



# Tackling our Housing Crisis

---

*Why Building more Houses will not  
Solve the Problem*

Tom Chance  
Anne Chapman  
Maya de Souza

Green House is a think tank founded in 2011. It aims to lead the development of green thinking in the UK.

Politics, they say, is the art of the possible. But the possible is not fixed. What we believe is possible depends on our knowledge and beliefs about the world. Ideas can change the world, and Green House is about challenging the ideas that have created the world we live in now, and offering positive alternatives.

The problems we face are systemic, and so the changes we need to make are complex and interconnected. Many of the critical analyses and policy prescriptions that will be part of the new paradigm are already out there. Our aim is to communicate them more clearly, and more widely.

We will publish a series of reports and briefings on different subjects. We do not intend to have a party line, but rather to stimulate debate and discussion.

Open Access. Some rights reserved.

As the publisher of this work, Green House wants to encourage the circulation of our work as widely as possible while retaining the copyright. We therefore have an open access policy which enables anyone to access our content online without charge. Anyone can download, save, perform or distribute this work in any format, including translation, without written permission. This is subject to the following conditions:

- Green House (and our web address [www.greenhousethinktank.org](http://www.greenhousethinktank.org)) and the author(s) are credited
- The text is not altered and is used in full
- The work is not resold
- A copy of the work or link to its use online is sent to Green House.

Green House acknowledges the work of Creative Commons in our approach to copyright. To find out more go to [www.creativecommons.org](http://www.creativecommons.org).

Published by Green House 2015 © Green House. Some rights reserved.  
Lorton Barn, Lorton Lane, Weymouth, Dorset DT3 5QH, United Kingdom.  
+44 (0)1305 816514  
[enquiries@greenhousethinktank.org](mailto:enquiries@greenhousethinktank.org)  
<http://www.greenhousethinktank.org>

You can download this publication from  
<http://www.greenhousethinktank.org/page.php?pageid=publications>

ISBN 978-0-9933531-0-9

Print copies of this publication may be bought online from <http://www.lulu.com/>.

## **Existing Green House Publications (See next page for the Post-Growth Project)**

‘Sustainability Citizenship’ by Andrew Dobson

‘Mutual Security in a Sustainable Economy: a Green Approach to Welfare’ by Molly Scott Cato and Brian Heatley

‘The Dog That Didn’t Bark: When banking crises did not occur and what we can learn from that’ by Thomas Lines

‘Guardians for Future Generations’ by Rupert Read

‘Free Universities: Re-configuring the Finance and Governance Models of the UK Higher Education Sector’ by Molly Scott Cato

‘Offsetting Nature? Habitat Banking and Biodiversity Offsets in the English Land Use Planning System’ by Mike Hannis and Sian Sullivan

‘Strangled by the Duopoly: The collapse of UK Democracy, 1975-2012, and some proposals for its revival’ by John Hare and Rupert Read

‘Local Liquidity: From Ineffective Demand to Community Currencies’ by Molly Scott Cato

‘Primary Commodity Prices and Global Food Security: Why farmers still struggle when food prices rise’ by Thomas Lines

‘Greens and Science: Why the Green Movement is not anti-Science’ by Anne Chapman

‘Greening the European Union’ by Alex Warleigh-Lack

‘Tackling our Housing Crisis: Why Building more Houses will not Solve the Problem’ by Tom Chance, Anne Chapman and Maya de Souza

All existing Green House publications can be downloaded free of charge from our website at <http://www.greenhousethinktank.org>.

## **Green House Post-growth Project**

Everyone agrees that we are in the midst of a massive financial and economic crisis. We have suffered the biggest crash since the 30s, and it may get far bigger yet. How ought this ongoing crisis to be understood, and resolved?

There is the mainstream view: we have vast government deficits, and stagnant economies. We have a dire need for economic growth – and a deep-set need for austerity, bringing with it massive cuts in public services.

But what if that diagnosis, which reflects mainstream wisdom, is all wrong? What if the crisis that we are currently experiencing is one which casts into doubt the entire edifice of capitalist economics that sets growth as the primary objective of all policy? What if the fight between those who say that without austerity first there can be no growth and those who say that we must invest and borrow more now in order to resume growth is a false dichotomy – because both sides are assuming ‘growthism’ as an unquestioned dogma?

The aim of the Green House Post-growth Project is to challenge the common sense that assumes that it is ‘bad news’ when the economy doesn’t grow and to analyse what it is about the structure of our economic system that means growth must always be prioritised. We need to set out an attractive, attainable vision of what one country would look like, once we deliberately gave up growth-mania – and of how to get there. And we need to find ways of communicating this to people that make sense, and that motivate change.

## Green House Post-growth Project Reports

‘Green House’s ‘Post-growth’ Project: an introduction’ by Rupert Read.

‘Joined up Economics: The Political Economy of Sustainability, Financial Crises, Wages, Equality and Welfare’ by Brian Heatley.

‘Smaller but Better? Post-growth Public Services’ by Andrew Pearmain and Brian Heatley.

‘The Paradox of a Green Stimulus’ by Molly Scott Cato.

‘Can’t Pay; Won’t Pay: Austerity, Audit and Odious Debt’ by Molly Scott Cato.

‘The Politics of Post-Growth’ by Andrew Dobson.

‘How to Make, do and Mend our Economy: Rethinking Capital Investment in Construction and Industry: the Scale and Depth of the Challenge of the Green Transition’ by Jonathan Essex.

‘A new Post-growthist Common Sense: Challenging the Hegemony of Growthist Discourse’ by Rupert Read.

These papers are also available in a book, *The Post-Growth Project: How the End of Economic Growth Could Bring a Fairer and Happier Society*

*Edited by: John Blewitt and Ray Cunningham, with contributions from Molly Scott Cato, Andrew Dobson, Jonathan Essex, Brian Heatley, Andrew Pearmain and Rupert Read.*

Go to <http://londonpublishingpartnership.co.uk/the-post-growth-project/> for further details.

## Table of Contents

<b>The authors .....</b>	<b>2</b>
<b>Acknowledgements .....</b>	<b>2</b>
<b>Summary .....</b>	<b>3</b>
<b>1. Introduction .....</b>	<b>4</b>
<b>2. The housing crisis in perspective: the facts and figures.....</b>	<b>5</b>
Affordability.....	5
Owner occupation, renting and social housing.....	6
The regional dimension.....	7
Impact .....	8
<b>3. The Causes of the Crisis .....</b>	<b>10</b>
Before the crisis.....	10
Household numbers and housebuilding.....	10
Housing as an investment .....	12
Conclusions.....	14
<b>4. The Costs of Construction-based Solutions.....</b>	<b>15</b>
Why not just build more homes? .....	15
The environmental costs .....	15
The risks of market collapse .....	15
Does new housing go into the right hands?.....	16
<b>5. Solutions .....</b>	<b>17</b>
Overarching principles .....	17
Make better use of the existing housing stock .....	18
Regulation of the private rental sector.....	20
Increase the attractiveness of alternative investment options.....	21
Property and wealth taxes.....	21
London and foreign investors.....	23
Regional economies .....	23
Control of credit.....	24
Provide more affordable homes .....	24
New private sector housing.....	26
<b>6. Conclusions.....</b>	<b>28</b>
<b>References .....</b>	<b>31</b>
<b>Endnotes.....</b>	<b>34</b>

## The authors

Tom Chance has worked on housing policy for the past nine years in a sustainable construction company and at the Greater London Authority. He considers himself part of the priced out generation, and has supported campaigns to stop evictions and demolitions, and establish Community Land Trusts. He is currently the housing spokesperson for the Green Party of England and Wales, as well as co-chairing the London Green Party.

Anne Chapman has a background in environmental consultancy. In 2001 she represented Friends of the Earth at the examination in public into the North West Regional Planning guidance. She then successfully objected to a large housing development south of Lancaster, which led to housing restraint policies being introduced across the North West. Between 2003 and 2011 she was a member of Lancaster City Council, and sat on the planning committee and planning policy group. She now runs a local community energy organisation.

Maya da Souza was a councillor in the London Borough of Camden for 8 years until May 2014, and over this period of time developed Camden Green Party's proposals for addressing the critical issue of affordability and availability of housing in the borough. Maya is an environmental policy adviser, having worked in Defra for 8 years in a number of roles from flood risk to using the governments purchasing power to help green the economy. She now works in a business organisation developing environmental policy proposals over a number of areas and facilitating engagement with business.

## Acknowledgements

The authors are grateful to their Green House colleagues, especially Jonathan Essex, for their comments on an earlier draft of this report.

## Summary

This report examines the nature of the housing crisis in the UK, which has left a large part of the population (in particular the younger generation) unable to afford to buy a home, many people in poor-quality or overcrowded accommodation, and many spending a large proportion of their income on private sector rents.

The context of this report is the Green House 'Post-Growth' project, which argues that significant further economic growth in the UK is unlikely, is undesirable in the context of the need to cut both carbon emissions and the consumption of natural resources, and unnecessary for people in the UK to live happy, fulfilling lives.

The report examines the causes of the huge rise in house prices since the mid-1990s. We argue that the primary reason for that rise was the increase in the amount of money people were able and willing to spend on housing; this in turn was a result of an increase in the attractiveness of investment in housing relative to other investments, and the increased supply of credit for

mortgages. Although the population of England increased between the mid-90s and 2011, the number of households did not increase as much as had been expected and more than enough new housing was built across England to accommodate that increase. The crisis in London and the south-east has arisen in part from the growing regional imbalance in our economy: housebuilding in London in particular did not keep up with the growth in household numbers while housebuilding significantly exceeded population growth in other parts of the country. The housing crisis is also one of inequality of access to housing, with some having many more bedrooms than they need, and in some cases several houses, and others unable to afford a decent, secure home.

In this context, simply increasing the rate of building is unlikely to provide homes for those that need them, has substantial environmental costs, and risks over-supply and a future crash in prices. Instead, we suggest a range of measures designed to: ensure that the existing housing stock is better used; control rents and increase security in the private rented sector; discourage the purchase of housing primarily as an investment; reduce regional inequalities; and provide affordable homes.



## 1. Introduction

We have a housing crisis in this country which is now universally acknowledged, but we lack a comprehensive solution that takes into account wider social and economic considerations, including disparities in wealth and environmental impacts. The usual policy remedy of build, build and build<sup>1</sup> is, we contend, not the right one, as it does not address the root cause of the crisis.

Unlike most other approaches to this issue, this report is set in the context of Green House's 'Post-Growth Project'.<sup>2</sup> This argues that significant further economic growth in the UK is unlikely, but that with the right policies, human wellbeing can be increased and our contribution to climate change and use of natural resources significantly reduced. We therefore do not see new housebuilding as a way to boost economic growth. We accept that new housing does increase economic growth, but do not consider this to be a desirable aim. Rather, the aim is to ensure that everyone is adequately and securely housed, in decent, easy to heat, healthy homes.

In his seminal work on famine,<sup>3</sup> Amartya Sen showed that lack of supply was a minor factor in comparison with the ability to buy. Similarly, in situations of great wealth inequality, leaving housing to the market, means a large segment of the population not being able to afford housing, no matter how much is built.

We first set out the parameters of the crisis: how house prices have risen relative to earnings so that most first time buyers now need help from their family to buy a home. We outline the

changes to tenure, in particular the rise of the private rented sector that has taken place over the past two decades. And we consider the impact of the housing crisis on people's lives, on public spending and on geographical and generational inequality in the UK.

We then look at what has caused this crisis and argue that the primary cause has been changes in the investment market around 2000 which increased the relative attractiveness of investment in housing and the amount of money that banks were able and willing to lend for mortgages.

We then look at the costs and risks of the 'build more' solution: the costs in carbon emissions and other environmental impacts, and the risks associated with building more homes than are needed by the population.

Finally, we suggest a package of solutions which includes changes to taxation and benefits, regulation of the private rented sector, credit controls, regional development, and building more affordable homes.

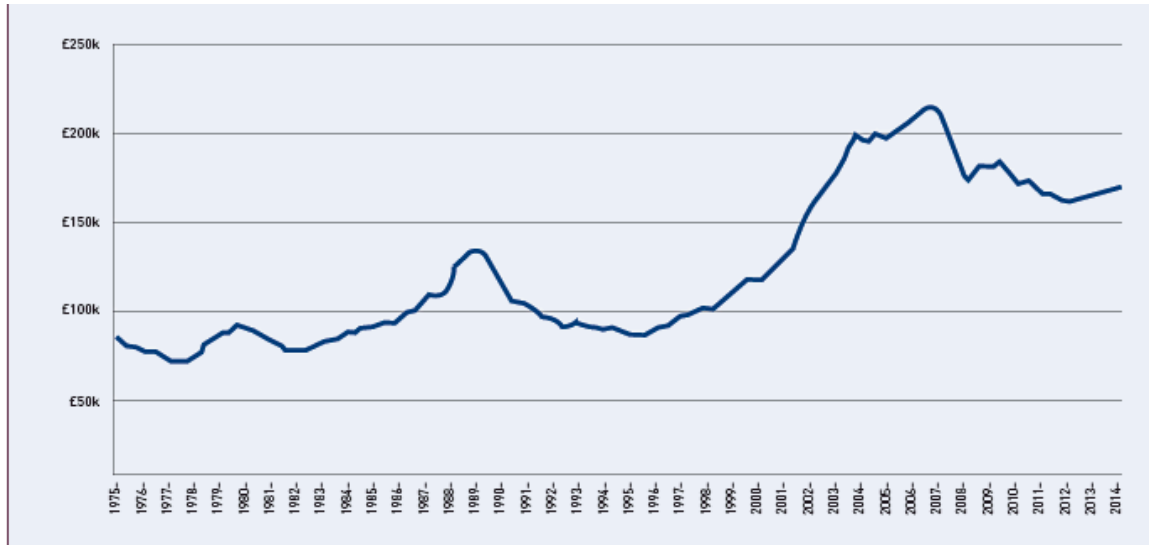
We would like to apologize to those in other parts of the UK for the fact that much of the information and data used in this report is for England only. This is because housing is a devolved policy area, and we have not had the time or resources to do a thorough study looking at all the four nations of the UK. However, many of the issues will no doubt be the same, with great disparities in house prices in different locations, and the same basic tax, benefits and investment frameworks (though we point out instances where Scotland and Wales have taken steps that England has not). So we believe that our recommendations are relevant for the whole of the UK.

## 2. The housing crisis in perspective: the facts and figures

### ***Affordability***

The crisis is one of the affordability of homes for a sizeable section of the

population. In the ten years to 2007, house prices in the UK more than doubled in real terms, creating a bubble that dwarfed the previous peak in the late 1980s (see Figure 1).



*Figure 1 Real House Prices in the UK Adjusted for inflation* <sup>4</sup>

A key measure of affordability is the cost of a home relative to income. In the 1960s the cost of the average UK home was three times the average salary. That ratio has now risen to seven for the UK as a whole but sixteen for London.<sup>5</sup> This disparity between London and the rest of the UK is illustrated in Figure 2, which shows the ratio between house prices and the earnings of borrowers (not average earnings, which are a lot lower) between 1985 and 2013. It suggests that recent rises in prices have been very much a London phenomenon (though one that is shared across the south- east more generally, and by certain prosperous towns and cities elsewhere): relative prices in the north

of England in comparison have rose little between 2009 and 2013.

As house prices have risen, so have rents for those who cannot afford to buy. Rents in London increased 15% over the two years to 2013, and now many there will pay half their gross salary as rent, while in the rest of the country rents are more likely to represent a quarter to a third of average salaries.<sup>6</sup>

**The pressure of housing costs on low and average incomes is increased by the poor condition of our housing.**

Although the energy efficiency of the housing stock is steadily improving, only a quarter of homes in England are in the top three bands (A – C), as is

required to eradicate fuel poverty. About 5% of homes in England are in the lowest two bands, F and G, which are very expensive to heat; but this proportion is almost double in the private rented sector. A full 30% of

homes in the private rented sector in England failed to meet the decent homes standard in 2013, with excess cold, damp and disrepair being among the causes.<sup>7</sup>

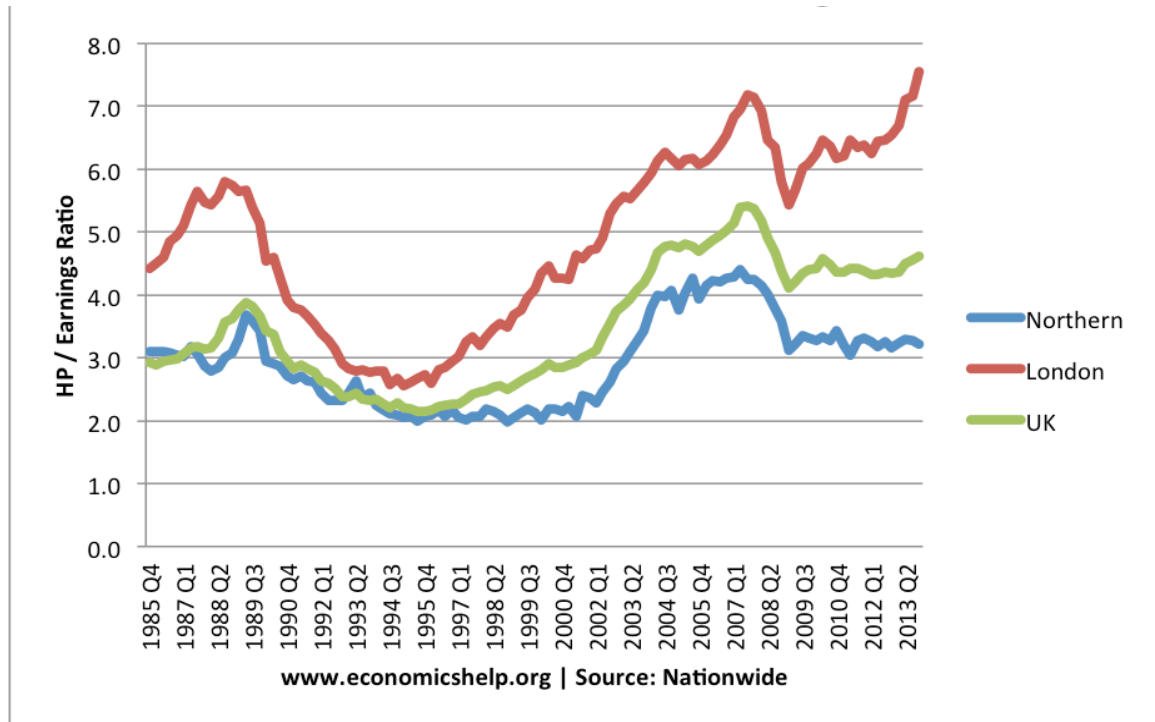
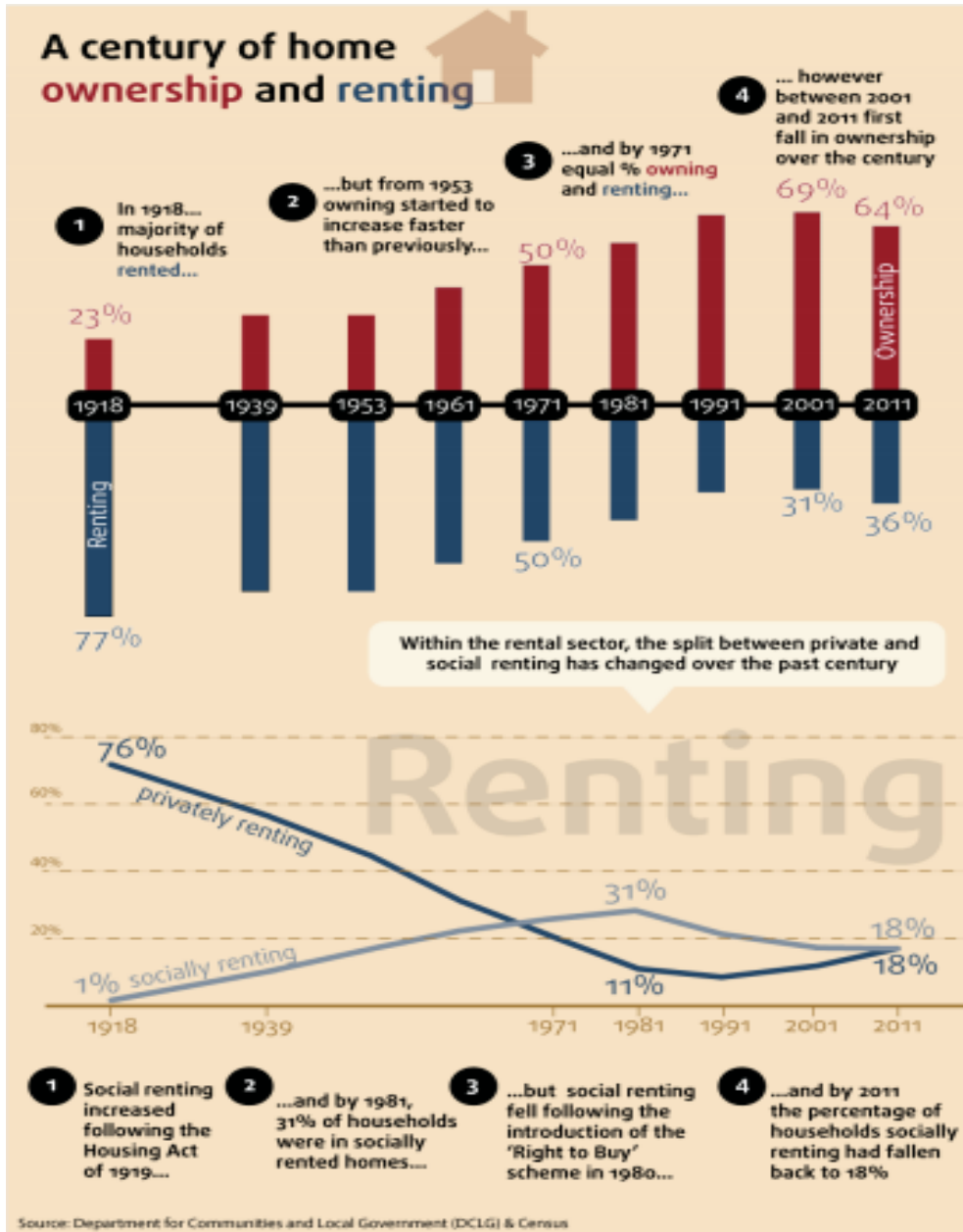


Figure 2 Ratio of house prices to earnings of borrowers in the UK, in London and in the North of England.<sup>8</sup>

### Owner occupation, renting and social housing

Figure 3 shows the changes over the past century in the levels of owner occupation and renting. The twentieth century saw a gradual increase in owner occupation, from 23% in 1918, to a peak of 69% in 2001. However, the first decade of this century has seen home ownership decline to 64% of the housing stock. Within the rented sector there was a gradual increase in social renting (renting from a council or housing association at below market rents) to a peak of 31% in 1981. Since then the right to buy has taken out a substantial proportion of the social housing stock, and little has been built to replace it. The sector that has grown in the last two decades is the private rented sector, which now accounts for 19% of the stock, overtaking the 17% who rent in the social housing sector.<sup>9</sup>

This picture, as with other aspects of housing, is different in London. There, just 48% of households were owner occupiers in 2011, with 26% renting in the private sector and 24% in the social rented sector.<sup>10</sup>

Figure 3<sup>11</sup>

### The regional dimension

There is a **regional dynamic to this crisis**. House prices and affordability vary greatly across the country, and these disparities have been increasing. At one extreme is London, where average prices almost doubled in a decade and were close to £500,000 in 2013. The average first-time buyer in London is now in the top 20% of

London's household income distribution.<sup>12</sup> At the other extreme are areas of the north-east, such as Middlesbrough and Hull, where the average price in 2013 was £140,000, having gone up in the previous decade by around 55%.<sup>13</sup> However, on a much more local scale prices will vary from one neighbourhood to another. In London, for example, average prices in different London boroughs in December 2013 varied from £1.19

million in Kensington and Chelsea to £228,000 in Barking and Dagenham. And those disparities are increasing, with the biggest percentage increases in recent years seen where prices are already highest: the differential between the highest and lowest average prices in London, for example, rose from 2.5 times in 2003 to 5.2 times in 2013<sup>14</sup> and between 2008 and 2012 house prices fell by just 4.2% in London but by 24% in the north-east of England and 19% in north-west England.<sup>15</sup>

### **Impact**

The **immediate human costs of this crisis** are well-known: families left living in bed and breakfast accommodation for months because their council is unable or unwilling to find them a proper home quickly enough; private renters being forced to move home every six or twelve months because tenancy protections are so weak and rent increases substantial; young people who can never see themselves being able to afford to buy a home.

In London, a combination of soaring rents, cuts to housing benefit and the benefit cap have resulted in London boroughs not being able to find accommodation for homeless families in their home borough. Around 500 families a week are being moved out of their home borough, away from their schools, extended families and support networks, adding up to over 50,000 families in the past three years. Over the past two years about 2,700 have been moved out of Greater London entirely, to places as far afield as Pembrokeshire, Manchester and Bradford.<sup>16</sup> The result is greater social segregation and further **separation of poor and rich communities**. The

situation is not quite the same as in the US, with its sharp divisions between town and trailer park communities and resultant social stigma.<sup>17</sup> However, the issue we face is whether we are headed in that direction.

The high cost of buying a house **perpetuates housing-related inequalities across society**. Those who have a sizeable deposit or the income to buy a house spend on average 20% of their income paying their mortgage, while private renters, on average, spend 40% of their income on rent, or 47% if housing benefit is excluded.<sup>18</sup> While one group has benefited from the rise in prices, another is unable to save to buy a house and their disposable income is severely limited by high housing costs.

As Thomas Piketty's recent book *Capital in the twenty-first century*<sup>19</sup> shows, without appropriate policy measures, wealth inequalities grow, and they have indeed grown substantially in the post-war years. Property is a key component of wealth, and tax policy over recent years has not dampened the growing inequality in this respect. With a Capital Gains Tax exemption on primary residences and an inheritance tax system that is avoided by many, the distribution of property **perpetuates inequality across generations**. If your parents, and even more so your grandparents, owned property, the chances are that they will have the resources to help you buy yours. If they did not, you will struggle to save the deposit you need. Two thirds of first-time buyers in 2011 received financial assistance from their family, compared with one third in 2005.<sup>20</sup>

The regional disparities in house prices and house price increases **entrench regional wealth inequality within the**

**UK.** Those who own property in the south of England will have seen their level of wealth soar to a far greater extent than those in the north, and average property wealth in London is now twice that in the north of England.<sup>21</sup> This makes it easy for those in high house price areas, such as the south, to move to cheaper areas of the country, but difficult for people to move the other way. It also exacerbates the inequality perpetuated across the generations: where your grandparents or parents owned a house will have a big effect on the amount of money you inherit from them and thus on whether you are able to buy one.

**High rents are a growing drain on the public purse,** as even those in work are increasingly unable to afford them without assistance. The proportion of working households on housing benefit doubled from 1 in 10 in 2009 to 1 in 5 in 2014.<sup>22</sup> Housing benefit payments have risen 150% in real terms (adjusted for inflation) to £21.5 billion in the last 21 years.<sup>23</sup> Although it may seem that this money goes to help house the poor, it actually goes to their landlords, many of whom have become rich through buy-to-let property.

### 3. The Causes of the Crisis

#### *Before the crisis*

In the mid-1990s, houses in many parts of the UK were reasonably affordable (perhaps with the exception of parts of London and the south-east). Indeed, in less prosperous areas there were signs of housing markets collapsing: localized areas of 'low demand' where houses that had previously fetched £40,000 were by the early 2000s being sold for £10,000 or less.<sup>24</sup> These falling prices triggered a spiral of neglect and then abandonment, because housing markets do not behave as markets are supposed to, with demand increasing as prices fall: property is an investment good, bought in the expectation that its value will rise in the future. If prices start falling in an area this does not increase demand, but curtails it. Prices can fall so low that houses become 'consumption' goods, perhaps bought by landlords for cash (mortgages could not be obtained on such low-price housing), and lived in by those who have no other options. Such property is not maintained, as the expenditure on maintenance will not be recouped by an increase in value, so the quality of the stock and the area generally declines, prices fall even further and properties are eventually abandoned. While low-demand areas were located predominantly in the big northern cities where populations were declining, they could be found as localized pockets in all parts of the UK.

In the north-west of England it became apparent that a likely cause of low demand areas was the over-supply of new housing on peripheral sites. At the Examination in Public into the draft Regional Planning Guidance in 2001, it became clear that in many

local authorities more housing had been built or given planning permission than the 1996-based household projections suggested was needed.<sup>25</sup> The abandonment of areas of housing perhaps helped to maintain prices in other areas, by effectively removing housing from the market, but at great social cost. Subsequently, the final Regional Planning Guidance for the north-west required local authorities to review existing housing allocations and to introduce restraint policies to reduce the level of building.<sup>26</sup> These policies restricted housebuilding to sites where development would bring regeneration or other benefits, or provide particular types of housing that were in short supply. These were very successful in restricting peripheral development and encouraging development of derelict sites.

The key question is what has happened in the intervening 15 years to take us from a situation of over-supply in many locations to today's crisis of affordability. At the most basic level, demand must have grown much faster than supply, pushing up prices. But is that demand a matter of the numbers of households seeking housing or the amount of money available to be spent on housing?

#### *Household numbers and housebuilding*

Has the number of new dwellings built kept up with the number of new households? The number of households depends on the population and the average number of people per household. Household size declined steadily over the last 40 or 50 years primarily due to increasing numbers of single-person households (older people whose spouses have died living on

longer, as well as younger single people and divorcees), from 3.1 persons in 1961 to 2.4 persons in 2011.<sup>27</sup> However, that decline is not necessarily going to continue. The 2011 census showed a break with past trends: there were fewer single-person households and more multi-adult households than had been expected.<sup>28</sup> Some of these multi-adult households will be adult children living with their parents because they cannot afford to live independently, but there were fewer single-person households and more couple and other multi-person households than had been predicted on the basis of past trends in each age range. The fewer than expected single-person households, as well as perhaps an increase in the percentage of the population that does not live in households (such as immigrant students living in student halls of residents), meant that despite the population in 2011 being bigger than expected, due to in-migration, the number of households was smaller than projections based on the past trends up to the 2001 census had predicted.<sup>29</sup>

The key numbers are these: the average annual increase in households between 2001 and 2011 in England is estimated to have been 158,000, whereas an average of 161,000 new dwellings per year is thought to have been built.<sup>30</sup> According to Positive Money, in the ten years up to the financial crisis in 2007/8 we built three new homes for every four new people<sup>31</sup> – more than enough for all the new people to live in. But not only have we been building new homes, we have been adding to the ones we already have, with loft conversions, extensions etc. So now there are more rooms per person than ever before, with more than enough to

allow everyone to have a spare bedroom.<sup>32</sup>

Thus, while there may be some suppression of the number of households (young people, for example, who cannot afford to live independently), the major issue is not the overall amount of housing relative to the number of households but its distribution. Some people are 'house rich', with far more space than they need, while others struggle to find a decent home that they can afford. The English Housing Survey for 2013-14<sup>33</sup> shows that half of all owner occupiers were under-occupying their home, defined as having two or more rooms above the bedroom standard,<sup>34</sup> compared with just 15% of private renters and 10% of social renters (10%). The same survey shows 3% of households as overcrowded: 1% of owner occupiers, 5% of private renters and 6% of social renters. Approximately 29% of fuel poor households were under-occupying by two or more bedrooms, indicating that their under-occupation has a cost to them.

Not only do some people have a great deal of space in their home, but they have a second property as well that is not being lived in by someone else. In 2012/13 the English Housing Survey found 752,000 second homes, around 3% of the 22.6 million homes in England.<sup>35</sup> While this may not seem like a large figure, in some communities the impact of second homes is significant. Second-home buyers raise the price of homes above the reach of those on local wages. And when a significant percentage of the properties in a settlement is not permanently occupied, it hollows the life out of a place: there are no longer enough children to keep the local school open, or enough people to make



up a local cricket team. London overall has about half the rate of second homes of the rest of the country, but they are concentrated in just four inner London boroughs: Kensington and Chelsea, Westminster, Tower Hamlets and Camden, where prices are most expensive.<sup>36</sup>

Other homes are not being used at all, with just over 635,000 homes empty in England, 216,000 of those for more than 6 months.<sup>37</sup> This number of empty homes is over ten times the number of homeless households placed in temporary accommodation.<sup>38</sup> Burnley and Pendle in East Lancashire top the list of local authorities for numbers of long-term empty homes, with 3% of their housing stock empty. However, Kensington and Chelsea is 11<sup>th</sup>, with 2% of homes in this very expensive part of London standing empty.<sup>39</sup> Presumably the properties are regarded simply as investments, and not as somewhere to live.

Other homes are empty for shorter periods of time, most significantly in the private rented sector, where short term tenancies encourage and often require people to move frequently. In the final quarter of 2014, privately-rented homes were typically empty for 2.6 weeks per year – 5% of the time.<sup>40</sup> With around 4.4 million private rented dwellings<sup>41</sup> in England, this is equivalent to 220,000 empty properties.

### ***Housing as an investment***

Effective demand in the housing market is not a function of the number of households seeking homes, but of the amount of money available to purchase housing. Prices have risen since the mid-1990s because that amount rose substantially. Two factors

contributed to this: an increase in the attractiveness of investment in housing compared to alternative investments, and a growth in the availability of credit resulting from securitization of mortgage debt.

The stage was set by the deregulation of the private rental sector through the Housing Act in 1988. Under this Act, by 1997 all new private tenancies were, by default, assured shorthold tenancies, which – when the tenancy expires, or with the appropriate notice period – provide landlords with the power to repossess without needing to provide a reason. Coupled with the introduction of buy-to-let mortgages in 1996, these legal changes enabled the explosion of buy-to-let in the following decade.

However, the amount of money that has flowed into buying rental properties has been fuelled by people's declining faith in other more conventional forms of investment. The stock market has only just (in February 2015) recovered to its peak of the end of 1999, just before the dot.com bubble burst. One commentator has concluded that - taking into account 15 years of reinvested dividends, inflation, tax and transaction costs - "the total real return of the FTSE 100 over this period is only negligibly different from zero."<sup>42</sup> People's trust in pensions was shaken by the collapse of Equitable Life in 2000<sup>43</sup> and earlier scandals, such as Robert Maxwell's theft of hundreds of millions of pounds from the Mirror Group pension funds.<sup>44</sup> During the dot.com bubble many companies took pension contribution holidays, but the crash wiped £250 billion off the value of occupational pension schemes, and companies were unable or unwilling to subsequently make up that loss through increased contributions.<sup>45</sup> Since 2000

a stagnant stock market and low interest rates have reduced returns to pension funds, with the result that many are now in deficit and many final salary schemes have been withdrawn.<sup>46</sup> Low annuity rates with money purchase schemes have meant that people are getting little for what they have saved.<sup>47</sup> Low interest rates to savers, particularly since 2008, mean that many people's savings have failed to maintain their value in the face of inflation. All these factors have resulted in the UK population regarding housing as their preferred secure, long-term investment.

The buy-to-let mortgage was introduced in 1996. By the first quarter of 2015 buy-to-let lending accounted for 18% of total gross mortgage lending.<sup>48</sup> Unlike those buying a property to occupy it themselves, buy-to-let landlords can offset their mortgage interest for tax purposes against the income they receive, and most take out interest-only mortgages on the expectation of paying off the capital when they sell the property.<sup>49</sup> A study published in April 2015 suggests that investors in buy-to-let properties have reaped massive returns, gaining on average 1,400% since 1996, four times more than equivalent investments in commercial property, government bonds or shares.<sup>50</sup>

But not only have the savings of the UK population been poured into housing: UK property, particularly in central London, has in recent years become attractive to rich investors from around the world. A 2012 study estimated that around 75% of off-plan sales of new homes in 'prime London' were to buyers from overseas.<sup>51</sup> In 2013/14, foreign investment in London's property market reached almost £30 billion, and foreign

investors bought one in five homes in Westminster, Kensington and Chelsea, and the City of London.<sup>52</sup> While this flood of money is highly concentrated, mostly flowing into prime central London, it has a ripple effect on neighbouring housing markets that contributes to wider price inflation.

A further reason why the money going into housing has grown is the willingness of the banks to lend for house buying. In the UK, 97% of the money in circulation is created by banks when they lend money. Between 1997 and 2007, 87% of that newly-created money went into mortgages and finance, with only 13% going to productive activities which are captured by GDP.<sup>53</sup> Over the last 40 years banks have increased the amount of money in the economy by an average of 11.5% a year.<sup>54</sup> In contrast average inflation over that period has been 5.9%<sup>55</sup> and growth in GDP 2.5%<sup>56</sup>, giving an increase in the money supply of 3.1% per year over what is required.

In the 1980s banks starting packaging up mortgage debt in complex financial products: bond-like securities which were sold on to other banks, enabling the bank giving the mortgage to make further loans. This greatly expanded the credit the banks felt able to extend, increasing the size of loans and driving up house prices. This really took off in the early 2000s, with the funding of residential mortgages through such securities growing from £13 billion in 2000 to £257 billion in 2007.<sup>57</sup> That this increase in mortgage lending has driven rising house prices is illustrated in Figure 4. This shows that mortgage lending went up much faster than population growth, which rose slower than the increase in housing stock. As house prices rose banks felt even more confident about making loans – if the

borrower defaulted they could always repossess a property worth more than they had lent, fuelling the rise in prices still further - until, that is, the bubble burst with the credit crunch of 2007/8. The sharp falls in house prices that followed (see Figures 1 and 2 and

Section 2) indicate that house prices are driven by the amount of money people can and want to invest in housing, rather than being a function of the number of households relative to the numbers of homes.

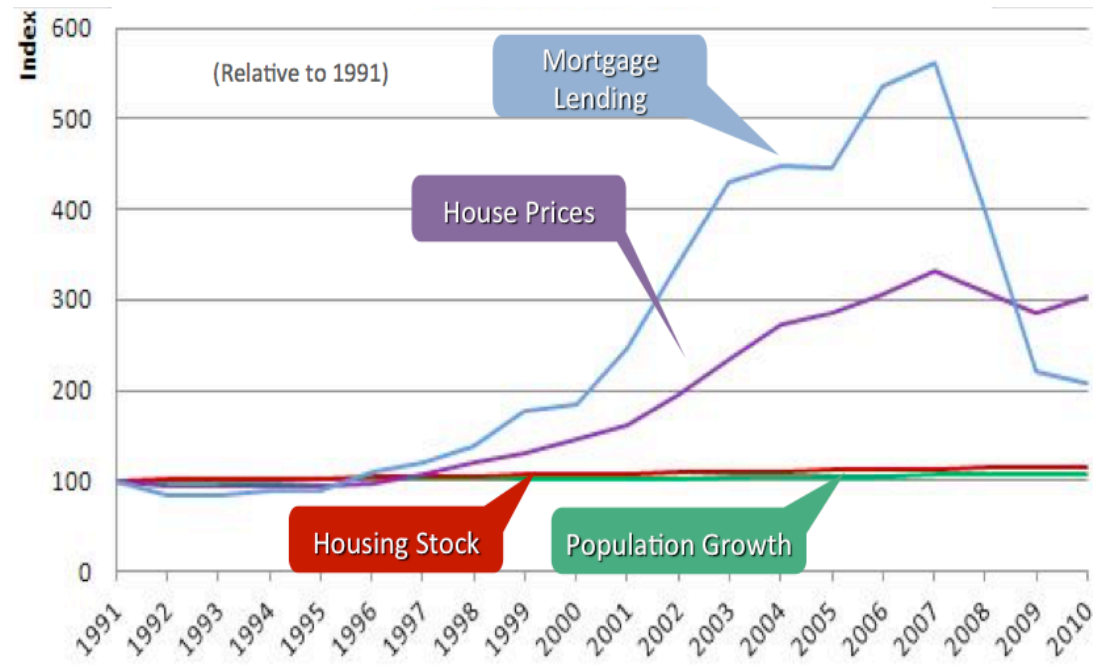


Figure 4<sup>58</sup>

Since the credit crunch, interest rates have been kept low, with savers rarely able to obtain rates that exceed inflation. Low interest rates reduce the attractiveness of alternative investments, and bolster house prices.<sup>59</sup> Quantitative easing has funnelled new money to investors in the bond market, and it is likely that much of that money has been invested in housing, no doubt helping to drive the sky-rocketing prices seen in London.

### Conclusions

To conclude: taking England as a whole, the issue is not one of insufficient housing stock for the

number of people. This is not to say that in some locations there may be a shortfall, with more households wanting to live in an area than there is housing to accommodate them. This is particularly true of London, where the number of new jobs created since 2010 has been much greater than in the rest of the country.<sup>60</sup> However, looking at the period 2001 to 2011, it is clear that the main issue has been the increasing popularity of investment in housing as opposed to other forms of investment, and, up to 2008, an expansion in the supply of credit available for house-buying.

## **4. The Costs of Construction-based Solutions**

### ***Why not just build more homes?***

It might be argued that - even though the main cause of the crisis is the amount of money being put into housing rather than the numbers of households seeking homes compared to the numbers of those homes - adding to the supply by increasing the rate of housebuilding will surely help, and in the end will bring prices down to an affordable level. In this section we look at reasons why this is not a good idea.

### ***The environmental costs***

Housebuilding uses natural resources and generates carbon emissions. Berners-Lee has calculated the carbon footprint of constructing of a new, two-bedroom house at 80 tonnes.<sup>61</sup> However, this direct carbon cost of building new homes is only the tip of the iceberg. The expansion of our built environment helps to ratchet up, and then lock us into, ever higher levels of consumption.<sup>62</sup> The new homes need maintaining, as does the infrastructure associated with them: streets, lighting, electricity, water, sewers, gas and telecommunications. They need to be kept warm or cool, and lit when required. And every new house requires carpets, curtains, furniture, fridges, cookers, washing machines, microwaves, and endless other items to turn it into a home, all of which come with a cost in carbon emissions and natural resources. Even very energy-efficient new housing, which is not replacing older, inefficient stock, increases carbon emissions.<sup>63</sup>

Then there is the issue of where new housing is located. New housing that is not a short walk from shops, schools and other facilities, is, unless public transport is particularly good, likely to increase the amount of car transport, and hence the environmental impacts associated with transport. New housing can also destroy valuable countryside or wildlife-rich brownfield land, can be threatened by flooding if built in high flood risk areas, and, if poorly designed, can cause flooding elsewhere by increasing run-off or reducing flood storage capacity.

The multiplier effect that building new homes has on other goods and services is, of course, why those who want to increase economic growth want to build more. Every £1 spent on housebuilding generates £1.40 across the economy as a whole.<sup>64</sup> However, at Green House we think that further economic growth is neither desirable nor necessary for a prosperous United Kingdom. It is not desirable because of the need to transition to a zero-carbon society if we are to prevent catastrophic climate change. It is not necessary because we can meet our needs and improve wellbeing without further economic growth.<sup>65</sup> In this light, possible solutions to the housing crisis look very different. Building lots of new homes cannot be the main way we address the issue; rather, we need to look more to sharing out what we have more fairly. If we do build new homes, we need to take compensatory measures elsewhere in the economy to reduce carbon emissions.

### ***The risks of market collapse***

The recent history of low-demand areas in this country, and the spectre of abandoned, newly-constructed housing in Ireland<sup>66</sup> and Spain after the crash of

2008, should be borne in mind by those who think that the solution to current problems of affordability is housebuilding. These examples show the consequences of construction responding to inflated prices and overshooting need. House prices in Ireland started to fall before the banking crises, and indeed it is likely that those falls contributed to that crisis in Ireland. By 2010 prices had fallen by 35%, with prices in Dublin at one point down by 56% for houses and 62% for apartments.<sup>67</sup> There was also a glut of empty and unsold property – ‘ghost estates’ of newly-built houses lying empty. In 2009, one commentator considered there was likely to be zero construction for the foreseeable future.<sup>68</sup> By 2012 the whole Irish construction industry had contracted by 76% compared with its peak in 2007.<sup>69</sup>

### ***Does new housing go into the right hands?***

Are the new homes that are being built helping to house those in need? Are they helping resolve the housing

problem? Building new houses doesn’t always mean homes for those who need them. It may mean second homes for some UK residents or foreign investment opportunities for people looking for a safe haven for their money.

Our view is that, with huge inequality in wealth,<sup>70</sup> the market won’t put new homes into the hands of those who need them. Rather it builds for the wealthy. A substantial proportion of new homes built in London, for example, are priced way above the means of ordinary people. For building new homes to help solve the crisis and make housing more affordable, new housing developments would have to reduce house prices in their local area. But a recent study by the London School of Economics has suggested that that is not the case. The study looked at eight developments built in the last 5 years in the midlands and the south of England. It found that prices in the local area did not fall once construction of the developments was complete, and in some cases went up.<sup>71</sup>

#### Why won’t housing go into the right hands?

- Some sectors of society flush with capital from bonuses, benefits of quantitative easing to those holding bonds, and house price rises
- Ease of access to credit for those who have capital; more expensive for others
- Tax benefits to the buy-to-let investor
- Deregulated rental market, encouraging buy-to-let.

## 5. Solutions

### *Overarching principles*

In developing a set of solutions our aims are to:

- a) ensure everyone has secure, good quality, genuinely affordable housing;
- b) reduce current inequality in wealth, as this in turn contributes to the housing crisis because some are able to live in vast spaces while others cannot afford a decent home;
- c) reduce volatility and risk, for example through addressing speculation in housing and controlling the supply of credit;
- d) minimise environmental impacts;
- e) create strong communities throughout the country through measures such as a regional economic policy of innovation, investment and job creation.

Just as the looming crisis in the health service requires changes in other policy areas, such as transport and food, solving the housing crisis requires more than just addressing the areas normally covered by housing policy. Housing needs to be seen in the context of investment policies, the creation and distribution of money, and regional and generational inequalities. Probably the most important key to achieving a long-term solution is to somehow re-direct the flow of money currently going into private housing (mainly with the effect of pushing up prices) and channel it into more productive investments, in particular those needed to address the impacts of climate change and to transform our economy into one which is not based on fossil fuels.<sup>72</sup> This will require a combination of policy measures to

increase the attractiveness of other forms of saving and investment and to reduce the returns from investment in housing. We need to ensure that the money, particularly public money, that does go into housing actually improves the housing of those in need, to provide everyone with a decent, easy to heat, and non-damp dwelling adequate for their needs in the place they want to live. This is an investment that will reduce future spending on health, crime and other social issues. Money that simply drives up prices is not.

A key principle is that housing problems are local and require local solutions: the right policy for central London will be completely inappropriate for Morecambe or for rural Shropshire. For example, in Camden, central London, there is a policy restricting the extent to which houses that have been split into flats can be turned back into single homes.<sup>73</sup> In the West End of Morecambe the local authority has been trying for the past decade to get rid of one bedroom flats in former guest houses and to turn divided properties into single family homes.<sup>74</sup> Local authorities should have the freedom to address the housing issues in their area, using as wide a range of tools as possible. There are no one-size-fits-all solutions to our housing crisis.

So we explore below a range of solutions that includes taxation, planning and rent controls, but also regional policy and reform of the banking system and the City of London.

In line with the above principles, we make 8 main recommendations.

1. Make better use of the existing housing stock.

2. Increase regulation of the private rental sector to reduce rents and improve quality.
3. Increase the relative attractiveness of alternative forms of investment.
4. Reform property and wealth taxes.
5. Decrease the attractiveness of London to foreign investors.
6. Rebalance regional economies.
7. Control the amount of credit available for mortgages.
8. Provide more affordable homes.

### ***Make better use of the existing housing stock***

Ensuring our existing housing stock is better used, to house more people in better conditions, is the best way to house more people with least environmental impact. Much of that stock of course needs investment to make it energy-efficient and fit for 21<sup>st</sup> century living. But refurbishment has been shown to be much better in terms of carbon emissions than demolition and rebuild.<sup>75</sup> There are three strands to making better use of the existing housing stock.

1. Bringing empty homes into use.
2. Reducing second home ownership.
3. Decreasing under-occupation.

Local councils can currently charge up to 50% extra council tax on property that has been unoccupied and unfurnished for 2 years or more,<sup>76</sup> and can use empty dwelling management orders (EDMOs) to take possession of residential property which has been empty for at least two years and which is causing a nuisance to the local community.<sup>77</sup> EDMOs allow local authorities to rent out properties they have taken possession of, while ownership remains unchanged.

However, EDMOs are little used, with just 17 issued in the whole of England and Wales in 2014.<sup>78</sup> The process for EDMOs needs to be made much easier, in particular by removing the requirement that the property is causing a nuisance, and reducing the time a property needs to have been empty from two years to 6 months – reversing the changes to EDMOs made in 2012.<sup>79</sup> It also needs to be made easier to bring properties back into use using EDMOs even where the owners cannot be traced, as in some areas the inability to trace owners is a block to tackling empty property. Additionally, the ability to charge extra council tax should not rely on the property being unfurnished, but simply unoccupied, and councils should be able charge more than 50% extra if they wish. EDMOs should not be seen just as a means of dealing with problem properties, but of ensuring that the housing stock is used as housing and not left vacant. Methods to discourage property being left empty will be particularly important in a better regulated private rented sector, as we recommend below.

Second homes are a particular problem in some places. Local councils should therefore have the power to decide if they want to charge additional rather than reduced council tax on them.<sup>80</sup> They should also have the power to make non-primary residence homes a separate use-class under planning law, so that planning permission is required to convert a home from a primary residence to a secondary one. They may also need powers to be able to make conversion the other way (from a second home to a primary residence) a permitted development right.

Most under-occupied housing is in the owner-occupied sector and it is here that efforts to reduce under-occupation

should be concentrated. The ‘bedroom tax’, which reduces housing benefit payments to people living in social housing (where there is least under-occupation) who have more bedrooms than they are thought to need, should be removed. Encouraging older people still living in family accommodation to downsize to smaller properties could make a big contribution to reducing under-occupation. Provision of suitable property in all neighbourhoods, including sheltered housing and homes with ‘extra-care’ facilities, will be critical to this.<sup>81</sup> Specialist ‘downsizing support services’, to help older people with all the hassle involved in moving and getting rid of possessions, would also help. There is currently a tax exemption for income received from renting out a room in a house that you occupy, and consideration could be given to whether the current allowance of £4250 should be increased. Other measures include ending the single person’s council tax discount, as part of a wider reform of property taxes, discussed later.

We also need to reform the welfare system so that it does not act as a disincentive to people living together, as it does at present. Benefits are currently assessed on the basis of households, or ‘benefit units’, defined as “an adult plus their spouse (if applicable) plus any dependent children they are living with”.<sup>82</sup> The key here is the definition of a spouse, as it not only includes couples who are married or in civil partnerships, but those living together ‘as if they are married’. This acts as a disincentive for lone parents to co-habit. With working lone parent families now receiving tax credits, to which similar rules apply, this affects many people. The current system has an outdated view of families: essentially that a

family is formed by a married couple where the man (generally) has financial responsibility for his wife and children. This is simply not the situation now: people’s relationships, and the degree to which they share finances and responsibilities, vary greatly.<sup>83</sup> Benefits rules also discourage people receiving certain disability benefits from moving in with others.<sup>84</sup> In two previous reports, on welfare and on public services,<sup>85</sup> Green House has argued that benefits should be assessed on an individual, not household basis. We repeat this again here, as a way to remove disincentives to people living together and thus to make better use of the housing stock.

The squatting of empty property is another way in which the existing housing stock, and other empty property, is actually used for housing. In recent years the law on squatting has been changed to make it a criminal offence. This tends to support keeping homes unoccupied and does not encourage disposals because of the risk of squatting. Taking a different approach to squatting would help communicate the principle that housing is a basic need and not an investment. Removal of squatters from private property should revert to being a civil matter.

Increasingly, local authority empty homes awaiting redevelopment and other empty buildings are being made available as temporary housing, where the occupants are ‘guardians’ rather than tenants.<sup>86</sup> This is to be welcomed as a way of providing affordable housing in empty buildings while options for their future use are being decided, but should not be used to facilitate or justify buildings not being used to provide secure housing or put to some other beneficial long-term use,



and may need better regulation to protect ‘guardians’.

### ***Regulation of the private rental sector***

The UK private sector provides some of the most expensive, poorest quality and least secure accommodation in the country. Given that the sector now houses 18% of the people in England – the same proportion as the social rented sector – it urgently needs more and better regulation.

Rent controls had largely been removed in the UK by the late 1980s. It was claimed that controls led to many private sector homes not being repaired and landlords being reluctant to rent out their property. These possible consequences of controlling rents mean that it is important at the same time to greatly increase the powers of local authorities to deal with empty properties, as outlined above.

Some countries, such as Germany, have large private rental sectors with higher levels of regulation than in the UK. Restrictions include maximum rent increases for an existing tenant, and limited powers for the eviction of sitting tenants. The system essentially prevents above-inflation increases and gives tenants sufficient time to find a new flat, reducing the pressure to accept above market rate increases. It does not protect renters moving into a property for the first time. Other countries, such as the Netherlands and (to some extent) France, have more extensive controls which also affect new contracts.<sup>87</sup>

Research on the comparative impacts of rent regulation suggests that it is possible to strike the right balance between landlords and tenants, so as to offer tenants protection against rising rents whilst also ensuring a sufficient

supply of private sector housing.<sup>88</sup> The massive profits that have been made by buy-to-let landlords in recent years and the increase in rents indicate that there is an urgent need for the current balance in the UK to be moved in favour of tenants. We need to reduce the attractiveness of buying properties as an investment to rent out in order to reduce the amount of money flowing into the housing market, which is pushing up the prices, and to encourage investment in other things.

The Green Party have proposed capping annual rent increases to the consumer prices index, and establishing a Living Rent Commission “to explore whether controls could bring rents more in line with local average incomes.”<sup>89</sup> Danny Dorling suggests using Local Housing Allowances to set the maximum fair rent in an area.<sup>90</sup> Generation Rent, an organization set up to campaign with private renters for secure, decent, affordable and well-managed private rented homes, proposes a local maximum monthly rent set at half the annual council tax charge for the home. If landlords wanted to charge above this the additional amount would be subject to a 50% surcharge, to go into a ring-fenced fund for building social housing.<sup>91</sup>

Controls over rents should only be part of the regulatory mix; there also need to be stronger rights for tenants, improved energy efficiency standards, and longer, more secure tenancies. In Germany, tenants’ rights are enforced with the help of strong tenants’ associations, which provide legal aid to tenants.<sup>92</sup> Such an organization is desperately needed in the UK, a role which perhaps could be taken on by Generation Rent.

There is a danger that regulation of the private rented sector will mean more properties left empty by landlords rather than rented out. To counter this it is important to bring in the measures discussed above to provide local authorities with more powers to take over empty properties and ensure they are used.

### ***Increase the attractiveness of alternative investment options***

At the same time as reducing the attractiveness of investment in buy-to-let property by better regulation of the private rented sector, it is important to increase the attractiveness of other forms of investment.

There is a clear need for investments that will help us make the transition from our current reliance on fossil fuels to a zero-carbon future powered by renewable energy. This includes not just renewable energy generation, but renewal of the grid to accommodate that generation, energy storage solutions, electrification of the railways, charging infrastructure for electric cars, and improving the energy efficiency of buildings and equipment. Where money does flow into housing, it is important that it improves the quality of that housing and helps to make housing more affordable, not merely driving up the price.

The challenge is how to make investment in the things that we need secure and attractive to the people in the UK with spare money. Government could raise money for its Green Investment Bank<sup>93</sup> by issuing bonds paying a decent rate of return to the general public. Communities are getting together to raise funds for local assets, including pubs, shops, land and renewable energy, through community

shares.<sup>94</sup> Government needs to support such efforts and enable ways in which people can invest for the long term and receive a reasonable return while also supporting things that they value.

### ***Property and wealth taxes***

The only widespread wealth tax in Britain is the council tax. This was introduced in 1993 after the disaster of the community charge (dubbed the poll tax by its opponents). In fact it retains elements of the poll tax, in that it is the responsibility of the occupier (where there is one) and depends not only on the property but on who is living in it: no council tax has to be paid on a house full of students, and there is a discount of 25% for households where only one person is liable. The main problem with the tax is that it is highly regressive: the higher the value of the property, the less the rate (as a percentage of the value of the property) of tax paid on it. So occupiers of Band G properties (£160,000 to £320,000 in 1991) pay only 2.5 times the amount paid by occupiers of Band A properties, (less than £40,000 in 1991) though they are worth at least 4 times more. The next band, Band H, is the top band, so the council tax for anything up to a multi-million pound house is only three times the amount paid by the occupants of the smallest bedsit.<sup>95</sup>

The council tax urgently needs to be reformed so that:

- it is a property tax, paid by the owner of the property rather than the occupant, irrespective of who is in it (though local authorities should be able to surcharge empty property). Renters will then only be liable for their rent, on which they

- will be able to claim housing benefit if they need this;
- it is charged as a percentage of the value of the property, rather than the complex current system of the charge for other bands being calculated from the charge set for Band D properties. There is an argument for properties still to be in bands, to reduce the challenges made to valuations,<sup>96</sup> with the charge being a percentage of the value at the middle of the band; but bands should not be so broad that going from one to the other makes a big difference to the amount paid. Re-valuation, or re-banding, needs to be carried out on a regular basis. This should not be a big deal, given the information on sold prices now collected by the Land Registry and freely available on the internet.

These changes should reduce the amount that is charged on lower value properties, and increase it on higher value ones, so that those able to pay more make a fairer contribution to local government finances. They would also increase the amount local authorities can raise through this tax, and thus make them less dependent on central government grants. A further reform would be to make the tax payable on the value of land, rather than on the buildings built on it. Such a land value tax would be applied to all land, not just residential property, replacing both the council tax and non-domestic rates.<sup>97</sup>

The other key tax on property in the UK is stamp duty, paid by the purchaser of any residential property over £125,000. This discourages changes of ownership of property, and

consideration should be given to abolishing it. What is not taxed at present is the capital gains people make on their main residence. Removing this exemption and abolishing stamp duty would shift the tax burden onto those who have gained from the property market rather than those struggling to get into it.

Inheritance tax is perhaps the only other tax on wealth in Britain. However, it has been dubbed the 'voluntary tax' because it is so easily avoided by those able to afford tax advice, and according to some is only paid by around 3% of those to whom it should apply.<sup>98</sup> The Green Party proposes reforming inheritance tax so that it applies not to the estate of the deceased but to those receiving an inheritance (or gifts during the donor's lifetime). The rate would depend on the income and wealth of the recipient.<sup>99</sup> This would encourage people to distribute their wealth more widely, and - as gifts from private trusts would be included - the tax should be less easy to avoid. Income from this tax could be used to set up a fund to give every person a lump sum, say at the age of 25. This could be used to fund a deposit for buying or renting a home, evening up the difference between those with families who can provide them with money for deposits and those without.

A more general tax on wealth, paid by the top 1% or 10%, would help to make us a more equal society, as would increasing the top rate of tax and taking steps to reduce the top rates of pay.<sup>100</sup> Reducing inequality would in itself go a long way to help solve the housing crisis.

### ***London and foreign investors***

The housing crisis in London is unique in the extent to which foreign investors are driving up prices in central London. This has a knock-on effect on other parts of London and the south-east more generally. London, and the City of London in particular, has become a tax haven, and is sucking in money from the global elite. Making London less attractive for these foreign investors will be an essential part of tackling the housing crisis there. At least two things are needed:

- the ending of non-dom tax status, under which tax does not have to be paid on income received from abroad;<sup>101</sup>
- reform of the City of London to increase its transparency and curtail its capacity to shelter foreign money.<sup>102</sup>

A ban on the ownership of residential property in London, and perhaps in other parts of the UK, by foreign nationals not resident in the UK could also be considered.

### ***Regional economies***

Alongside a reduction in the flow of money going into the London property market there needs to be a wider re-balancing of the country to reduce the dominance of London and the south-east.

The government could take a lead from the BBC's recent move to Salford and consider what functions and offices it could move out of London. For a start, it could move military bases so that more personnel were stationed in the

north of England: at present over half are based in the south-east and south-west.<sup>103</sup>

Central government should review its spending across the board to make sure that wherever possible it goes to less economically prosperous areas. At present, for example, London and the south-east receive more than their fair share of funding on transport infrastructure, culture and science. In 2012-13 central government spent £69 per resident on arts and culture in London, and just £4.60 per person elsewhere in England.<sup>104</sup> A report published by IPPR in 2011 showed that London and the south-east accounted for 84% of planned spending on major transport projects, and the whole of the north of England just 6%.<sup>105</sup> London and the south-east also receive more than their fair share of funding from the Research Councils, but interestingly the spending of Councils based outside London is more evenly distributed.<sup>106</sup>

With the abolition of regional government there is no spatial planning in England above the level of district or borough councils. In their pre-election statement in 2015, the 'Highbury Group' drew attention to the fact that England is the only major country in western Europe which has no national spatial plan. They consider this to be grossly irresponsible:

*There is ... now no national assessment of the spatial distribution of the employment, housing or infrastructure requirements arising from population growth and migration and, consequently, no ability to plan funding to support this assessment. Instead, Government seeks to react to the uncontrolled*

*growth which may take place. The consequence is that in some locations there is a surplus of resources and capacity, and in others a deficit.*<sup>107</sup>

The coalition government supported winners rather than areas in decline, with the result that economic differentials between the south-east and the rest of the country have increased.

A national spatial plan, and regional planning within that, is needed to rebalance the economy. Together with appropriate funding, this will facilitate regeneration of areas in decline and refurbishment of their housing stock. This should reduce the need for more housing in London and the south-east, where it cannot easily be accommodated.

As a submission by Sefton Borough Council to a House of Commons Select Committee put it in 2006, responding to a question about the then Government's plans to boost housing supply:

*...in many parts of the north-west and in Sefton, in particular, a lack of supply of private sector houses is not the problem. Rather, it is the quality and location of that housing, and the unbalanced nature of the market. There is a very strong case for the Government to look at rebalancing the employment markets to take account of housing supply and demand, rather than vice versa.*<sup>108</sup>

### **Control of credit**

As shown in Figure 4, mortgage lending seems to have been the main driver of the rise in house prices. The amount of credit that can be extended to fund mortgages needs to be controlled to prevent another boom then bust.<sup>109</sup> Even better would be the removal of the ability of private banks to create money by lending. Instead the amount of money released into the economy should be controlled by the Bank of England. That money could then be used for democratically-determined purposes, which could include the construction of affordable housing.<sup>110</sup> But this is an issue that requires much more space than this report allows.

### **Provide more affordable homes**

Providing more affordable homes – ones where rents are affordable relative to local incomes – is the obvious solution to a crisis in which housing has become unaffordable. A big increase in the number of homes with affordable rents and secure tenancies will act as competition for the private rented sector, and along with better regulation of that sector will help to reduce rents there. This in turn will make house-buying more affordable, as buying-to-let becomes less attractive.

The decline in the stock of social housing needs to be reversed. Funding for affordable housing has been overly reliant on 'section 106' agreements, the legal agreements between planning authorities and developers made as a condition of planning permission. These often require those developers to

provide affordable housing as part of their developments, or to provide funding for it to be built elsewhere. In addition, councils should be allowed to borrow sufficient money to build affordable homes, or housing associations should be provided with the necessary funding as grants, to replace the homes that have been sold off. The 'right-to-buy' – probably the greatest privatization of public assets introduced by Margaret Thatcher – should be ended, as is happening in Scotland and Wales.<sup>111</sup> The current government's commitment to extend the right-to-buy to housing association properties will be a disaster for everyone – except for the investors who will no doubt end up owning many of those homes, renting them out at much increased rents and receiving vast sums from the public purse in housing benefit payments.<sup>112</sup>

There also need to be measures to enable people who have got into arrears with their mortgage to stay in their homes: a right to stay. In Scotland, there is a Mortgage to Rent Scheme, under which a social landlord will buy the home of someone in mortgage arrears, enabling them to stay in their home and pay rent, and a Mortgage to Shared Equity Scheme, under which the Scottish Government takes a financial stake of up to 30% in a property, reducing the mortgage debt that needs to be serviced by the occupier.<sup>113</sup> The previous Labour government introduced a Mortgage Rescue scheme in England, which similarly enabled people to stay in their own home and pay rent, though it was only available to vulnerable households such as those with children.<sup>114</sup> It was discontinued in March 2014.

Some people of course take matters into their own hands and do what they

can to house themselves affordably. One way is squatting, discussed above, which should be decriminalized. Rather than sending in the police, local authorities should support people who are making use of empty property.

In rural areas one way to house oneself affordably is to live in a 'low-impact' dwelling, such as a caravan or yurt. These are often illegal, as gaining planning permission is notoriously difficult. Someone living in a yurt in a wood or a field should not be treated by the planning system as equivalent to someone who wants to build a conventional house in the open countryside. In particular the planning system should make it easier for those who want to do land-based activities, such as smallholding and coppicing, to live on that land.<sup>115</sup> The organization that has become an advocate for such people, Chapter 7 (named after Planning Policy Guidance 7, on planning in rural areas) stated:

*If we want a living and working countryside then we will have to find ways of providing more opportunities for low-income people to live and work in the countryside, particularly in the land-based occupations, which are what make the rural economy distinct from the urban one.*<sup>116</sup>

Planners are rightly sceptical of people who want exceptions to the normal restrictions on homes being built in the open countryside. This is because too many homes that have been given permission as agricultural workers' dwellings have, after a few years, managed to have the restriction that they must be occupied by an agricultural worker removed. The argument used is generally that the dwelling is no longer required by a

worker on the farm that owns the property and attempts to sell the property with the restriction have not been successful. This is no doubt because of the decline in employment in agriculture, and the fact that agricultural workers' wages are generally too low to enable them to buy a house in the countryside, even at a discounted rate. Rather than allowing these dwellings to become open-market housing they should have to be sold to a registered social landlord for the cost of their construction, with the land given for free, so that they become affordable rural housing.

### ***New private sector housing***

While we do not see building new private sector homes as a major part of the solution to the housing crisis, this does not mean that no such homes should be built. However, it is important that this housing provides other benefits to the community, such as regenerating derelict land, bringing empty buildings back into use, or providing particular types of housing such as sheltered or 'extra-care' homes for older people or co-housing. Co-housing is a form of residential development designed to maximize social interaction (rather than to preserve privacy, which is usually the concern of planners). Households have their own home, but there are shared facilities including a Common House, laundry, guest bedrooms, workshop, children's play facilities *etc.*, which mean that people's individual houses can be smaller.<sup>117</sup> Planners should avoid the creation of estates of new housing without public transport infrastructure or community facilities.

What can be achieved in terms of directing private housing to the right locations was demonstrated in the north-west of England by the restraint policies introduced in 2003,<sup>118</sup> as discussed in section 3 of this report. The 2003 Regional Planning Guidance for the north-west restricted housing on greenfield sites and directed it to urban regeneration areas, including the centres of Liverpool and Manchester, which for decades had been losing population, and to brownfield sites elsewhere. Developments had to show some community benefit, not merely that they were adding to the housing numbers. The result was not a cessation of home building; instead, after years of decline, developers began building on derelict sites in places they had previously shunned.<sup>119</sup> Liverpool's population actually increased by 6.1 % between 2001 and 2011, with the greatest increases in the city centre and waterfront areas.<sup>120</sup> This followed falls in population in every decade since the 1930s.<sup>121</sup> Manchester has seen a similar decline since the 1970s turned into an increase in the first decade of this century.<sup>122</sup> However, the Localism Act in 2011, the National Planning Policy Framework and the abolition of the Regional Planning Guidance have removed the policy framework above the local level which directed development to brownfield land. Changes to viability assessments have meant that such land is now often considered non-developable and has been removed from the housing land supply,<sup>123</sup> increasing pressure for greenfield development.

The new houses that are built should be built to the highest environmental standards. Homes built to Passivhaus standards, for example, require very little heating or cooling.<sup>124</sup> Developments should also be provided

with district heating systems and designed to maximize unshaded, south facing roofs for solar photovoltaic systems, which should be fitted during construction.

Other measures to ensure that private sector housing meets the needs of local communities could include:

- a far stronger, more proactive role for local authorities in identifying suitable sites for construction, and in ensuring high environmental and energy efficiency standards, public transport links, walking and cycling routes and community facilities, not just dormitory estates;
- bringing transparency to the land and property market, by, for example, requiring all as yet unregistered land to be registered at the Land Registry and requiring the Land Registry to provide free access to its data;
- public landowners disposing of surplus land into small parcels that smaller builders can purchase, rather than the current practice of selling to an increasingly small cartel of big builders;
- indicators used to measure new housing should focus on whether actual need is being met, rather than simply the numbers of new homes.



## 6. Conclusions

The UK currently faces a major housing crisis: fewer people can afford to buy; social housing has been sold off and little built to replace it; and the growing private rented sector is characterized by poor quality, high rents and insecurity. The current situation has arisen because of the dramatic rise in house prices between the late 1990s and 2007. At that point the 'credit crunch' intervened and prices fell. Since then prices in many parts of the UK have been stagnant, but they have risen substantially in London and parts of the south-east.

People's lives are blighted by their inability to afford a decent home to live in. The housing market in the UK at present also entrenches regional inequalities, perpetuates inequalities across generations, and helps to make us an increasingly divided society. There is a high cost to the public purse in housing benefit claims and the health and social problems caused by poor housing.

Most commentators argue that the crisis is caused by insufficient housing having been built over past decades, and that the remedy is to increase housebuilding.

We argue instead that the cause of the big rise in house prices was changes to the relative attractiveness of investment in housing as opposed to alternative investments, and, up to 2008, the increasing supply of credit for mortgages. It was the increase in the amount of money available for the purchase of housing, not the number of people seeking homes relative to the supply of housing, which caused prices to rise.

The disproportionate rise in house prices in London and the south-east was also a feature of our increasingly unbalanced nation. We point to the fact that by 2000 there were in contrast 'low-demand areas' in many parts of the UK: local areas where house prices were falling, leading to a spiral of neglect and decay, caused by overbuilding of new homes in adjacent areas. Since then more than enough homes have been built for the increase in population, and existing homes have been extended and enlarged, so that we have more bedrooms per person than ever before. The problem is the distribution of that housing, both spatially and by income and wealth. Some are 'house-rich', with many spare bedrooms and second homes, while others are unable to find decent accommodation.

We argue that simply increasing the rate of housebuilding will not, in our very unequal society, mean that those homes go to the people who need them. There are also costs and risks associated with this solution. Building homes generates carbon emissions, both from the construction process and from the creation of all the things needed to go in them. Building homes also uses land, perhaps increasing urban sprawl and the distances people have to travel to access services, or destroying valued countryside or urban green spaces, or potentially increasing flood risks. Plus, the experience of low demand areas here, and collapses in the housing market in Ireland and Spain following the banking crisis, demonstrate the risks of over-building: a crash in property prices, abandoned homes and dereliction.

Instead, we have recommended eight measures to tackle the crisis of affordability and its underlying causes,

covering not just the policy areas normally considered under housing policy, but the benefits system, tax and investment policies, credit controls and regional planning.

1. **Make better use of the existing housing stock** – by bringing empty homes into use, reducing second home ownership where this is an issue, decreasing under-occupation in the owner-occupied sector, and reforming the benefits system so that it no longer acts as a disincentive to people living together.
2. **Regulate the private rental sector** – to control rents, improve quality and give more security to tenants, and to make investment in ‘buy-to-let’ properties less attractive.
3. **Increase the relative attractiveness of alternative forms of investment** – to encourage investment in the low carbon future we need if we are to avoid runaway climate change.
4. **Reform property and wealth taxes** – to, at a minimum, transform council tax into a tax on property, paid by the owner, as a percentage (set locally) of the value of the property.
5. **Reduce the attractiveness of London to foreign investors** – by abolishing ‘non-dom’ status, ending the ability of the City of London to act as a tax haven, and perhaps by restricting the right of non-resident foreign nationals to buy residential property there.
6. **Rebalance regional economies** – by moving public sector jobs out of London and the south of England, balancing public spending across all the

regions of England, and having a spatial plan for England which directs economic growth to areas where house prices are low.

7. **Control the amount of credit available for mortgages** – through regulation of the banking sector and/or reform of the way money is created.
8. **Provide more affordable homes** - by allowing local authorities to borrow, providing grant funding to housing associations, ending the right-to-buy, and by allowing people to house themselves affordably.

New private sector housing should provide some benefit to the wider community, such as providing a particularly needed form of housing or regenerating derelict land, and should be built to high standards of energy efficiency and where possible incorporate on-site generation of energy.

Some measures need to be taken at the national level, but housing problems are local, and require local solutions. Measures that are appropriate in central London will not be right for Newcastle, let alone for rural Northumberland. Much national level action should be about enabling and facilitating local control: over rent levels, rates of property tax, dealing with empty homes, controls over second homes. But local action, at the district or borough council level, needs to take place within a context set by regional planning, a level now entirely absent in England.

The aims of these measures should be to:

## Tackling our Housing Crisis

- a) ensure all have secure, good quality, genuinely affordable housing;
- b) reduce current inequality in wealth;
- c) achieve stable house prices;
- d) minimise environmental impacts;
- e) create strong communities throughout the country.

## References

- Action, J.E., Mattocks, J.R., Robins, D.L.J. (2001) Draft Regional Planning Guidance for the North West, Public Examination, Report of the Panel.
- Berners-Lee, M. (2010) *How Bad are Bananas? The Carbon Footprint of Everything*, London: Profile Books.
- Blewitt, J. and Cunningham, R. (2014) (eds). *The Post-Growth Project: How the End of Economic Growth Could Bring a Fairer and Happier Society*, London: Green House Publishing.
- Cheshire East Council (2013) *Assessment of Additional Brownfield Potential For Housing Development*. Cheshire East Local Plan Evidence Base.
- Dorling, Danny (2014) *All that is Solid; How the Great Housing Disaster Defines Our Times, and What We Can Do About It*, London: Penguin.
- Chapter 7 and the PPG7 Reform Group (2003) *Sustainable Homes and Livelihoods in the Countryside, Suggestions for the forthcoming revision or replacement of Planning Policy Guidance 7*, available at <http://tlio.org.uk/sustainable-homes-and-livelihoods-in-the-countryside>, accessed 11/5/2015.
- Council of Mortgage Lenders (2014) *Annual Review*, available at: <http://www.cml.org.uk/cml/publications>, accessed 15/4/2015.
- DCLG (Department for Communities and Local Government) (2014) *Dwelling Stock Estimates, England, 2013* available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/285001/Dwelling\\_Stock\\_Estimates\\_2013\\_England.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/285001/Dwelling_Stock_Estimates_2013_England.pdf), accessed 14/4/2015.
- DCLG (2015) *English House Survey, Headline Report, 2013-14*, available at <https://www.gov.uk/government/statistics/english-housing-survey-2013-to-2014-headline-report>, (accessed 24/3/2015).
- London Evening Standard (2014), *Foreign buyers own 20% of homes in top boroughs*, 18<sup>th</sup> September. <http://www.standard.co.uk/news/london/foreign-buyers-own-20-of-homes-in-top-boroughs-9740709.html> accesses 15/4/2015
- Douglas, D. (2015) 'Welfare cuts and soaring rents force poorest families to leave London' *The Independent*, 30 April 2015, <http://www.independent.co.uk/news/uk/home-news/over-50000-families-shipped-out-of-london-in-the-past-three-years-due-to-welfare-cuts-and-soaring-rents-10213854.html>, accessed 10/5/2015
- Essex, J. (2014) "How to Make-do and Mend our Economy" in *The Post-Growth Project: How the End of Economic Growth Could Bring a Fairer and Happier Society*, ed. J Blewitt and R. Cunningham. London: Green House Publishing. pp. 71-105.
- Greater London Authority (2012) *Barriers to Housing Delivery*, available at: <http://www.london.gov.uk/sites/default/files/Barriers%20to%20Housing%20Delivery.pdf>, accessed 14/4/2015.
- London Housing Report (2014), GLA <http://data.london.gov.uk/housingmarket/TradingEconomicsHousingIndex> <http://www.tradingeconomics.com/united-kingdom/housing-index>
- Greater London Authority (2014) *Housing in London 2014*, available at: [https://www.london.gov.uk/sites/default/files/Housing%20in%20London%202014%20-%20Final\\_1\\_0.pdf](https://www.london.gov.uk/sites/default/files/Housing%20in%20London%202014%20-%20Final_1_0.pdf), accessed 24/3/2015.

- Groom, B (2012) *London Widens Gap with Regions*, *Financial Times*, 3 January. <http://www.ft.com/cms/s/0/b91d7d4c-2cb9-11e1-8cca-00144feabdc0.html#axzz3VJWn9y83> (accessed 24/3/2015)
- Government Office for the North West (2003) *Regional Planning Guidance for the North West (RPG13)* London: TSO.
- Haffner, M., Elsinga, M. and Hoekstra, J. 2007 "Balance between landlord and tenant? A comparison of the rent regulation in the private rental sector in five countries", in ENHR 2007 International Conference on 'Sustainable Urban Areas', Rotterdam June 2007.
- Highbury Group (2015) *Pre-election Statement*. [http://www.londonforum.org.uk/reports/Highbury\\_Group\\_pre-election\\_statement\\_27March15.pdf](http://www.londonforum.org.uk/reports/Highbury_Group_pre-election_statement_27March15.pdf), accessed 11/5/2015.
- Holmans, Alan (2013) *New estimates of housing demand and need in England, 2011 to 2031*, Town & Country Planning Tomorrow Series Paper 16.
- Jones, J. (2008) *Land Value ....for public benefit*, Labour Land Campaign. Available at <http://www.labourland.org/papers-and-articles>, accessed 11/5/2015.
- Kelly, Morgan (2009) *The Irish Property Bubble: Causes and Consequences*, available at: <http://www.irisheconomy.ie/Crisis/KellyCrisis.pdf>, accessed 20/4/2015.
- Kelly, S (2010) *The Truth about Cohabitation*, paper given to the Social Policy Association Conference, Lincoln. Available at <http://www.social-policy.org.uk/lincoln/Kelly.pdf>, accessed 27/4/2015.
- Macrory, I (2012) *Measuring National Well-being - Households and Families*, Office for National Statistics, available at [http://www.ons.gov.uk/ons/dcp171766\\_259965.pdf](http://www.ons.gov.uk/ons/dcp171766_259965.pdf), accessed 25/3/2015.
- MacTavish K A (2007). 'The Wrong Side of the Tracks: Social Inequality and Mobile Home Park Residence' *Community Development: Journal of the Community Development Society*, Vol. 38, No. 1.
- McKinsey Global Institute (2013) *QE and ultra-low interest rates: Distributional effects and risks*, *Discussion Paper*. Available at: <http://www.mckinsey.com>. Accessed 24/4/2015.
- National Housing Federation (2014) *Home Truths 2014/15: Broken Market, Broken Dreams*, available at <https://www.housing.org.uk/media/home-truths/>
- ONS (2013) *A Century of Home Ownership and Renting in England and Wales (full story), Part of 2011 Census Analysis, A Century of Home Ownership and Renting in England and Wales Release*, available at <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/a-century-of-home-ownership-and-renting-in-england-and-wales/short-story-on-housing.html>, accessed 24/3/2015.
- Pearmain, A. and Heatley B (2013) *Smaller but Better: Post-growth Public Services*, Green House. Available at <http://www.greenhousethinktank.org/page.php?pageid=recentpublications>, accessed 27/4/2015.
- Piketty, T (2014) *Capital in the Twenty-First Century*, translated by Arthur Goldhammer, Belknap Press.
- Power, A (2010) *Housing and sustainability: demolition or refurbishment?* Institution of Civil Engineers. Available at: [http://www.ice.org.uk/ice\\_web\\_portal/media/events/housing-and-sustainability.pdf](http://www.ice.org.uk/ice_web_portal/media/events/housing-and-sustainability.pdf), accessed 20/4/2015.

- Price, S. and Brown H. (2014) *Whole-life costs of a Passivhaus: Sensitivities of whole-life cost analysis for domestic Passivhaus buildings*, Technical Insight, Encraft. <http://www.ecraft.co.uk/wp-content/uploads/2014/02/Technical-Insight-February-2014-Whole-life-Costs-of-a-Passivhaus.pdf>, accessed 12/5/2015.
- Scott Cato, M. and Heatly, B. (2011) *Mutual Security in a Sustainable Economy: A Green Approach to Welfare*, Green House. Available at: <http://www.greenhousethinktank.org/page.php?pageid=recentpublications>, accessed 27/4/2015.
- Sen, A. (2003) *Poverty and Famines: An Essay on Entitlement and Deprivation*, Oxford University Press.
- Shaxson, N. (2012) *Treasure Islands: Tax Havens And The Men Who Stole The World*, London: Vintage.
- Shelter and KPMG (2015) *Building the Homes we Need*.
- Taylor, K (2015) *Everyone knows we have a housing crisis let's do something about it*. The Green Party. Available at <http://www.keithtaylormep.org.uk/2015/03/19/new-report-out-today-on-the-uk-housing-crisis/>, accessed 24/4/2015.
- Wainwright, T (2010) *Looking to tomorrow: The past and future roles of securitisation in residential mortgage funding*, Small Business Research Centre, Kingston University.
- Whitehead C, Sagor E, Edge A and Walker, B (2015) *Understanding the Local Impact of New Residential Development: a Pilot Study*, LSE London.
- Wilson, W. (2012) *Empty Dwelling Management Orders (EDMOs) - Commons Library Standard Note*, available at: <http://www.parliament.uk/briefing-papers/SN04129/empty-dwelling-management-orders-edmos>, accessed 24/4/2015.

## Endnotes

- <sup>1</sup> This is essentially the position taken by Shelter in their report, *Building the Homes we Need* (Shelter, 2015).
- <sup>2</sup> See Blewitt and Cunningham 2014 and reports on [www.greenhousethinktank.org](http://www.greenhousethinktank.org).
- <sup>3</sup> Sen 2003.
- <sup>4</sup> From National Housing Federation 2014
- <sup>5</sup> National Housing Federation 2014.
- <sup>6</sup> National Housing Federation 2014, p.25.
- <sup>7</sup> From Department for Communities and Local Government (DCLG) 2015
- <sup>8</sup> From <http://www.economicshelp.org/blog/8733/housing/uk-house-prices-high> accessed 24/3/2015
- <sup>9</sup> Department for Communities and Local Government (DCLG) 2015
- <sup>10</sup> Greater London Authority 2014, p. 5
- <sup>11</sup> From Office for National Statistics (ONS) 2013
- <sup>12</sup> Greater London Authority 2014,
- <sup>13</sup> National Housing Federation 2014, p.21.
- <sup>14</sup> Greater London Authority 2014, p. 67
- <sup>15</sup> Groom, B 2012.
- <sup>16</sup> Douglas 2015.
- <sup>17</sup> MacTavish 2007
- <sup>18</sup> Department for Communities and Local Government (DCLG) 2015, p.43.
- <sup>19</sup> Piketty 2014
- <sup>20</sup> National Housing Federation 2014, p.5
- <sup>21</sup> National Housing Federation 2014, p.5
- <sup>22</sup> [www.positivemoney.org/2015/03/can-learn-englands-housing-survey](http://www.positivemoney.org/2015/03/can-learn-englands-housing-survey) (accessed 30/3/2015)
- <sup>23</sup> National Housing Federation 2014, p.5
- <sup>24</sup> For a summary of the issues facing low demand areas see <http://www.jrf.org.uk/sites/files/jrf/F739.pdf>.
- <sup>25</sup> Action *et al* 2001, Section 7.
- <sup>26</sup> Government Office for the North West 2003
- <sup>27</sup> Macrory 2012
- <sup>28</sup> Holmans 2013 p.7-9
- <sup>29</sup> Holmans 2013 p.8
- <sup>30</sup> Holmans 2013, p.15
- <sup>31</sup> See <http://www.positivemoney.org/issues/house-prices/>.
- <sup>32</sup> See Dorling, 2014, p. 64-65 and 153-154
- <sup>33</sup> Department for Communities and Local Government (DCLG) 2015
- <sup>34</sup> Shelter's Bedroom Standard is based on a notional number of bedrooms allocated to each household in accordance with its composition by age, sex and marital status and relationships of family members. This is not the statutory measure of overcrowding, however this way of measuring has been used in social surveys for many years.
- <sup>35</sup> Table FA2601: The EHS definition of a second home, 2012-13. Available at: <https://www.gov.uk/government/statistical-data-sets/owner-occupiers-recent-first-time-buyers-and-second-homes#history>.
- <sup>36</sup> Greater London Authority 2014, p.58.

---

<sup>37</sup> From <https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/empty-homes> (accessed 26/3/2015).

<sup>38</sup> <http://www.mirror.co.uk/news/ampp3d/housing-crisis-10-empty-homes-5008151>. There were 60,940 households placed in temporary accommodation as of September 2014.

<sup>39</sup> <http://www.theguardian.com/news/datablog/2014/jun/02/empty-homes-in-england-get-the-data-by-local-authority>

<sup>40</sup> This level of voids was actually the lowest recorded. See [http://www.landlordtoday.co.uk/news\\_features/Voids-down-says-Paragon](http://www.landlordtoday.co.uk/news_features/Voids-down-says-Paragon) accessed 14/4/2015.

<sup>41</sup> 19% of the 23.2 million homes in England – see Department for Communities and Local Government, 2014.

<sup>42</sup> <http://theconversation.com/ftse-100-to-burst-through-7-000-not-before-election-day-38251>. See also [http://en.wikipedia.org/wiki/Dot-com\\_bubble](http://en.wikipedia.org/wiki/Dot-com_bubble). Both accessed on 14/4/2015.

<sup>43</sup> See [http://en.wikipedia.org/wiki/The\\_Equitable\\_Life\\_Assurance\\_Society](http://en.wikipedia.org/wiki/The_Equitable_Life_Assurance_Society), accessed 14/4/2015.

<sup>44</sup> See [http://en.wikipedia.org/wiki/Robert\\_Maxwell](http://en.wikipedia.org/wiki/Robert_Maxwell), accessed 14/4/2015. The website lovemoney.com lists these two scandals, along with the government failure to protect people's pensions when their employers went bust, the encouragement to people to desert their occupational pensions for pensions reliant on stock market returns and the Labour government's removal of tax credits on share dividends as 'the Five biggest pension scandals'. See <https://www.lovemoney.com/news/4133/the-five-biggest-pension-scandals>, accessed 14/4/2015. See also <https://www.lovemoney.com/news/4133/the-five-biggest-pension-scandals>, accessed 14/4/2015.

<sup>45</sup> See [http://www.stephenbeer.com/Articles/165151/Stephen\\_Beer/Economy/Dont\\_blame\\_Brown.aspx](http://www.stephenbeer.com/Articles/165151/Stephen_Beer/Economy/Dont_blame_Brown.aspx), accessed 14/4/2015.

<sup>46</sup> See for example <http://www.ft.com/cms/s/0/73614e7e-66ff-11e2-a805-00144feab49a.html?siteedition=uk#axzz3XIpvh5qu>, accessed 14/4/2015.

<sup>47</sup> Annuity rates were 15.64% in November 1990, just above 10% in January 1998, but only 5.28% in November 2012. This means that a £100,000 pension pot will buy you an annual income of just £5,280. [www.myretirementincome.co.uk/annuity-rate-graph](http://www.myretirementincome.co.uk/annuity-rate-graph).

<sup>48</sup> <http://www.cml.org.uk/news/press-releases/uk-house-purchase-lending-numbers-up-16-month-on-month-in-march/>, accessed 9/6/2015

<sup>49</sup> [http://www.cml.org.uk/cml/consumers/aboutmortgages/buytolet\\_04062014](http://www.cml.org.uk/cml/consumers/aboutmortgages/buytolet_04062014)

<sup>50</sup> See <http://www.theguardian.com/money/2015/apr/11/buy-to-let-landlords-earn-returns-of-up-to-1400-since-1996>, accessed 15/4/2015.

<sup>51</sup> Greater London Authority, 2012, p.17

<sup>52</sup> London Evening Standard 2014

<sup>53</sup> <http://www.positivemoney.org/issues/jobs-business> and <http://www.positivemoney.org/how-money-works/how-much-money-have-banks-created> (accessed 15/4/2015)

<sup>54</sup> <http://www.positivemoney.org/how-money-works/how-banks-create-money/>

<sup>55</sup> Using annual inflation figures from <http://swanlowpark.co.uk/rpiannual.jsp> (accessed 15/4/2015)



<sup>56</sup> Calculated by Brian Heatley from GDP figures in the ONS National Accounts, the Blue Book, <http://www.ons.gov.uk/ons/rel/naa2/second-estimate-of-gdp/q3-2011/tsd-second-estimate-of-gdp-2011-q3.html>.

<sup>57</sup> Wainwright 2010, p.5

<sup>58</sup> From [http://www.positivemoney.org/2015/04/sovereign-money-offer-solution-housing-crisis/?mc\\_cid=de15b16479&mc\\_eid=17a2139eb1](http://www.positivemoney.org/2015/04/sovereign-money-offer-solution-housing-crisis/?mc_cid=de15b16479&mc_eid=17a2139eb1), accessed 24/4/2015.

<sup>59</sup> McKinsey consider that by the end of 2012 house prices in the UK may have been 15% higher than they would otherwise have been without the ultra-low interest rates, because the lower the rates the lower the cost of borrowing. McKinsey Global Institute 2013, p.3.

<sup>60</sup> Between September 2010 and September 2013 the increase in the number of jobs was 11% in London compared to 2% in the rest of England. (Greater London Authority 2014, p. 34.

<sup>61</sup> Berners-Lee 2010, p. 149-150.

<sup>62</sup> Essex, 2014, p. 78.

<sup>63</sup> The study discussed in Berners Lee 2010 (p.149-150) looked at the carbon emissions over 100 years for three options for a traditional, 2-bedroomed cottage in Dumfries: leave as it is, knock down and re-build, or refurbish. The worst option was to leave as it was, leaking heat. Demolition and rebuild paid back the carbon cost of construction over 15 to 20 years. The best option, however was to refurbish, which only cost 8 tonnes. Other studies have also concluded that the best option for old-inefficient stock is refurbishment, not demolition followed by new-build. See, for example, Power 2010.

<sup>64</sup> Essex, 2014 p. 79-80.

<sup>65</sup> See Blewitt and Cunningham 2014.

<sup>66</sup> By 2006, construction amounted to 20% of Irish GDP, and with construction responding to house price rises in turn responding to expectations of continuing price rises, construction overshot considerably. Kelly, 2009.

<sup>67</sup> See [http://en.wikipedia.org/wiki/Irish\\_property\\_bubble](http://en.wikipedia.org/wiki/Irish_property_bubble), accessed 20/4/2015.

<sup>68</sup> Kelly 2009.

<sup>69</sup> <http://www.bruceshaw.com/knowledgecentre/chapters/ireland>, accessed 24/4/2015

<sup>70</sup> The 2014 Credit Suisse Global Wealth Report found that the UK is the only country in the G7 where inequality has increased this century. One of the authors of the report considered that London, with its financial services industry and soaring property market was a big factor in driving inequality in the UK. See

<http://www.theguardian.com/society/2014/oct/14/uk-inequality-wealth-credit-suisse>, accessed 10/5/2015.

<sup>71</sup> Whitehead *et al* 2015.

<sup>72</sup> A recent Bloomberg report notes that, despite the investment in new renewable generating capacity now surpassing that of new fossil fuel generation, there is still a shortfall between the investment required to minimize climate change and the levels of investment so far. See <http://www.bloomberg.com/news/articles/2015-04-14/fossil-fuels-just-lost-the-race-against-renewables> (accessed 14/4/2015)

<sup>73</sup> Policy DP2 of Camden Development Policies 2010-2015, available at <https://www.camden.gov.uk/ccm/content/environment/planning-and-built-environment/two/planning-policy/local-development-framework/development-policies.en>, accessed 24/4/2015.

<sup>74</sup> See <http://www.lancaster.gov.uk/planning/regeneration/morecambe-s-west-end>, accessed 24/4/2015.

---

<sup>75</sup> Power, 2010.

<sup>76</sup> <https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/empty-homes>, accessed 24/4/2015.

<sup>77</sup> Wilson, 2012.

<sup>78</sup> Taylor, 2015 p.21

<sup>79</sup> By the The Housing (Empty Dwelling Management Orders) (Prescribed Period of Time and Additional Prescribed Requirements) (England) (Amendment) Order 2012. Available at: <http://www.legislation.gov.uk/uksi/2012/2625/introduction/made>, accessed 4/6/2015.

<sup>80</sup> At present councils can give furnished second homes or holiday homes a discount of up to 50%.

<sup>81</sup> For example, an Abbeyfield Care home near Lancaster, has built 14 retirement dwellings in its grounds, where, if needed, residents can be supplied with support services by the Care Home staff. See <http://www.silverdale-abbeyfield.org>, accessed 27/4/2015.

<sup>82</sup> From <http://www.poverty.org.uk/summary/households.shtml>, accessed 27/4/2015.

<sup>83</sup> For more on this see Kelly 2010.

<sup>84</sup> For example a group of people known to one of the authors in Lancaster have been looking at forming a housing co-op, where they would have their own rooms but shared kitchen and other facilities. Some are on various disability benefits. They have found that, in order to not endanger those benefits, they would all have to have separate cupboards for storing their food, rather than being able to cook and eat together. This seems to be an unjustified state intrusion into the way people live.

<sup>85</sup> See Scott Cato and Heatly 2011, p.24-5 and Pearmain and Heatley 2013, p.24.

<sup>86</sup> See for example, <http://uk.cameloteurope.com/9/0/how-it-works/property-guardianship-how-it-works.html>.

<sup>87</sup> For a review of the regulation of the rental sector in 5 European Countries, including England, see Haffner, Elsinga and Hoekstra, 2007.

<sup>88</sup> Haffner, Elsinga and Hoekstra, 2007.

<sup>89</sup> Green Party Manifesto, 2015, p. 44. Available at: [https://www.greenparty.org.uk/assets/files/manifesto/Green\\_Party\\_2015\\_General\\_Election\\_Manifesto.pdf](https://www.greenparty.org.uk/assets/files/manifesto/Green_Party_2015_General_Election_Manifesto.pdf), accessed 4/6/2015.

<sup>90</sup> Dorling 2014 p. 315.

<sup>91</sup> See <http://www.generationrent.org/affordability>, accessed 10/5/2015.

<sup>92</sup> See <http://germany.angloinfo.com/housing/renting-accommodation/tenants-associations>, accessed 10/5/2015.

<sup>93</sup> See <https://www.gov.uk/government/organisations/uk-green-investment-bank>, accessed 11/5/2015.

<sup>94</sup> See <http://communityshares.org.uk>, accessed 11/5/2015.

<sup>95</sup> For more information about how the council tax works see [http://en.wikipedia.org/wiki/Council\\_Tax](http://en.wikipedia.org/wiki/Council_Tax), accessed 11/5/2015.

<sup>96</sup> Jones makes this case for a banding system for land value tax: the cost of appeals against valuations for council tax is trivial, whereas for non-domestic rates, which do not use bands, the cost of appeals is considerable. Jones, 2008, p.30.

<sup>97</sup> See <http://www.labourland.org> (accessed 11/5/2015) for information about land value tax.

<sup>98</sup> Jones, 2008, p.23.

<sup>99</sup> See <http://policy.greenparty.org.uk/ec.html>, accessed 11/5/2015.

<sup>100</sup> See <http://highpaycentre.org> (accessed 11/5/2015) for measures to reduce top rates of pay.

<sup>101</sup> The name ‘non-domiciled’ suggests that those people are really living somewhere else, but this is not the case. A non-dom just has to be able to demonstrate to HMRC that they regard some other country as their home, through ownership of property there, or a burial plot. And the status can be passed on to children who have been born, educated and lived all their lives in this country. See <http://www.theguardian.com/money/2015/apr/07/non-dom-tax-status-living-working-paying-tax-uk>, accessed 11/5/2015.

<sup>102</sup> For the City of London as a tax haven see Shaxson 2012.

<sup>103</sup> See the MOD quarterly location statistics. For example, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/376061/QLS\\_Quarterly\\_Location\\_Statistics\\_October\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/376061/QLS_Quarterly_Location_Statistics_October_2014.pdf), accessed 11/5/2015.

<sup>104</sup> see <http://www.bbc.co.uk/news/entertainment-arts-24742529>, accessed 4/6/2015.

<sup>105</sup> See <http://www.ippr.org/news-and-media/press-releases/transport-spend-per-head-is-p2700-for-london-but-p5-per-head-in-north-east>, accessed 4/6/2015.

<sup>106</sup> This is a point made by Thomas Forth, in his blog: <http://www.tomforth.co.uk/wenevertried/>, accessed 4/6/2015. He also points out that Government-funded expenditure goes disproportionately to London and the south-east, whereas business R&D expenditure does not. I am indebted to Forth’s blog for the other instances of regional bias in government spending mentioned in this paragraph.

<sup>107</sup> Highbury Group 2015, p.9.

<sup>108</sup> Written evidence to the Select Committee on Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions, Sefton Borough Council, March 2006. <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmodpm/703/703we18.htm>, accessed 11/5/2015.

<sup>109</sup> The Green Party 2015 manifesto included giving the Bank of England the powers it has requested to limit the size of mortgages in relation to the borrower’s income and property value. See [https://www.greenparty.org.uk/assets/files/manifesto/Green\\_Party\\_2015\\_General\\_Election\\_Manifesto.pdf](https://www.greenparty.org.uk/assets/files/manifesto/Green_Party_2015_General_Election_Manifesto.pdf), p.42, accessed 4/6/2015.

<sup>110</sup> See [www.positivemoney.org](http://www.positivemoney.org) for their proposals for monetary reform.

<sup>111</sup> In Scotland the right-to-buy will end on 1 August 2016, see <http://www.gov.scot/Topics/Built-Environment/Housing/16342/rtb>, accessed 11/5/2015. In Wales the Labour party have committed to end it if they win the Welsh Assembly elections in 2016, and in the meantime the maximum discount is being cut from £16,000 to £8,000. See <http://www.bbc.co.uk/news/uk-wales-politics-30918677>, accessed 11/5/2015.

<sup>112</sup> See <http://www.theguardian.com/society/2015/apr/14/right-to-buy-housing-associations-your-questions-answered>, accessed 11/5/2015. It is estimated that over a third of the properties sold under right to buy in London are now owned by private landlords.

<sup>113</sup> See <http://www.gov.scot/Topics/Built-Environment/Housing/privateowners/Repossession/hosf-1/homeowner>, accessed 11/5/2015.

<sup>114</sup> See <https://www.gov.uk/government/publications/mortgage-rescue-scheme-guidance>, accessed 11/5/2015.

---

<sup>115</sup> See Chapter 7 and the PPG7 Reform Group, 2003 and other publications available at <http://tlio.org.uk/chapter7-publications> (accessed 11/5/2015) and The Land magazine.

<sup>116</sup> Chapter 7 and the PPG7 Reform Group, 2003, paragraph 1.3.

<sup>117</sup> For an example of a recent Co-housing development see <http://www.lancastercohousing.org.uk>. This zero-carbon development of 40 or so homes, all built to passiv-haus standards, was constructed in 2012, at which time it was about the only private residential development under construction in the local area. This was because most of the properties had been pre-sold, with future residents involved in its design.

<sup>118</sup> Government Office for the North West 2003

<sup>119</sup> Cheshire East, for example say: “The collective effect of this approach [of housing restraint] was that significant levels of brownfield land have been brought back into use. Over the past ten years some 70% of development in Cheshire has been delivered through the re-use of brownfield land.” Cheshire East 2013, paragraph 2.6.

<sup>120</sup> See <http://liverpool.gov.uk/council/key-statistics-and-data/census/census-background>, accessed 12/5/2015.

<sup>121</sup> In the 1930s the population of Liverpool was 846,000. It is now around 466,400. <http://en.wikipedia.org/wiki/Liverpool#Population>, accessed 12/5/2015.

<sup>122</sup> See [http://en.wikipedia.org/wiki/Demography\\_of\\_Greater\\_Manchester#Population\\_change](http://en.wikipedia.org/wiki/Demography_of_Greater_Manchester#Population_change), accessed 12/5/2015.

<sup>123</sup> Personal communication from a former planning officer in Knowsley Borough.

<sup>124</sup> See <http://www.passivhaus.org.uk> (accessed 12/5/2015). Although building to Passivhaus standards may, at present, cost more, a number of studies have found that the reduced fuel bills and higher quality build mean it has a lower lifetime cost. See for example, <http://www.katedeselin-court.co.uk/wp-content/uploads/2014/03/Passive-House-Plus-I3-passive-house-cost.pdf> (accessed 12/5/2015) and Price and Brown, 2014.