluding remarks by **Dermot O'Leary**

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## About The Whitehall Group

The Whitehall Group, a forum of the Cambridge University Land Society (CULS) is a high-level influential policy discussion group of well-connected University of Cambridge alumni, who are mainly members of CULS. It pulls together a previous legacy of high-quality events over the last decade, which is outside the mainstream of CULS activities, into a special group restricted in size of membership, of individual and corporate members.

The Whitehall Group operates through a series of focused lunches and dinners in London for up to 25 attendees per meeting in order to maintain an exclusive, intimate and senior level gathering under the Chatham House Rule. The Whitehall Group also runs a distinguished series of public policy lectures – The Whitehall Lectures.

Whitehall Group events cover a wide range of macro-economic business, social and educational issues of the day – The Economy, Foreign Affairs, Social and Health Policies, Infrastructure, Transport, Energy, Climate Change, Finance and Investment, Environment, Housing, Technology, Real Estate Investment and Finance, Urban Planning, Education and Politics.

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### Colm Lauder

Whitehall Group Chairman

Colm Lauder is the Head of Real Estate at investment bank Goodbody. Goodbody is a leading financial services firm serving and growing client relationships for nearly 150 years. We are a full service, investment-led business offering wealth management, asset management and investment banking services. Colm leads Goodbody's UK and Ireland real estate company coverage and is a top ranked real estate analyst according to Thomson Reuters' Extel survey. He is a graduate of Real Estate Finance (MPhil) from Cambridge University and Property Economics (BSc) from Dublin Institute of Technology.

### Douglas Blausten

Honorary Vice President of CULS

Douglas Blausten is a Consultant to Carter Jonas specialising in Corporate Real Estate Strategic work, the Healthcare and heavy industry sectors. He runs his own Corporate Real Estate Strategic Consultancy Company. He was Vice Chairman of NHS Property Services and Chairman of its Asset and Investment Committee until November 2015. He was a Trustee of the Mental Health Foundation for 7 years, and a Centre Fellow of the Cambridge Centre for Climate Change Mitigation Research. He is a member of the Cambridge Land Economy Advisory Board and holds several executive and non-executive directorships. He is a Trustee of charities working in education and mental health and addressing social inequality and deprivation. Douglas the founding Chairman of the Whitehall Group and is an Honorary Vice President of the Cambridge University Land Society.

## Author and Contributor Biographies

### **Dame Kate Barker**

Economist

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Kate Barker is a business economist. She is presently a Non-Executive Director at MAN Group plc. Kate was a Senior Advisor to Credit Suisse (2010-2016) and a non-executive director of Yorkshire Building Society (2010-2017) and Taylor Wimpey plc (2011-2020). She is also a non-executive member of the Office for Budget Responsibility, and a senior visiting fellow in the Department of Land Economy at the University of Cambridge. Kate was a member of the Bank of England's Monetary Policy Committee (MPC) from 2001 until May 2010. During this period, she also led two major policy reviews for the Government, on housing supply and on land use planning. Before joining the MPC she was Chief Economic Adviser at the CBI.

### **Anna Clare Harper**

Co-Founder, Remees

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Anna is a Co-Founder of Remees, a smart platform helping future-proof UK rental homes by reducing their emissions and complying with planned Minimum Energy Efficiency Standards. Previously, she was Head of Sustainability for leading European proptech firm, IMMO, which was responsible for €2.5bn residential investment commitments. She developed the strategy and built the seed portfolio for a HNWI-backed fund targeting a £100m+ housing portfolio, was involved with c. £2bn+ transactions as a Strategist at Deloitte and published three books on UK residential/sustainable residential investment. Anna studied Land Economy at Trinity Hall, and now Chairs the Cambridge University Land Society's Residential Forum and on the CULS Whitehall Group Committee. She also hosts a leading property podcast and is regularly featured in publications including Financial Times, Forbes, BBC. Anna has been named one of Management Today's '35 Women Under 35' and Bisnow's 'Women Leading Real Estate'.

### **Emma Fletcher**

Regional Development Director, Hyde Housing Association

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Emma is a Regional Development Director at Hyde, one of the largest Housing Associations in England with over 50,000 homes. Her career has centred on leading high impact, high innovation projects in real estate, with a particular focus on housing, energy performance and green energy production. Her practical experience includes leading award-winning housing developments through to rural property surveying and estate management. Emma established and led the UK's first fossil fuel-free district heating scheme alongside previous roles as Managing Director at Evera, a partnership of four Housing Associations, and as Managing Director at SmithsonHill, where she led a £500m agritech and innovation development. Her work leading improved sustainability outcomes for her community regularly features in trade, national and international press and media including The Times, Sunday Times, Sky and the BBC. She is a passionate advocate for change, community resilience and sustainability solutions for all, both in her professional roles and in community organisations in and around Cambridge, where she has lived since studying Land Economy at the University of Cambridge. Current positions include Chair of a Community Land Trust, as a trustee for the Cambridge Forum for the Construction Industry and grounds trustee at Cambridge University Rugby Club.

### **Dermot O'Leary**

Chief Economist, Goodbody

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Dermot O'Leary is Chief Economist with Goodbody, a position he has held since November 2004. He is responsible for the economics output of the research department. This role entails providing commentary and analysis for a large range of domestic and international clients through regular research reports and briefings. His work focuses on the Irish and UK economies and their respective housing and banking sector particularly. He is also a member of the company's asset allocation committee, assessing global macro developments that influence clients' portfolios. He is currently chairing the sub-committee on Funding, Affordability, Viability and Procurement in the Commission on Housing in Ireland.



An aerial photograph of a residential neighborhood, showing several houses with varying roof colors (brown, grey, blue), green lawns, and trees. A road curves through the scene, with several cars parked or driving. The entire image is overlaid with a semi-transparent blue filter. The text is positioned in the upper left quadrant.

# A vision for the UK housing market

by Anna Clare Harper and Emma Fletcher

# Foreword

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A paper which seeks to look right across the problems in housing and takes a holistic view of solutions is very much to be welcomed. This ‘whitepaper’ does just that, and proposes policies without fear of vested interests. The issues of supply and of distribution of space will be familiar to all those reflecting on housing problems, adding in quality and the increasingly urgent problem of energy efficiency gives this paper extra bite.

As so often, it is easier to gain acceptance for analysing the problem than to produce universally appealing policy solutions. The desire to distribute space more fairly (tackled here by counting bedrooms) will prove difficult for, and be resented by, the older income-poor in larger dwellings. But there are ways to sugar the pill – for example practical support for moving and ensuring a supply of more suitable dwellings in all areas.

There is an interesting mix of thoughtful and important recommendations around energy efficiency, combining carrots and sticks. On social housing the quality question is brought to the fore, and it is indeed vital, following recent tragic events, that more weight is placed here. However, the straightforward need for a greater stock of social housing should not be neglected.

The overriding proposal, and this plea just cannot be made too often, is for more joined-up and coherent housing policy. This should run wider than just not changing housing ministers frequently, but also engage HM Treasury and the financial regulators. Only then could we achieve the goal of defining, and moving towards, housing market success.

Dame Kate Barker  
April 2023



# Introduction

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The ‘housing crisis’ in the UK is widely discussed. By many metrics it is getting worse. Part of the reason for this is that we lack a clear, realistic vision for our housing market. Since we have no suitable vision of success across all tenures, it is no surprise that we lack workable policies to achieve a version of success. Unfortunately, we are living through a time when almost every headline describes a crisis (Housing Crisis, Cost of Living Crisis, Energy Crisis, Environmental Crisis). More than ever, we therefore need action not words.

The data suggests that economic, social, and environmental problems, inequalities, and inequities relating to housing are getting worse, not better. This is not a problem limited to the housing market: there are vast inequities in health, education and in relation to the environment because of years of short-term policies focused on outcomes deliverable within a political term, rather than through the average life expectancy - 87.3 years for boys and 90.2 years for girls born in 2020<sup>1</sup>.

The trouble is that genuinely problem-solving policies are often unpalatable. The purpose of this paper is to begin to change the direction of conversation and, crucially, policy to instigate real, positive, long-term change.

To do so, it will:

1. Explain and reframe the problem we now have, which is not as simple as ‘supply < demand’.
2. Outline a realistic vision for the housing market as a whole and by tenure.
3. Suggest practical policies to move towards that vision.

In the world of algorithms, a technique used to tackle particularly complex problems is to ‘relax the constraints’. The solution to the simpler, ‘relaxed’ problem provides useful information for solving the more complex problem. In this paper, we’ve used the same technique. In this case, we’ve relaxed the real life constraint of vested interests, so that we can provide fresh suggestions for how to tackle the problems we face.

## 1. Reframing the problem

The housing crisis is often discussed simply as a question of housing demand exceeding supply. Emphasis is put on policies that will grow the new supply of homes, from planning reforms to housing targets. However, 98% of homes that will exist in 5 years' time have already been built, and 80% of the housing stock in 2050 already exists<sup>2</sup>. Taking a fresh look at housing policy and how it can be used to achieve positive economic, social, and environmental outcomes, it makes sense to focus first on using what we have better.

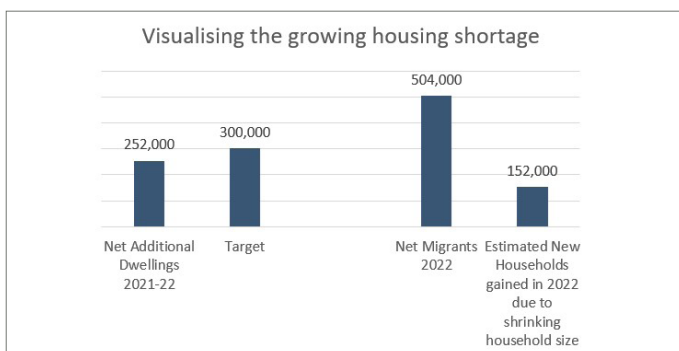
It is undeniably a problem that we are not building enough new homes. However, there are in fact three key structural problems, of which the growing supply shortage - a lack of new volume - is just one.

### Problem 1: Volume, and therefore price

There is not enough housing. A supply shortage has resulted in prices and rents increasing beyond what is affordable. Economic and social problems including vast inequalities of opportunity result.

The shortage of homes is getting worse. 2021 ONS Census data shows the population of England and Wales is the largest it has ever been at 59,597,300<sup>3</sup>. The ONS forecasts that the number of households in England will increase by 1.6 million (7.1%) over the 10 years from 2018, from 23.2 million to 24.8 million in 2028<sup>4</sup>. 95% of this projected increase is attributable to shrinking household sizes: one-person and multiple adult households without dependent children<sup>5</sup>.

Therefore, if we were to build c. 160,000 homes a year, we should keep pace with the growth in housing demand that results from shrinking household sizes. However, shrinking household sizes, population growth and 'high net migration' put together vastly exceed the delivery of new homes.



In 2021-22, we built 232,820 net additional dwellings, a 10% increase on 2020-21<sup>6</sup>. This compares with our annual housing target of 300,000<sup>7</sup> which has not been achieved since it was set. The annual target has proved to be challenging in the context of planning controls and the commercial realities of building and selling homes. Meanwhile, in 2022 alone, the UK had 504,000 net migrants<sup>8</sup>, suggesting that our housing targets, even if achieved,

are unsuited to the realities of immigration. The point here is not to comment on immigration policy, nor the pace of building, it is simply to highlight the compounding, growing gap between new demand and new supply.

The shortage of housing has serious economic consequences. In the Foreword to her seminal report "The Review of Housing Supply" published in 2004 Kate Barker neatly described how: 'A weak supply of housing contributes to macroeconomic instability and hinders labour market flexibility, constraining economic growth'.

The result of demand continually exceeding supply is rising costs for buying, renting or running a home. Long term house price and rental price growth has rendered both home ownership and renting unaffordable for many. The social consequences of this include homelessness, growing demand for social housing and inequality of opportunity.

In the UK, the average home is worth £296,000 at the time of writing<sup>9</sup>. Average household disposable income was £31,400<sup>10</sup>. This means that buying a home costs the average household almost 9.4 x their annual income, up from 3.5 x in 1997<sup>11</sup>. Rent for a single person is currently 35% of average incomes<sup>12</sup>. For those fortunate enough to be able to afford to rent or own their own home, affordability constraints still have a significant impact through reduced disposable income, at a time of high inflation. The 'silent suffering' are increasingly recognised through non-traditional data sets such as food bank use, which was up 52% in the 6 months to September 2022 compared with the previous year<sup>13</sup>.

The impact of the affordability and volume problem is disproportionately felt by younger and poorer people. In 2021, 3.6m of 20 to 34-year-olds (42%) lived with their parents, compared with 35% in 1997<sup>14</sup> (noting that the census was taken in lockdown). In 2020, over 1 million people were waiting for social homes<sup>15</sup>. Crisis estimates that more than 282,000 people are homeless (sleeping rough or in temporary accommodation) in England<sup>16</sup>.

Meanwhile, we are building less: 2.2 million net additions were built between 1961-71 (net additions means new homes completed net of those lost; in the 1960s this was largely a result of widespread slum clearance), compared with 1.7m net additions between 2006-2016<sup>17</sup>. What's more, in 2022, the supply of new rental listings was down 38% on the 5-year average, as landlords exited the market<sup>18</sup>.

The flip side of the affordability crisis is significant wealth gains for those who own property. 8.8 million homes (36%) are owned outright, giving these households security of tenure, a sense of ownership and access to the beneficial capital growth that is the cause of reduced affordability of housing. These are typically



older, wealthier and more politically influential people<sup>19</sup>. Many want to protect the countryside (e.g. green belt), and prefer not to have new housing projects built close to their homes (NIMBYism). For this reason, the problem is not just an economic one but a highly political one.

### Problem 2: Distribution

If there were enough homes to accommodate our population, we would still have a problem. The trouble is, homes are in the wrong places, at the wrong sizes or prices, or are not being used efficiently.

There are not enough homes that people can afford to live in, in the places people want and need to live when they are economically active. For example, demand for homes in economically successful urban areas vastly exceeds supply, pushing prices up and resulting in overcrowding. The percentage of overcrowded renters increased from 4.5% in 1995 to over 7.5% in 2019. Meanwhile there are areas of the country where homes that have fallen into disrepair have been auctioned off at starting price of £1<sup>20</sup>. There are large areas of rural Britain where access to key services and employment centres, especially by public transport or walking, makes them unattractive for those of working age<sup>21</sup>. This is one of the causes of the 257,000 long-term empty homes, part of a wider vacant total of over 479,000<sup>22</sup>.

As mentioned, 95% of the forecast population growth in the decade to 2028 is from one or two person households. Meanwhile, the mix of what is built is trending in favour of larger homes. In 2021-22, just 6% of new homes across all tenures in England had one bedroom and 28% had two bedrooms. This compares with 19% having one bedroom and 32% having two bedrooms in 1991-1992<sup>23</sup>.

As for pricing, the vast majority of new homes are at a premium level. In August 2022, for example, average new build homes were priced at £347,604<sup>24</sup>, 18% higher than the average UK house price of £294,559<sup>25</sup>, and 11.1 times average disposable incomes. The perceived need for policies such as Help to Buy illustrates the extent to which what is being built is not affordable to first time buyers<sup>26</sup>.

Going one layer deeper, there are in fact enough bedrooms to house our current population, they are simply underutilised. The 2021 ONS data reveals that 69.2% (17.2 million) of households in England and Wales in 2021 had more bedrooms than required, of which over half had at least two spare bedrooms<sup>27</sup>. More than 3.6 million homes across the country owned by over 65s have at least two spare rooms, worth an estimated average of £129,000 each<sup>28</sup>, which could be released by downsizing.

The final point around distribution is that of intergenerational inequality. 'Housing privilege' is overwhelmingly the realm of older people. Almost three-quarters of people aged 65 years and over in England own their home outright. Meanwhile, younger people are less likely to own their own home, and they are

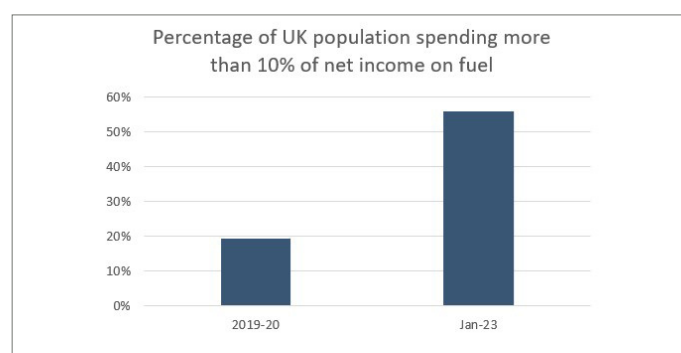
significantly less likely to own their own home outright than in the past. Two thirds of people in their mid-30s to mid-40s had a mortgage in 1997, compared with just half by 2017. They are more likely to be renting or living with their parents.

### Problem 3: Quality

It may come as a surprise that in a developed country such as England, so many properties are 'non-decent'. The Private Rental Sector, lived in by typically younger and poorer people than those who own their own home, is the tenure with the highest proportion of non-decent homes (23%). The social rented sector has the lowest proportion of non-decent homes (12%). Among owner occupied homes, 16% failed to meet the Decent Homes Standard<sup>29</sup>. Shockingly, 12% of Private Rental Sector properties have category 1 hazards, presenting risk of death<sup>30</sup>. Clearly, this presents a huge problem in terms of health, well-being and intergenerational inequality.

The second aspect of the quality conundrum is energy efficiency. The UK has the oldest and leakiest housing in Europe. This is a problem for the environment and for achieving our national target of Net Zero by 2050.

14% of UK Greenhouse Gases come from homes and up to 40% of carbon emissions come from real estate more broadly<sup>31</sup>. It is also a problem from a lifestyle perspective: 60% of homes fall below the planned Minimum Energy Efficiency Standard of EPC C+<sup>32</sup>. The result is that increasing numbers of people are falling into fuel poverty. In 2019-2020, 19.2% of the population were in fuel poverty (spending >10% of their income on fuel), increasing to 55.8% in 2023<sup>33</sup> despite government intervention on Energy Price Guarantees to the tune of £18 billion at the time of writing. The social consequences of energy inefficient housing are clear, from higher NHS costs to children's' education suffering.



The housing quality problem in terms of standards, safety, and energy performance, is pressing. The consequences of what we do, or indeed fail to do now are long term, since 98% of homes that will exist in 5 years' time are already built and 80% of the housing stock in 2050 is already built<sup>34</sup>.

## 2. Moving towards a solution

The hypothesis underlying this paper is that solving the housing crisis requires a realistic, widely accepted, data-driven vision and practical, focused policies. As a result, we need to:

1. Adapt the vision overall and by tenure. This means we must accept the associated opportunity costs, for example we cannot improve intergenerational inequality without shifting resources from older to younger generations.
2. Put and keep in place impactful, perhaps politically challenging policies. In the words of Darren Baxter, JRF: “the Government must get the details right for (reform) to be truly effective.”

The best outcome of this paper would be both.

### What is a clear, realistic vision across all tenures?

To ensure people have the right housing for their age and stage of life, to avoid socio-economic and generational groups from:

- Being held back economically and socially because of inadequate access to suitable housing<sup>35</sup>.
- Costing more in social and health services and contributing less economically due to an increased likelihood of health problems, criminality, and reduced educational or professional attainment as a result of inadequate access to suitable housing.

### Across tenure policy recommendations:

- Policies should be clear and joined up. For example, local and national objectives should be aligned, and the tools for delivering these objectives should be linked together, including regulations and taxes, national planning, Building Regulations, and local implementation. This should include, but not be limited to policies focused on achieving Net Zero 2050.
- Policy should be consistent and stable. At the time of writing, we have had 8 Secretaries of State and 10 Ministers responsible for housing since 2018, resulting in substantial ‘policy turbulence’
- Housing policy should be aligned with policies focused on achieving national Net Zero targets by 2050. Thematically, this makes sense because one of the greatest challenges facing the housing market is the need to improve the energy performance of homes, and doing so is vital to the achievement of Net Zero.
- Aligning housing policies with a long-term environmental objective that has captured cross-party political and public support will reduce the risk of policy turbulence through political cycles.
- The pre-2050 timetable gives the government and households time to plan, budget for and enact change.
- Taking a longer view makes it easier to integrate housing policies into other policy frameworks. For example, it makes sense to ensure that housing policy is used to facilitate the practical changes needed to transition to the ban on the sale of new diesel and petrol cars by 2030<sup>36</sup> through facilitating Electric Vehicle charging points.

### Political housing targets should be aligned with reality, including through:

- Avoiding political rhetoric that fails to acknowledge the trade-offs between policy objectives. For example, rhetoric used by politicians’ positions home ownership as a panacea for all - a signifier and determinant of success. To quote Boris Johnson on 9th June 2022, “Home ownership is what overwhelmingly, people in this country want. It’s good for society, great for the economy, it drives jobs and growth – that’s why we’re supporting it”<sup>37</sup>. However, home ownership for all is unattainable in the context of other policies including immigration policy, planning policies designed to protect the countryside and regulations and standards governing the quality of new homes. If we really want to give everybody the opportunity to own a home, then other policies, such as protecting the countryside, will have to be sacrificed. If we don’t really want to make the necessary sacrifices, then politicians shouldn’t misuse the sensitive topic of housing - a cynic might think it was being used to win votes.
- Aligning housing targets with immigration policy, including addressing the housing needs of people with no recourse to public funds (NRPF, people ‘subject to immigration control’ under section 115 of the Immigration and Asylum Act 1999).
- Focusing effort on the housing which impacts the lives of the majority, which means focusing on using existing homes more efficiently, rather than just focusing targets on building new homes which will largely be available only to the privileged few.
- Giving combined authority mayors statutory regional planning powers to ensure much needed larger scale projects can be delivered and housing distributed correctly where there is economic need.
- Basing housing targets on a common principle, for example the principle that all settlements should grow by 10% every 10 years, so that the burden does not fall unfairly on certain settlements or settlement types.

### Policy should incentivise quality upgrades for existing properties across tenures, rather than politicising tenure, for example:

- Recognising the difference in resources between tenures and avoiding generalisations such as ‘social housing and home ownership: good, private landlords: bad’. For example, social housing and owner-occupied homes are currently receiving substantial retrofit grants and policy support. Meanwhile, the Private Rental Sector largely does not have access to public funding and has no political support. Homes rented privately are no less valuable or important than owner occupied or social homes. They are typically less well-capitalised even before the need to retrofit, and yet only sticks are used to incentivise action, no carrots, because this tenure is positioned as ‘worse’
- Allocating government spending where it will have the greatest impact over the medium term. For example, there is a substantial skills shortage in retrofitting homes. It might therefore have been sensible to allocate some of

the £18 billion spent on subsidising fossil fuel energy use through Energy Price Guarantees to funding the training and development required to quickly improve the energy performance of homes across tenures.

**Policy should incentivise downsizing, for example through:**

- Providing a meaningful long term Council Tax relief for downsizers. Ideally, this would be more than a one-off grant (as has been used in the social housing sector) and should be proportionate to the number of bedrooms foregone.
- Removing the 25% Single Person Council Tax Discount for larger properties (2+ bedrooms)<sup>38</sup> subject to exemptions e.g., carers, special needs, home office.
- Incorporating an additional Council Tax component for spare bedrooms, much like the method already used in Social Rented Housing where benefits are reduced based on the number of spare bedrooms<sup>39</sup>.

**Policy should incentivise more rapid re-use of empty homes, for example through:**

- Changing the definition of empty homes to include furnished homes that have been empty for over two years. Ideally, Local Authorities would have the power to reduce this timescale for both furnished and unfurnished properties at the local level. This would enable Councils to charge higher taxes from underutilised or unutilised but immediately usable furnished properties. This is particularly important in the context of the purchase of premium new builds by international buyers as a place to store funds rather than as a place to live and use. We do not advocate preventing such purchases. Instead, by adapting the definitions and taxation, such properties could help contribute financially to Council's housing budgets.
- Making Compulsory Purchase Orders (CPO) faster, easier, and cheaper so that councils can acquire private homes which are empty for longer than two years, and then manage the properties, pass them to Housing Associations or sell them to reinvest capital into housing provision.
- Establishing a national reporting app or form for empty homes, including a Land Registry style search function to allow anyone to report an empty home.
- Enabling Empty Dwelling Management Orders (EDMOs) to be pursued after a property is shown to have been empty for six months, and removing the need to illustrate environmental impacts, anti-social behaviour, and pest control for an empty property<sup>40</sup>.
- Reforming probate to speed up the re-use of housing that is no longer needed by the deceased.

**Political, policy and planning constraints on new building should be reduced, for example through:**

- Changing the geographies that local planning committees oversee. If planning committees were forced to serve local areas other than their own, then politically-motivated decisions and NIMBYism could be minimised.
- Taxing brownfield land based on its value and the time it has been undeveloped, rather than the length of time the individual owner has had it.

## Owner occupation

### What is a clear, realistic vision for owner occupied homes (62.5% of dwellings, 15.5 million homes)<sup>41</sup>?

To ensure that people continue to invest in their own home to:

- Achieve the retrofit of housing stock to meet Net Zero 2050 climate change goals;
- Reduce UK energy demand from homes;
- Boost community cohesion and ensure more homes are available to use as long term, secure accommodation rather than continuously changing short terms lets as seen for example through the Airbnb platform; Reduce friction in the sales market, so that homeowners can upscale and downscale with ease rather than suffering life-disrupting delays or breaks in chains.

### Owner occupied policy recommendations:

Whilst most policy focuses on new homes, for example through building controls and planning, most of the housing we will use in the future already exists. For this reason, our recommendations focus on existing homes:

- Simplify VAT rules, or even better remove VAT altogether for:
  - Energy saving materials used in refurbishment works on occupied private homes<sup>42</sup>;
  - Refurbishment works which add additional bedrooms onto a property, or alternatively;
  - Remove VAT for all building work, to stimulate growth and supply volume and quality improvements.
- Relax Listed Building controls for energy saving retrofit works<sup>43</sup>;
- Relax planning rules for the creation of a 'granny annex' and conversions for multi-generational homes;
- Legislate for all homes to have a smart energy meter by 2025;
- Waive Stamp Duty Land Tax for downsizers reducing the size of their property by two bedrooms or more.
- Facilitate the entry of new lenders offering long term fixed rate mortgages backed by institutional bonds, as seen in Denmark, to enable the release of scalable funding at affordable rates to cover the costs of retrofitting homes<sup>44</sup>;
- Partially align Council Tax with energy performance (EPC rating). The energy performance-linked component should rise incrementally towards 2050 to incentivise investment into homes whilst raising significant revenues. This will help limit the extent to which we are 'borrowing from the future'<sup>45</sup>;
- Require sellers to undertake RICS building surveys as part of their seller pack, to ensure buyers have a detailed understanding of home quality, and to speed up the buying/selling process;
- Facilitate local paid licensing schemes for second homes and holiday lets to limit the negative impacts of second homes and short lets on community cohesion;
- Increase Stamp Duty Land Tax on second homes.



## Private Rental Sector

### What is a clear, realistic vision for Private Rental Sector (PRS) homes (20.3%, or 5 million homes)?

To ensure that people can rent decent homes in the locations they need, to:

- Facilitate continued economic growth;
- Give flexibility to economically active households;
- Provide suitable housing as an attractive alternative to purchasing or Housing Association renting;
- Provide suitable homes for newly-formed households such as economically active migrants.

#### Private Rental Sector (PRS) policy recommendations:

- A linguistic point to start with: move away from use of archaic terms such as 'landlord' and 'tenant' towards modern language such as 'property owner' and 'resident' in government policy and publicity;
- Incentivise longer leases to enable residents to put down roots and invest in their communities, through:
  - Encouraging mortgage lenders to offer discounted mortgage products to property owners offering longer term (e.g. five year) tenancies.
  - Offering tax breaks to property owners offering longer leases, to normalise giving residents greater security and well-being.
- Increase the notice period that property owners must give if they decide to sell their property to three months.
- Release the freeze on Local Housing Allowance to support tenants in the private rental sector;
- Incentivise energy performance upgrades, for example through:
  - Enhancing incentives to mortgage lenders to offer long term low interest rate mortgages or mortgage extensions in return for energy performance upgrades;
  - Facilitating the entry of new lenders offering long term fixed rate mortgages backed by institutional bonds as seen in Denmark to enable the release of scalable funding at affordable rates, to cover the costs of retrofitting rental homes<sup>46</sup>;
  - Incorporating a new tax allowance for property owners who are undertaking works towards reaching Net Zero;
  - Placing an additional 'Carbon Cost' in tax return to encourage investment into homes.
- Incentivise professional investment into the market to recapitalise the sector and improve quality and management of existing housing stock through tax breaks, inspections and quality improvement notices.
  - Incentivise good resident behaviour through:
  - Accreditation for a no fault track record;
  - Enabling prompt rent payments to contribute to credit scores (with allowance for legitimate Housing Benefit-related delays);

## Social Rented homes

### What is a clear, realistic vision for Social Rented homes (17.1% or 4.2 million homes)?

To ensure people on low incomes have the means to afford the rent for a decent home, to avoid:

- Occupation of the worst quality housing stock;
- Fuel poverty and associated welfare issues;
- Insecurity of tenure;
- Vulnerable people suffering at the hands of unregulated private landlords;
- The threat of a no-fault eviction;
- Stigma and prejudice<sup>47</sup>.

#### Social Rented policy recommendations:

- Encourage a review of the location of Housing Association homes to maximise efficiency of maintenance. Facilitate housing stock swaps and/or maintenance contracts through rigorous governance assessments;
- Encourage the adoption of new technology to enable tenants to upload photos of problems to landlords (e.g., through Clixifix or similar), dealing with maintenance issues faster and more thoroughly;
- Greater Early Years SENCo investment into nursery and primary schools in identified rural or urban areas of deprivation;
- Encourage utility providers to deliver their standard customer service, offers and pricing for prepayment meter customers.

#### What is a clear, realistic vision for Affordable Rented homes?

Ensure that households who do not qualify for Social Rent or cannot afford private rents are still able to afford to rent a decent home, to:

- Ensure that working people can afford to rent a home with secure tenure;
- Enable households who would otherwise suffer from poverty to afford their rent;
- Enable households to benefit from having a regulated landlord who is required to continue to invest in homes. The benefits of this include reduced energy bills for residents as a result of upgrades;
- Protect residents from unregulated private property owners.

#### Affordable Rented policy recommendations:

- Encourage a careful review of the location of Housing Association homes to maximise efficiency of maintenance. Facilitate housing stock swaps and/or maintenance contracts through rigorous governance assessments;
- Encourage the adoption of new technology to enable tenants to upload photos of problems to landlords (e.g., through Clixifix or similar), dealing with maintenance issues faster and more thoroughly;
- Increase Early Years SENCo investment into nursery and primary schools in identified rural and urban areas of deprivation;
- Expand Rural Exception Site (small sites used for affordable

housing in perpetuity where sites would not normally be used for housing) policies to enable Housing Associations to create larger balanced communities with less reliance on grants, through the addition of other tenures including private for sale if it is part of a development led by a Housing Association;

- Facilitate an 'opt in' option for residents' rental payments (possibly through blockchain) to link to credit scores to enable easier transition to private rent or home ownership;
- Ensure all Councils publish the full lists of those in housing need. Currently, councils must only publish Bands A (urgent need) and B (high priority), meaning that those in Band C (with an identified housing need), or Band D (those interested in affordable social housing and Homebuy) are not necessarily publicly monitored or managed<sup>48</sup>.

## Shared Ownership

What is a clear, realistic vision for Shared Ownership homes?

To ensure people who are able to afford affordable rent and/or private rent can afford to buy a share in a home instead of renting, to:

- Release rental stock;
- Provide long term security and greater well-being;
- Enable people to buy more of their home as their wages increase;
- Ensure that people can buy where they want and need to live, and invest in the long term community;
- Benefit from Housing Association development quality, energy efficiency and space standards, for example resulting in reduced energy bills.

### Shared Ownership policy recommendations:

- Release valuable Greenbelt land within 2 miles of train stations for schemes delivering a mix of shared ownership and other Housing Association homes
- Facilitate the establishment of a new, well-publicised shared ownership product purely for over 55s, regardless of whether they have owned their own home previously. This would enable over 55s to release equity from selling their homes, or to invest capital such as a pension or life insurance lump sum, whilst retaining security of tenure
- Ensure that shared ownership means shared responsibility. Currently, many part-owners feel that they have a rougher deal than their renting counterparts. They must pay rent on the share of the property that they do not own, yet they are not supported with maintenance in the way that other property owners are contractually obliged to maintain rented homes. Further, they often face higher ongoing living costs than if they had bought a property outright. If Housing Associations have a share in a home then they should have a share of the responsibility for improving the home's energy performance. This could be achieved with low or no interest green loans from the Housing Association to the Shared Ownership customer<sup>49</sup>. The Housing Association should also provide advice, allow use of their trusted framework contractors, help manage installation, and pass on the lower costs associated with bulk purchasing green measures

(insulation, solar panels etc). This is particularly sensible as shared ownership homes tend to be built alongside Housing Association rental properties.

- Ensure that Housing Associations offer equivalent services to Shared Ownership customers. For example, if they are conducting maintenance work or annual gutter checks for other rental properties in the same development, the same service should be offered to shared ownership homeowners and a split of the costs paid in line with the equity mix.

## Endorsements

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*"I really enjoyed reading this bold draft and the broad brush strokes with which the policy vision is outlined. The authors clearly know their stuff and have a great 360 degree view of all the pertinent issues."*

Professor Franz Fuerst,  
Professor of Housing and Real Estate Finance, University of Cambridge

*"This is a really useful contribution to the debate. I think the framing around recognising that there are some difficult political choices and trade offs is right and both the objectives and many of the recommendations in their totality would make a significant difference in moving to a more functional housing system if enacted."*

Darren Baxter,  
Senior Policy Advisor, Joseph Rowntree Foundation

*"It's an excellent paper and well done to Anna and Emma for all the work and insight they have put into it."*

Peter Best

*"This excellent paper had its origins in a Whitehall Group policy discussion led by Darren Baxter of the Joseph Rowntree Foundation and makes serious pragmatic policy proposals which should be at the top of the agenda of current and future Secretaries of State for levelling Up, Housing and Communities. These policy proposals will make a meaningful and beneficial difference to creating housing development for those socio-economic sectors most in need. The authors are to be congratulated."*

Douglas Blausten,  
Hon. Vice President, Cambridge University Land Society



# Conclusion

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The scale of views, stakeholders, interest groups and vested interests makes the formulation and implementation of housing policy a hazardous and difficult task. The starting point is always to recognise the facts and identify the known deficiencies. After that comes some potential solutions. This paper provides all three.

The paper focuses on changes to improve the efficiency and quality of the existing stock of housing in the UK. In light of the poor situation of a large proportion of households, particularly in the rental sector, this is just and correct. It is also an integral part of the UK meeting its climate obligations. Recommendations such as incentives for the retrofit of rental properties can also be seen as relatively “quick wins” in the context of housing, where long lags are common in terms of the announcement of a policy and its actual implementation.

UK housing policy is long due an overhaul. The seminal reports by Dame Kate Barker in the mid-2000s focused on policy recommendations to improve the responsiveness of UK housing supply. Some of the important recommendations were followed through on, but the UK is still acute issues around affordability, quality and planning delays laid out in the report nearly 20 years ago. The UK now has a very different economy, society, population structure, while agreements on climate targets all necessitate a thorough review that is accepted across the political spectrum. Housing cycles go beyond electoral cycles and therefore policy formulation should recognise this.

Dermot O’Leary,  
Chief Economist, Goodbody

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## Notes

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## Notes

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