



# The Case for Housebuilding

BY ALEX MORTON & ELIZABETH DUNKLEY



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# Introduction

Britain has a housing shortage. That fact is not contentious. Or at least, it shouldn't be.

Yet in recent years, two separate phenomena have emerged. The first is an increasing tendency among politicians to argue that while Britain does have a housing shortage, it can best be solved by building any homes that are required somewhere far away from their constituents – or that while they support housebuilding in general, almost every local example of it is somehow flawed. Or, alternatively, that the homes that the country needs can be delivered solely by local councils without a role for the national government – or that housebuilders should build out the copious planning permissions they have already been granted before any more need to be issued.

**‘ Britain has been building fewer homes than it used to. It has been building fewer homes than it needs to, especially given the growing population. And those homes it has been building have been smaller than almost anywhere else ’**

The second is an argument in policy circles over the importance of supply. A welcome attempt to insist upon the importance of other factors – in particular monetary policy – has transmuted in some quarters into a general attempt either to downgrade the importance of supply, or even to insist that our housing stock is perfectly sufficient and that house price inflation has been driven purely by monetary factors.

And of course, these two phenomena are mutually reinforcing. It becomes a lot easier to argue against the need for more housebuilding – or at least, more housebuilding in the areas of highest demand – when there are very clever people who seem to be saying that it isn't needed anyway, or that even if we carpeted the South East with homes, it would barely shift the dial on prices.

Of course, many of the objections raised by those opposed to new homes are correct. We are often not building to a sufficient quality. The market is overly dominated by a handful of large housebuilders. The infrastructure that should accompany new homes is often not adequate, or fails to materialise completely. There is often too long a gap between the granting of a planning permission and the completion of the project, or even the start of it. Immigration is too high, meaning we are in some respects running to stand still.

Many of these issues are already being addressed, not least via Michael Gove's acronym of BIDEN (Beauty, Infrastructure, Design, Environment and Neighbourhood), which he hopes to put at the heart of the planning process. But even if we could solve all these issues overnight, even if we could slash immigration to the tens of thousands, we would still need to build a great deal more homes in the short and medium term.

This report therefore goes back to basics. It makes a series of points that may seem obvious to many, but need to be restated as firmly as possible.



These are that Britain has been building fewer homes than it used to. It has been building fewer homes than it needs to, especially given the growing population. And those homes it has been building have been smaller than almost anywhere else.

This shortage of supply has, it argues, played a significant role in driving up house prices. You can see this in the cost of home ownership, and the cost of renting – which, contrary to the claims of some analysis, has been rising steadily, outpacing both wages and inflation. You can see this in the explosive growth in UK house prices compared to other countries, such as France or the Netherlands. You can see this in the yawning imbalance between house prices in areas of high housing demand and the rest of the country, with the gap between London and the North East having doubled in recent years. And claims that changes in the number of households somehow prove that there is no shortage of housing supply are, we show, completely beside the point.

**‘ Polling shows that most people do want a moderate number of new houses. They absolutely accept the fact that we are in a housing crisis. And they overwhelmingly want house prices to fall rather than rising further ’**

We also show that, despite the fondest hopes of many MPs, there is no realistic possibility of building the homes we need on brownfield sites alone. Yes, we should build as much as we can on brownfield. But claims that we can meet our housing need from brownfield alone rest on a series of catastrophically implausible assumptions – that we can turn every scrap of brownfield into housing; that no brownfield will be diverted to commercial or industrial use, despite the often extremely high valuations for such uses; that we can somehow make it cost-effective to develop and decontaminate swathes of former industrial land in less affluent areas; and that we can easily overcome the fragmented ownership that afflicts swathes of brownfield sites. That is without considering the fact that many UK cities, and almost every rural area, do not have nearly enough brownfield to meet local demand, or that building rates on brownfield are far slower than on greenfield – meaning we would need to approve 150% as many sites to get the same number of houses built in the immediate term.

Finally, we show that building houses is not just necessary, it is less unpopular than politicians think. Polling shows that most people do want a moderate number of new houses. They absolutely accept the fact that we are in a housing crisis. And they overwhelmingly want house prices to fall rather than rising further. This issue is particularly existential for the Conservatives, who face their electoral coalition dwindling along with levels of home ownership.

The Government has signalled changes in the National Planning Policy Framework (NPPF) and wider policy. If these are small tweaks to increase the responsiveness of the system, that is one thing. But if they signal a major retreat on housebuilding, it will suggest that younger people are being abandoned and that home ownership is being given up on.

This is a paper we wish we did not have to write. But we hope it will put to bed some longstanding, and extremely damaging, myths about the British housing sector, and make an unanswerable case for building more homes – not as a substitute for reforms, but as a basic and necessary precondition of building a good society.



# Executive Summary

## Part 1. The state of the housing market

- In the 1960s we built 3.6 million homes, while in the 2000s and 2010s we built around 1.5 million homes a decade.
- As a share of housing stock, the fall in new supply is even more dramatic – we were expanding housing stock by 18% per decade at our peak, but are now doing so by around 8%. This is despite accelerating population growth since the 1990s.
- Even if you look at figures for net additional supply, to take account of demolitions and conversions, you find that annual growth in the number of dwellings has roughly halved over the postwar period – again, despite accelerating population growth.
- In addition, the size of new homes has fallen. Post 2005, around 44% of new-builds have been flats, versus just 18% pre-2005. Post 2005, 54% of homes have one or two bedrooms compared to 37% for older properties. The homes we are building are now the smallest in Europe.
- Between 1970 and 2021, house prices rose from £4,741 to £267,388. In real terms, that represented a 207% increase.
- This has been even more pronounced in some regions, particularly in recent years. In the South East prices have risen from £182,000 to £342,000 since 2004, while in London prices have risen from £219,000 to £501,000.
- The rising cost of housing is also shown in rents. Whereas private renters spent 10% of their income on housing from the 1960s to the 1980s, rising to 15% in London, the share of income spent on rent has risen to 30% in recent years, and almost 40% in London.
- Home ownership has also become harder to achieve, especially for the young, due to the state of the housing market. The UK is now fourth from bottom among European countries in terms of home ownership rates. This has reversed nearly a century of clear progress toward greater ownership.



## Part 2: Why supply matters

- In recent years, thinkers such as Ian Mulheirn (now of the Tony Blair Institute for Global Change) have done valuable work in highlighting that the rise in house prices is not purely down to supply. Factors such as the collapse in interest rates, the surge in global asset prices and the rise of buy to let have increased competition for property and driven up prices. Graham Edwards landmark CPS paper 'Resentful Renters' set out the scale of the problem, including the extent to which millions of would-be homeowners have been priced out of the mortgage market due to rule changes brought in after the financial crisis.
- But some, including Mulheirn on occasion, have gone further to argue that a focus on supply is misguided. He argues that 'the current focus on boosting housing supply does not offer a solution to the housing crisis', and that housing supply is not just keeping pace with household formation but increasingly outstripping it. He also argues that rents (which reflect the 'real' cost of housing) have not outstripped incomes and this shows no shortage exists.
- These views are simply wrong. Other issues matter, but supply remains crucial both to house prices and home ownership levels.
- On the point about household formation, households by definition can only form if a new home is available: per the ONS, a household simply is one or more people living in the same home. Since some homes are uninhabited – e.g. second homes, or the homes of elderly people who have moved into sheltered housing without selling – it follows that the number of households will usually grow more slowly than that of new homes.
- In addition, London has seen household size grow from 2.35 to 2.69, unlike other parts of England. If household size had remained fixed, the increase in population would have meant 500,000 more households. Given London's housing unaffordability, it seems that fewer households is a sign of a housing shortage, not a sign of 'excess supply'. In fact, there would be around 600,000 extra households across England if there had not been an explosion of people aged 20-34 stuck in their parents' homes, most likely due to unaffordable housing prices.
- On rents, Mulheirn's arguments use IPHRP data, which is experimental and low quality, not least because its authors depend upon landlords self-reporting any increase in rent. Even using the IPHRP data, rents have increased in real terms and ahead of inflation in recent years. Other private sector rental indices have shown faster rises (on average 2.5% rather than 1.7% a year), which would make rental rises much higher.
- It is true that there has been a speculative house price bubble on top of this fundamental shortage, but this does not mean that supply is unimportant.
- International comparisons, too, show that supply makes a major difference. Interest rates have been low everywhere. But house price rises in the UK have been much higher compared to other countries. The Barker Review in 2004 found that real house prices had risen twice as fast as the European average. Another study found that, since 1980 the UK has seen real house prices triple versus the average of a doubling among other advanced economies. We also have other indicators that point strongly to a housing shortage: fewer dwellings per citizen, much lower numbers of vacant dwellings, and far higher spending on government support for rents – costing some



£22 billion a year. (This discrepancy is not due to a shortage of social housing, as we still have the fourth largest stock in Europe as a share of total housing.)

- Regional comparisons also show that supply makes a major difference. London prices have risen by 128.8% since 2004, versus the average of 78.3% elsewhere in England. The North East has risen by just 51.6%. This is not just down to higher incomes – London's house price to income ratio is now 12:1 versus around 8:1 in the East and 5:1 in the North East.
- In short, there is absolutely no case for saying that we do not have a supply problem, or that it is not contributing to higher prices, especially in the areas of greatest housing pressure.

### Part 3: Where can we build?

- In recent months, a consensus appears to have taken hold among Conservative Party politicians that we can build the homes we need solely on brownfield land, preferably outside the South East of England.
- However, levels of brownfield land are insufficient. If they could all be built on immediately and at once, they would only provide a land supply for four or so years. There is also strong competition for brownfield land from business and industry – witness the shortages of laboratory space which are imperilling the growth of the life sciences sector around Cambridge.
- In addition, brownfield is not distributed evenly. Only in the North West could it meet 50% of projected need over the next 15 years. Most regions could not even meet 33% of projected need via brownfield. And much brownfield may be in areas where new homes are unviable, or may require prohibitively expensive remediation.
- Cities like London and Bristol could build just 24% of the homes they need over the next 15 years on currently existing brownfield sites. And most rural areas have almost no brownfield.
- Brownfield viability is also usually more difficult because alternative uses (e.g. office, industry) are higher value than for greenfield, making brownfield more costly (e.g. in the South-East you will get £1.5 million per hectare for industrial use versus £25,000 for agriculture). Once bought, brownfield land is often more expensive to prepare as well as riskier. Remediation can cost comfortably more than £1m for a five-acre site, and can be hard to gauge from the outset. Ownership is also often more fragmented. One study found that 23% of brownfield sites are not clearly owned, and another study that ownership caused issues on a majority of brownfield sites.
- All this means that brownfield has lower build out rates – at around 83 homes per annum versus 128 on greenfield. So supply cannot be provided as rapidly.
- Whenever we have built sufficient homes in the past, it has relied on using substantial amounts of greenfield. True, once we brought in 'brownfield first' policies from the late 1990s onwards, levels of greenfield use fell from 3,000 hectares a year to 1,500 hectares. But there was no rise in brownfield use. Instead, overall supply fell.
- We therefore need to focus on policies that support brownfield – but without trying to arbitrarily block greenfield housing.





- Likewise, we need to accept that the significant gap between planning permissions being issued and houses being completed is not an indicator that the planning system is working perfectly, but a misleading statistic which multiple official reviews have found that it is related to problems within the housing system, and which the CPS has already proposed solutions to in our paper *The Housing Guarantee*.

## Part 4: Why building is less unpopular than people think

- Politicians assume that homes in all circumstances are unpopular. But this is too crude an assessment.
- While design and infrastructure are important and help to win support, the baseline finding from the polls is that people are ambivalent - not hostile - to new homes.
- Housing is now the 6th or 7th issue for voters in terms of priority, which is all the more significant when you consider that many of those being polled will already own homes.
- Boosting ownership is particularly important for Tories – 81% of their supporters want to own.
- Work by pollster Matt Singh and by Shelter showed that the near election of Jeremy Corbyn in 2017 was largely down to a ‘rentquake’ among renting voters coming out to remove the Tories.
- Building more homes is not the unpopular position always assumed. Some polls show that more homes can be unpopular, but others show the opposite, and in general moderate numbers of new homes are supported.
- In 2018, voters wanted more homes in their local area by 2:1. A more recent poll found that by 56% to 32%, voters wanted a moderate number of new homes in their area. A poll this year found 55% agreement to 17% disagreement that we need to build ‘a lot’ more homes, and support for more homes in the local area of 49% to 22%.
- The idea that people are worried about falling house prices is also nonsense. Polling in 2019 found that by 59% to 25%, voters wanted moderate house price falls. A maximum of 13% wanted any kind of price rises.
- More recent polling finds that just 10% of voters want prices to rise while 50% want them to fall.
- Politicians thus need to reconsider their existing understanding – instead of fewer homes and higher prices, many members of the public want more homes and lower prices. Delivering this will in turn allow the goal of home ownership for more people to be realised.
- The political class must therefore focus on new homes being built. This is not as a substitute for reforms but instead should go alongside them. Infrastructure, design, buildout and so on all need improvement.
- But the need for other reforms is part of, not opposed to, the unarguable case for housebuilding that this paper sets out.

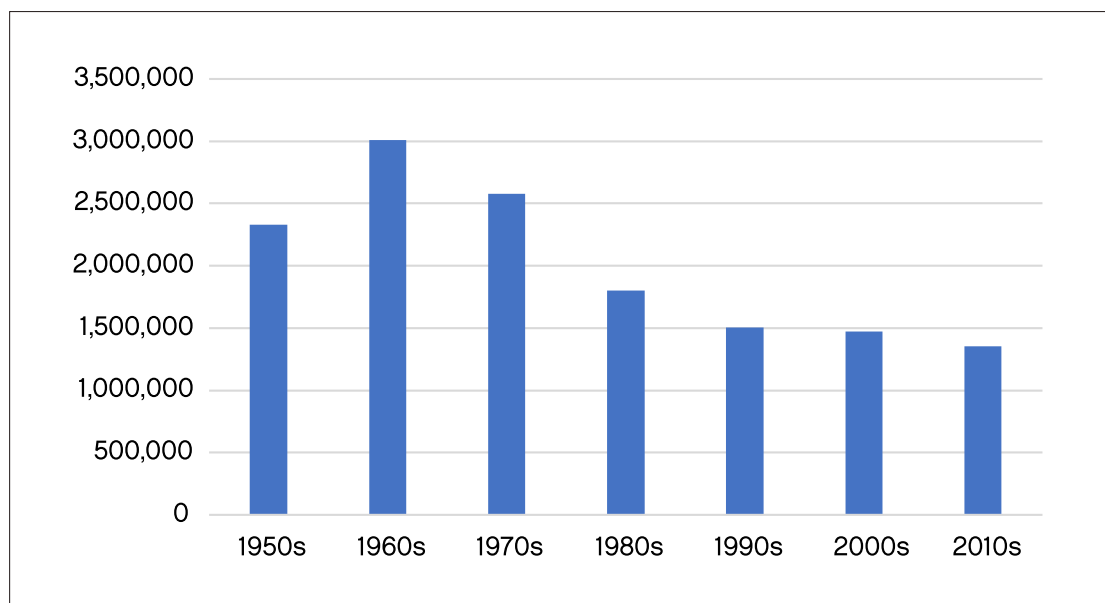


# Part 1: The state of the housing market

Britain's housing crisis has many causes. But one of the most obvious and most important is that housebuilding has been in decline, even as the population has been rising more rapidly in recent decades.

In the 1950s, some 2.33 million homes were built in England, nearly two thirds of them by local authorities. The 1960s also saw a major expansion of the housing stock, with the completion of three million homes in England. However, the 1970s and 1980s saw housing completions fall sharply to 2.5 million and 1.8 million homes respectively. As the graph below shows, housing completions during the 1990s and 2000s remained at around 1.5 million each decade, before beginning to drop off even further in the 2010s.<sup>1</sup> The upshot is that completions across the UK have fallen from a peak of 378,000 in 1969 to around 175,000 per year, despite a noticeable rise in population.

## Housing completions by decade, England



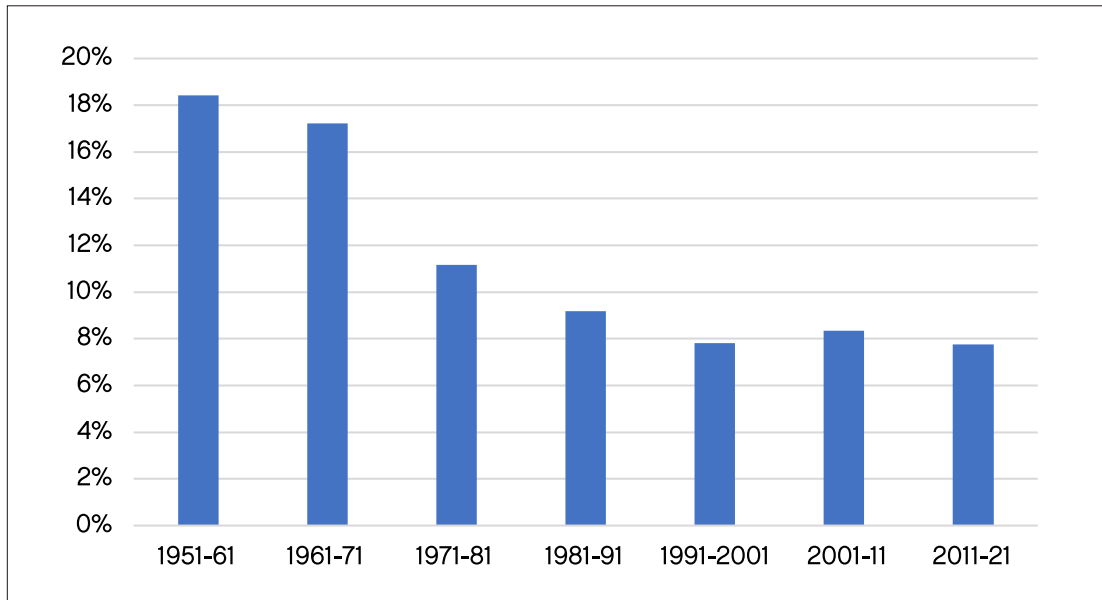
The scale of the housing supply shortfall in England – where the problem is most severe and upon which this report will focus – can be highlighted by comparing the actual number of houses built in the last 30 years to the number built in the previous 30. Between 1959 and 1988, approximately 7.5 million homes were built, whereas only 3.3 million homes were built in the last 30 years. This suggests a total shortfall of 4.2 million homes.

<sup>1</sup> MHCLG, *Tackling the under-supply of housing in England*. [Link](#)

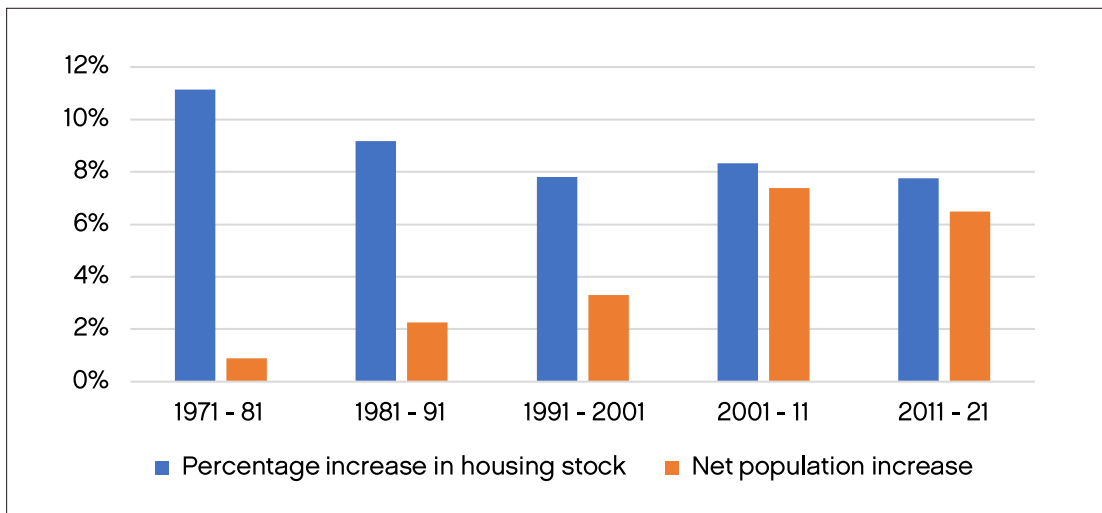


However, the nominal completion number only tells us part of the story. Clearly, if there is an addition of 300,000 to a stock of 10 million, it represents a much bigger increase than an addition of 300,000 to a stock of 20 million. If we want a proper account of the state of housing supply, we must measure additional housing stock as a percentage increase in the overall stock of housing. And as the graph below demonstrates, in the most recent decade England saw an addition of around 8%, down from a postwar high of 18%.<sup>2</sup>

### Percentage increase in housing stock each decade, England, 1951-2021



### Percentage increase in housing stock vs net population increase by decade



Yet even as the growth in stock has been declining, demand has been increasing. The population rose from 41,164,356 in 1951 to 56,489,800 in 2021.<sup>3</sup> This translates to a shift from a ratio of around 5.3 new homes per 1,000 people between 1951 and 1961 to around 2.6 per 1,000 between 2011 and 2021. The last decade in particular has seen a sharp increase in population (largely fuelled by immigration) and a continued fall in housing supply. This is a complete reversal of the levels of housebuilding relative to population compared to previous decades.

<sup>2</sup> CPS calculations based on Ministry for Housing, Communities, and Local Government, *Live Table 104*. [Link](#)

<sup>3</sup> ONS, *England Population Estimates, Census 2021*. [Link](#)



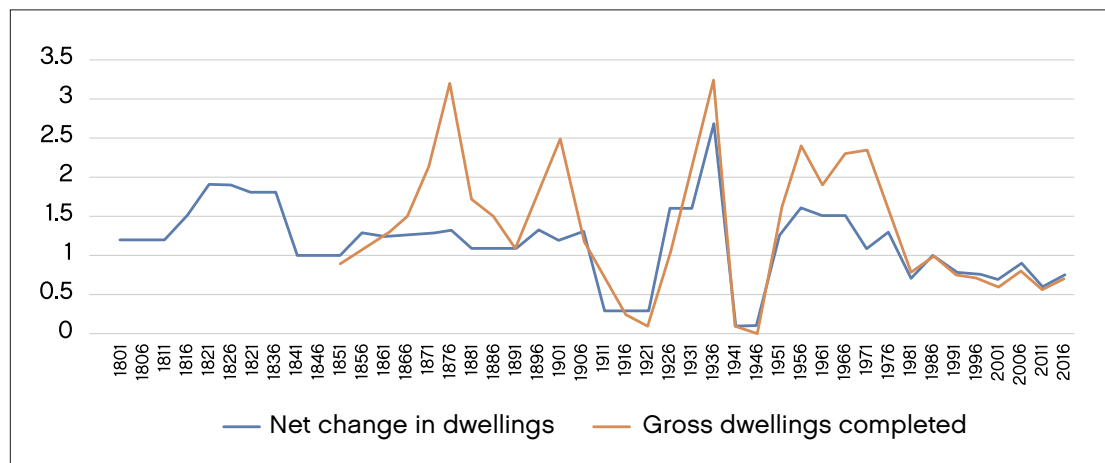
## There is still a housing shortfall when you consider net supply

One of the most popular arguments from those who seek to downplay the extent of the housebuilding shortfall is that the actual number of new dwellings is not the best metric. If you take account of demolitions and/or conversions, they argue, a much rosier picture emerges.

There is some truth to this. In the postwar period, there was indeed a surge in demolitions, which peaked in the 1960s and 1970s.<sup>4</sup> In particular, much existing housing was removed to make way for the new tower blocks which came to festoon Britain's cities. Likewise, as building homes has become harder in recent decades, more developers have been forced to convert existing buildings.

But even accounting for that, the trend is still crystal clear. We have gone from increasing the overall stock of dwellings by about 1.5% per year in the 1950s and 1960s to around 0.7% in recent years – in other words, the rate has almost halved. And as noted above this has gone hand in hand with a major increase in population, so that we are still adding far fewer homes for a given increase in population.

### Gross and net change in dwellings (as a percentage of existing dwelling stock, England and Wales, 1801-2016)



## New homes have also been getting smaller

The fall in new housing space is even more dramatic when you look at the size of new build homes, which have been shrinking for some time.

Since the 1980s, as mentioned above, there has been more conversion of existing properties to create housing units. This means, yes, that the net increase in housing stock has tended to be higher than the number of new-build completions. But the homes that are created also tend to be smaller – and are far more likely to be flats rather than houses.<sup>5</sup> One study found that in the decade after 2005, around 44% of the new build homes were flats, compared with just 18% of older properties. This is a major shift in living space per person.

4 Jacob Rees-Mogg and Radomir Tylecote, *Raising the Roof*, [Link](#)

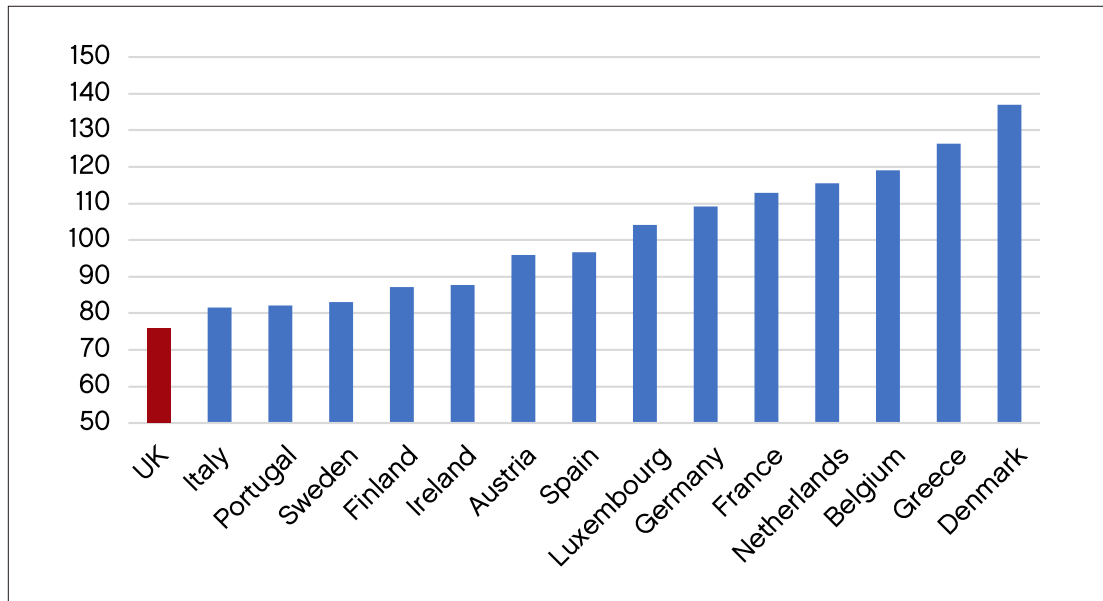
5 Winnie Agbonlahor and Jamie Carpenter, *44% of new homes are flats, survey finds*. [Link](#)



Average dwelling size has also fallen, with the typical home now 20% smaller than in the 1970s.<sup>6</sup> But the number of bedrooms in homes has hit a record low. A study from 2018 found that homes in the 1940 boasted an average of 3.63 bedrooms per property. Today, homes have just 2.95 bedrooms on average – the lowest average in the past 90 years.<sup>7</sup> And the size of those bedrooms has not increased to compensate: if anything, they have been getting smaller.

In fact, researchers from the University of Cambridge have found that, at an average of 76m<sup>2</sup>, the UK's newly built homes are now the smallest in Europe. (At the other end of the spectrum was Denmark at 137m<sup>2</sup>.) Other studies have suggested that more than half of the new homes we are building are too small to meet the needs of the people who buy them.<sup>8</sup>

### Average size of a newly built home (m<sup>2</sup>)



## Housing is increasing unaffordable, especially for the poor

We are building fewer homes, especially compared to our population size. The homes we are building are shrinking in size. And unsurprisingly, there has been a steady increase in the cost of housing.

Since 2000, UK house price growth has significantly outpaced the rise in average earnings. The average house in 2021 cost more than 73 times the average weekly wage whereas in 1970 the average house price was 35.8 times higher. When it comes to calculating real house price increase, methodology varies, largely depending on the house price series and price index used in the calculations. According to Nationwide, in 1970 the average home in the UK cost £4,741. As of 2022, that figure stands at £267,338. Adjusted using the ONS Retail Price Index (RPI) this means in real terms that house prices have increased by 207% since the mid-1970s.<sup>9</sup>

6 Which? *Shrinking homes: the average British house 20% smaller than in 1970s*. [Link](#)

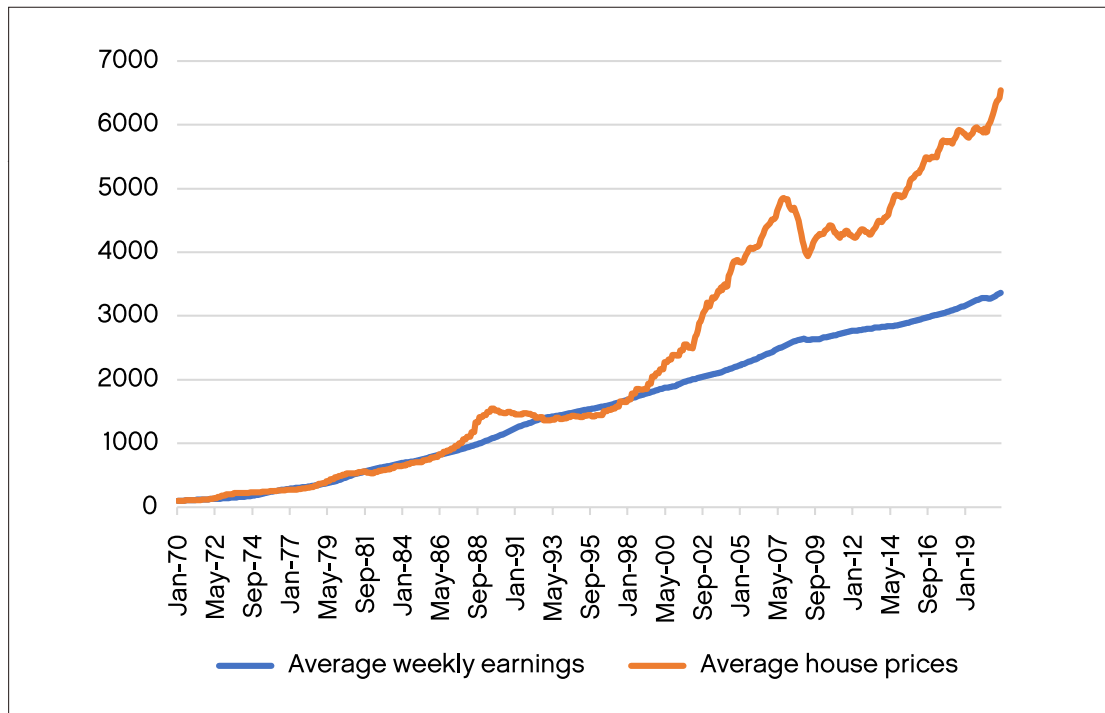
7 Ibid.

8 Anna Winston, *More than half of new homes in the UK are too small, says RIBA*. [Link](#)

9 Calculated using Nationwide house price series and adjusted using ONS Retail Price Index (RPI). Nationwide, *UK HP Since 1952*. [Link](#)



**UK average house prices and weekly earnings 1970-2020 (12-month rolling average), indexed to Jan 1970<sup>10</sup>**



The housing crisis is felt across the country, but in some regions the situation is particularly awful. The following table indicates how average house prices have changed in major regions of the UK since 2004.<sup>11</sup> Not surprisingly, London has seen the most pronounced increase by some distance. Prices in the North East, by contrast, have risen at less than half the rate seen in the capital – only barely exceeding CPI inflation, which stands at a cumulative rate of 43% over the period.<sup>12</sup>

**Average house price by region**

Region	2004	2021	% increase
North East	£91,000	£138,000	51.6%
North West	£96,000	£184,000	91.7%
Yorkshire & Humber	£97,000	£179,000	84.5%
East Midlands	£119,000	£210,000	76.5%
West Midlands	£123,000	£210,000	70.7%
Eastern	£160,000	£311,000	93.4%
London	£219,000	£501,000	128.8%
South East	£182,000	£342,000	87.9%
South West	£158,000	£275,000	70.1%

But it is not just owning a home that has become increasingly unaffordable as the housing crisis has deepened. There is also huge pressure on renters, in terms of both higher rents and rising insecurity.

Analysis by the House of Commons Library suggests that from the 1960s to the early 1980s, private renters spent on average around 10% of their income on rent, rising to

<sup>10</sup> Amy Borrett, *How UK house prices have soared ahead of average wages*. [Link](#)

<sup>11</sup> ONS, *UK House Price Index: January 2021*. [Link](#)

<sup>12</sup> Via Bank of England inflation calculator. [Link](#)



around 15% in London. As things stand, those figures have increased to over 30% in the country as a whole and nearly 40% in London.<sup>13</sup> At the same time the proportion of households in Britain who are private renters has doubled since 2002.<sup>14</sup>

The ONS has analysed monthly earnings and monthly rental costs for households across England to assess affordability, classing ‘unaffordable’ rent as any costing more than 30% of a household’s monthly earnings. The analysis found that in 2020, low-income households were forced to spend more than 30% of their monthly income on rent in every region except the North West and East Midlands. The worst-affected areas were London, the South East and the East of England, where the poorest households shelled out over 50% of their monthly income on even the cheapest available rents. Even in the North West and East Midlands, only the very cheapest homes (less than £500 per month) cost low-income renters less than 30% of their monthly income.

These costs are, as you would expect, historically high. In 1980-1990, median rents were 24% of household income. They have now risen to around 33% of household income. Indeed, it has been calculated that if rent levels had stayed the same, the number of households in unaffordable housing would be 60% lower today.<sup>15</sup>

As demand for homes has outstripped supply and the boom in buy-to-let properties has taken more homes out of owner-occupation, young people have been faced with ever increasing rents. Since 2010, the cost of renting has gone up by 44.5% according to the Halifax.<sup>16</sup> During this period, wages have risen by 30.4% and inflation has risen by 24%.<sup>17</sup> This is hardly a sign of a functioning market.

Year	Average monthly rental payment	% Annual increase	Inflation	Wages (monthly)	% Annual increase
2010	£605	N/A	2.5	£1,924	N/A
2011	£653	7.9	3.8	£1,971	2.4%
2012	£661	1.2	2.6	£1,993	1.1%
2013	£692	4.7	2.3	£2,019	1.3%
2014	£720	4.0	1.5	£2,041	1.1%
2015	£744	3.3	0.4	£2,088	2.3%
2016	£759	2.0	1.0	£2,140	2.5%
2017	£754	-0.6	2.6	£2,188	2.2%
2018	£759	0.7	2.3	£2,253	3.0%
2019	£747	-1.6	1.7	£2,331	3.5%
2020	£821	9.9	1.0	£2,370	1.6%
2021	£874	6.5	2.5	£2,509	5.9%
<b>Total change</b>	<b>£269</b>	<b>44.5%</b>	<b>24.2%</b>	<b>£585</b>	<b>30.4%</b>

In addition, this rise in rents has happened at a time when more and more young people are stuck in their parents’ homes. The total number of young people who are living in

13 Neil O’Brien, *Green, Pleasant and Affordable*. [Link](#)

14 Ibid

15 Affordable Housing Commission, *Making Housing Affordable Again: Rebalancing the Nation’s Housing System*. [Link](#)

16 Halifax, *Buying almost £1400 cheaper than renting*. [Link](#)

17 Ibid.



the family home has risen by 50% from 2000 to 2019 from 2.4 million or so to 3.6 million.<sup>18</sup> This should have substantially reduced rents by effectively reducing the demand for housing. But even this reduction of around 600,000 households (assuming around two young people per household) has not been able to make rents more affordable.

## High house prices have driven down home ownership

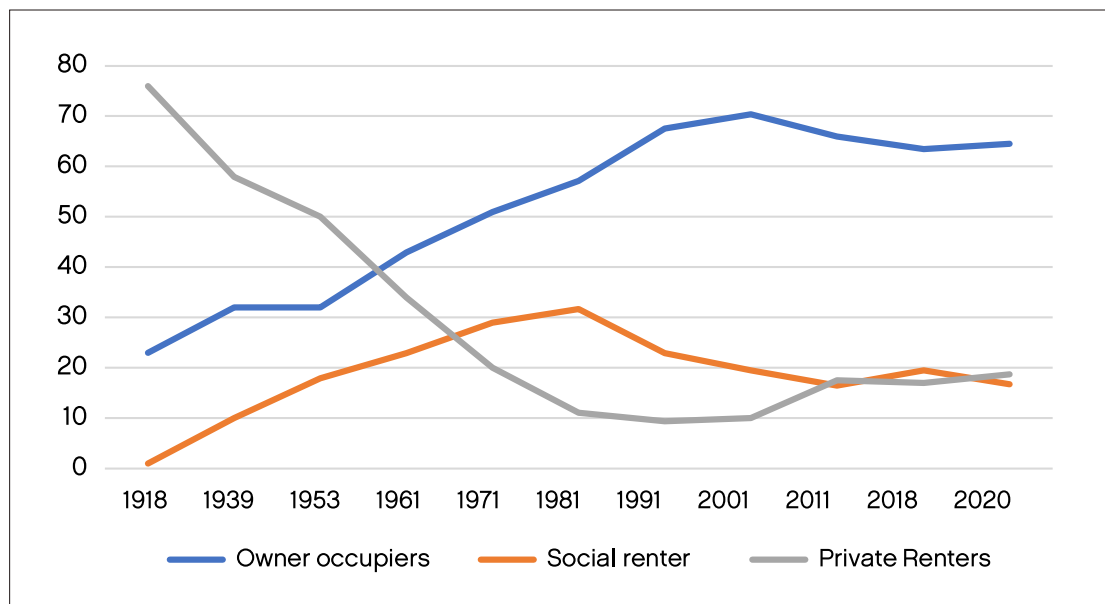
Home ownership is a fundamentally beneficial thing for individuals. People who own their own home benefit from secure tenure and lower housing costs, especially once they've paid off their mortgages. It therefore comes as no surprise that nearly nine in 10 people would prefer home ownership over renting.<sup>19</sup> In fact, Britons rank owning a home second only to having a child when it comes to life importance – higher than getting married or even having a social life.<sup>20</sup>

Yet only around six in 10 actually do own their own homes – leaving a quarter of Britons who wish to but cannot. Indeed, while Britain is still sometimes presented as a nation of homeowners, as of 2020 only four of the EU 27 had lower rates of homeownership than Britain.<sup>21</sup> By contrast, 10 member states enjoyed homeownership rates of over 80%.

The UK's housing crisis is not unique. But it is certainly one of the worst in Europe and the G7. While countries like Germany and France have pockets of unaffordable housing in their respective capitals, they are not nearly at the same level. Compared with leading European cities, house prices in London are extremely high.<sup>22</sup>

Falling ownership, as outlined below, is a relatively recent development. Throughout the 20th century, home ownership steadily increased, from 23% in 1918 up to 71% of households in 2003.<sup>23</sup> But since then it has declined, down to just 63% today.

### Household tenure over time



18 ONS, *Families and households in the UK: 2021*. [Link](#)

19 British Social Attitudes Survey.

20 Emma Johnson, *Homeownership second only to having kids when it comes to life importance*. [Link](#)

21 Eurostat, *Distribution of population by tenure status, type of household and income group - EU-SILC survey*. [Link](#)

22 Nigel Hawkins, *Build Baby, Build!* [Link](#)

23 Brookings, *In the United Kingdom, homeownership has fallen while renting is on the rise*. [Link](#)





As we are all grimly aware, this picture is even worse for the young. Since 2003, the number of older people owning their own home has actually risen. This means that the headline figures are hiding a more dramatic decrease in homeownership among younger people.

In 1989, 51% of those aged 25 to 34 owned their own homes. In 2019, that stood at just 28%. Home ownership among the poorest young people (the lowest two-fifths of the income scale) has more than halved since 1989, down from 24% to just 11%.<sup>24</sup> Increasingly, two incomes are needed to get onto the housing ladder, with young couples more than five times more likely to own their own home compared to singles. This is a rise from being three times more likely in 1989. And while the fall in home ownership among young people was most notable in London and the South East (and most dramatic before the financial crisis), all regions have been affected.

**‘ In 1989, 51% of those aged 25 to 34 owned their own homes. In 2019, that stood at just 28% ’**

As previous CPS research has highlighted, the key challenge for those looking to get on to the property ladder is raising a deposit. With rents and house prices both at record highs, it is increasingly difficult for many aspiring buyers to save enough for a meaningful deposit. In fact, just 40% of private renters in full time work have any savings at all, including 45% of those in full time work.<sup>25</sup> The situation is even worse for younger private renters, with 62% of 25- to 44-year-old renters having no savings at all.<sup>26</sup>

These limited savings mean it is incredibly challenging for first time buyers to save for the average deposit. As recently as the 1990s, a first-time buyer couple on a low-to-middle income saving 5% of their wages each month would have enough for an average-sized deposit after just three years.<sup>27</sup> Today it would take them 24 years.

Without help from the Bank of Mum and Dad, many young people will struggle to ever get a foot on the housing ladder. In fact, the Bank of Mum and Dad is the equivalent of a £3.5 billion mortgage lender: in 2020 around one in four of all buyers received help from friends or family, getting an average of £20,000.<sup>28</sup>

In short, there are many complex factors that explain the scale of Britain's housing crisis. But it is undeniable that we have been building far fewer properties compared to our population, and that those properties have been smaller. And the areas in which prices have risen the most have been precisely those in which demand for housing has been highest but supply has been unable to adjust.

24 Resolution Foundation, *Hope to buy*. [Link](#)

25 English Housing Survey, *2019-20 Social Rented Sector Report – Annex Table 3.7: Savings, by tenure 2019-20*. [Link](#)

26 English Housing Survey, *2019-20 Social Rented Sector Report – Annex Table 3.8: Presence of savings, by tenure and demographic characteristics, 2019-20*. [Link](#)

27 Ministry of Housing, Communities and Local Government, *Fixing our broken housing market*. [Link](#)

28 Legal and General, *Bank of Mum and Dad, 2020*. [Link](#)



## Part 2: Why supply matters

The previous chapter set out that:

- Housebuilding has declined
- That decline is even more sharp when adjusted for population and housing space
- House prices have risen
- Rents have risen
- Home ownership has fallen

These facts are incontrovertible. But an increasing number of people have made the argument that these problems are all somehow unrelated to supply, or at least that adding housing supply will not fix them. Voices as varied as the Bow Group on the Right and Ann Pettifor on the Left have claimed, to quote the former, that ‘building more houses, despite being the solution most widely touted, is not the answer to the UK housing crisis, building more houses will not have a downward effect on prices.’<sup>29</sup>

Arguably the most powerful champion of this view is Ian Mulheirn, an economic consultant who has campaigned relentlessly against a supply-dominated view of the housing market, and even the idea that there is a substantial shortage of housing stock. He has produced three particularly significant reports – the Redfern Review, and two further reports in August 2019 and 2021 which restated his case.<sup>30</sup> These have been highly influential in policy circles – not least because the idea that ‘there is no shortage’ is a comforting narrative for politicians keen to avoid having to make difficult political decisions.

**‘ We strongly disagree with the view that whether we build 150,000 homes a year, or 220,000, or 300,000, will have a ‘modest impact’ on house prices and rents, particularly in the medium term ’**

The authors of this paper agree with Mulheirn that supply is not the only factor. We agree that there has been an asset price bubble which has pushed up house prices versus rents, and that there are other policies that can make a difference beyond increasing supply (e.g. how far mortgage lending and taxation policy support first time buyers relative to buy-to-let landlords).

But this is not all that Mulheirn argues. To quote his most recent report, ‘*Well established empirical evidence shows that significantly higher supply will have only a modest impact on house prices over a generation. And, in any case, house prices themselves are not the most important factor in determining home ownership.*’<sup>31</sup>

29 Daniel Valentine, *Solving the UK Housing Crisis - An analysis of the investment demand behind the UK’s housing affordability crisis*. [Link](#). See also Ann Pettifor in *The Guardian*. [Link](#)

30 Ian Mulheirn, *Tackling the UK Housing Crisis: Is Supply the Answer?* [Link](#)

31 Ian Mulheirn and James Browne, Christos Tsoukalis, *Bringing It Home: Raising Home Ownership by Reforming Mortgage Finance*. [Link](#)



He has also put forward two arguments – e.g. in *Tackling the UK Housing Crisis: Is Supply the Answer?* – for why the scale of the supply shortfall has been overstated. The first is that the number of dwellings has risen faster than the rate of households, which he argues show that there is a ‘surplus of houses’ (e.g. see chapter 2 of his paper, *Tackling the UK Housing Crisis*). Second, given that real term rents have not risen in over a decade, and since rents are the price of ‘housing services’, we can conclude that there is, in fact, no housing shortage (e.g. see chapter 3 of the same paper, *Tackling the UK Housing Crisis*).

We agree that there are important additional variables in terms of home ownership and house prices. But we strongly disagree with the view that whether we build 150,000 homes a year, or 220,000, or 300,000, will have a ‘modest impact’ on house prices and rents, particularly in the medium term. And we also think that when it comes to housing supply, the argument against its significance rests on shaky ground.

## The flaws in the anti-supply argument

There are two errors in the main arguments made to minimise the importance of supply:

- The balance between households and housing supply is not a good measure of need/demand. So the argument that households are not growing as fast as supply is invalid.
- Some Government rental data is poor quality. So those arguing about the cost of rents need to use the right data.

### *Households vs supply is not a good measure of need/demand*

One of the arguments made to show that Britain does not have a supply shortage is that the number of houses has grown faster than the number of households. Mulheirn himself has argued that there is a surplus of housing in all parts of the UK, including areas such as London that are seen as ‘high demand’ (the relevant blog post was even called ‘London’s housing non-shortage’).<sup>32</sup>

**‘In the case of London, the number of new households has been slightly less than new homes, in part because many new homes have been sold to non-UK residents’**

For example, he argues that ‘London’s household count has grown by just under 10% but it has added almost 12% more houses – suggesting that supply has comfortably exceeded household growth in these regions since the turn of the century.’ So because there have been more houses added than new households, there is an ‘excess supply’ of houses. London is suffering from an oversupply of housing.

But this is simply nonsense. Rather obviously, *a new household can only form if a new house is available for it to move into*. Thus broadly speaking the total number of new households and new houses will always be roughly in balance.

In the case of London, the number of new households has been slightly less than new homes, in part because many new homes have been sold to non-UK residents.<sup>33</sup> This explains the gap between new homes and new households – some houses are

32 Ian Mulheirn, *London’s housing non-shortage*. [Link](#)

33 House of Commons Library, *Foreign Investment in UK Residential Property*. [Link](#)



now occupied by what are statistical ‘non-households’, in which the owners do not count as London or UK households. Indeed, given any growth in holiday homes or overseas buyers (which in an advanced economy will tend to rise), *the number of households will automatically tend to grow more slowly than the number of new homes.*

In addition, focusing on household growth ignores the fact that lots of people are being forced to live in overcrowded accommodation, or at best, being forced to live with more people than they want to. So the number of households has been artificially suppressed. Household formation follows new supply. The lower the level of new homes, the higher the price of houses becomes, and so the fewer new households can form.

In London, for example, household size has risen significantly, up from 2.35 in 2001 to 2.69 in 2019.<sup>34</sup> There were 3.375 million households in the capital in 2019.<sup>35</sup> Yet if London’s household size had remained the same as in 2001, there would have been around 3.863 million households by 2019, or roughly 500,000 more. This is not a small difference.

Furthermore, there is nothing to suggest that people in London from 2001 to 2019 really wanted to live in larger households. It is much more likely that the very high prices in London, even compared with other parts of the country, reflect a major imbalance between the supply and demand for housing which pushed up prices substantially. This in turn forced up household size from 2.35 to 2.69. It seems unlikely that it just happened that people in London started to really want to live in bigger households at the same time prices rose sharply.

**‘ In London household size has risen significantly, up from 2.35 in 2001 to 2.69 in 2019 ’**

One counter-argument to explain this increase in housing size, particularly in London, is to attribute it to population change and preferences. It is true that London does have a unique population dynamic when compared to the rest of the country. Around half of heads of households were born outside of the UK, and even more are descendants of people born outside of the UK. It has therefore been argued that migration is the main driver of average household size, and that this is a choice on the part of migrants.<sup>36</sup>

However, the evidence for this is not clear cut. In London, average household size was 2.38 in 1991. Census data from the time shows us that the migrant population made up 22% of the total population. By 2001, the population of migrants in London had risen to 27% of the population, yet household size fell to 2.35. This suggests that when house prices were more affordable, migrants were no more likely to actively choose to live in more crowded housing.

More widely, a lack of housing to meet rising demand from a growing population has meant, among other things, that the fastest growing household category over the last two decades has been households containing multiple families, having increased by two-thirds to an estimated 278,800 households in 2020.<sup>37</sup>

34 2001 Data: London Councils, *A London Councils Member briefing*. [Link](#)

35 2019 Data: ONS, *Households by household size, regions of England and GB constituent countries*. [Link](#)

36 Ian Mulheirn, *Why is household size growing?* [Link](#)

37 ONS, *Families and households in the UK: 2020*. [Link](#)



It could be that this is the result of a major social change, but it seems odd that this has gone hand in hand with higher prices. And of course, each and every one of those multiple family households would previously have been an additional household.

Most of all, there has been a major increase in the number of 20- to 34-year-olds who have either never left their parents' homes, or have returned to live there. This number has been steadily growing both as an absolute figure and as a proportion of the total number of young adults.<sup>38</sup>

Year	No. of 20- to 34-year-olds living with their parents (000s)	% of total
2000	2,409	20
2008	2,703	22
2020	3,628	28

At a household rate of 2 this would mean an additional 600,000 homes that have not been built.

We would argue that given the high house prices and rents we showed in Part 1, these young people are mostly trapped at home. They would like to be able to live independently, but are unable to do so.

In short, household growth versus the supply of new homes is simply not a very good measure of demand. In fact, it is almost irrelevant. Household growth and supply of new homes will by definition almost always match each other, so you can learn almost nothing by comparing them (other than the volume of overseas buyers or second home purchases).

This point about household supply also counters one of the key points made by anti-housing campaigners.

One of the main arguments of the Community Planning Alliance, to quote its co-founder Rosie Pearson, is that 'the government is using out-of-date and over-inflated figures to set the housing target'. The official 300k a year target for new housing is based on household projections carried out by the Office for National Statistics in 2014. But 'in fact only 160,000 households a year are forming, nearly half what the national target is'.

More broadly, they argue that 'population growth is slowing' and that 'ONS 2018 statistics showed that there will be three million fewer people by 2039 than the 2014 projections forecast'. The upshot is that 'government policy is encouraging unaffordable houses that we do not need and which destroy England's green and pleasant land'.<sup>39</sup>

It is true that in 2014, the ONS projected that there would be 28.39 million households in 2039, whereas now it only believes there will be 26.44 million – or, to put it another way, that household numbers will increase by 160,000 per year over the coming decade rather than 210,000.<sup>40</sup> But this still means a substantial increase in

38 ONS, *Young adults living with their parents*. [Link](#)

39 Rosie Pearson, *Why the Government's planning reforms are ill-thought-out - and how to tackle the housing 'crisis'*. [Link](#)

40 ONS, *National Population Projections: 2014-based Statistical Bulletin*, [Link](#) and ONS, *Household projections for England: 2018-based*. [Link](#)



households, driven by an ageing population and more people living on their own. And the idea that this changing forecast means we can safely slash housebuilding targets rests on a series of misconceptions, in particular that we have been building such a large amount housing in previous years that there is no need to catch up on the shortfall, and that household numbers are a predictor of housing capacity rather than, as outlined above, in large part a consequence of it.

Indeed, the ONS explicitly warns that ‘household projections are not a prediction or forecast of how many houses should be built in the future’.<sup>41</sup> As outlined above, we have identified a ‘shortfall’ in existing households in London alone of more than 500,000. And obviously, there is the impact of migration to consider: previous CPS work has shown that if the 2014 figures had been updated to account for actual migration, we would have needed to increase the 300,000 target by another 40,000 homes.<sup>42</sup> Indeed, the 2018 figures assumed that net migration would fall from 271,000 to 190,000 between 2018 and 2025, and then remain at that baseline.<sup>43</sup>

**‘ Previous CPS work has shown that if the 2014 figures had been updated to account for actual migration, we would have needed to increase the 300,000 target by another 40,000 homes ’**

In fact, while net migration did fall during the pandemic, it has since smashed past those forecasts, partly thanks to our policy towards refugees from Afghanistan, Ukraine and Hong Kong. The most recent annual figure, of 504,000, is many times higher than the 290,000 envisaged in the ONS’s ‘high migration’ scenario, which itself would add a million homes to the projected total.<sup>44</sup> Even if you strip out arrivals under those three specific schemes, you are still left with a total of roughly 370,000.

As for the broader point about historic under-building, as the housing analyst Ant Breach recently wrote, ‘if England, which has 25 million homes, decided to aim for similar housing outcomes as France, then England would still need to build over six million more homes to get to the same ratio of persons per dwelling, even if net immigration dropped to zero tomorrow’.<sup>45</sup>

#### *Government rental data is poor quality*

The second argument advanced by Mulheirn is that real rents have not increased much (i.e. rents have risen in line with inflation). This means that the actual cost of having a roof over your head has not risen – meaning that the rise in house prices reflects the cash being poured into residential property as an asset class.

But the problem is that he consistently uses a bad set of data.

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41 ONS, *Household projections for England: 2018-based*.

42 Centre for Policy Studies, *Housing and Immigration*. [Link](#)

43 ONS, *National population projections, migration assumptions: 2018-based*. [Link](#)

44 ONS, *Long-term international migration, provisional: year ending June 2022*, [Link](#) and ONS, *Household projections for England*. [Link](#)

45 Anthony Breach, *England needs either tougher housing targets or planning reform – it’s one or the other*. [Link](#)



The key series that Mulheirn relies on is the ONS Index of Private Housing Rental Prices, the IPHRP. But as the ONS itself notes, despite going back to 2005, this is an *experimental* index, in part because the quality has never really been assured.

This data set relies upon landlords notifying the ONS when they update their rents. Unsurprisingly, this is not particularly accurate, since many landlords do not do so, as the ONS itself admitted to one of the authors when he worked in Downing Street in the mid-2010s.

The IPHRP shows an increase of around 30% in recent years.<sup>46</sup> During this period, wages have risen by 30% and inflation has risen by 24%.<sup>47</sup> So rents have risen faster than inflation in general and roughly in line with wages. But what is also true is that the IPHRP has generally seen a lower rate of increase than other types of rental data. The ONS itself has noted that the average annual growth rate across its private rental market statistics is 2.5% compared with average annual growth rate in the IPHRP of 1.7%.<sup>48</sup> Given the low inflation rate until Covid, this difference is large – a rate of growth nearly 50% higher.

‘ The ONS itself has noted that the average annual growth rate across its private rental market statistics is 2.5% compared with average annual growth rate in the IPHRP of 1.7% ’

The ONS argues this is likely due to compositional, geographical and other changes within the PRS which have affected the private rental sector data. But it seems just as plausible that the private sector data is more accurately reflecting rents. The ONS is keen to defend its own data. But the IPHRP has, as they admit, flaws that mean it may well be undercounting rent rises – even before the recent post-pandemic surges. Certainly, it does not feel as if the private sector is becoming more luxurious, affordable or desirable in general. For example, one analysis of shared properties being offered online on room sharing websites found that only a third had a living room or other communal room, a major shift from a few decades ago.<sup>49</sup>

None of this is to disagree that it is true that house prices have gone up much faster than rents – but the existence of an asset price bubble in the residential property sector does not also mean there is no issue with supply. The pre-pandemic data showed a steady increase in rents in recent years – which is what would be expected if there is a shortage of a given good or service, not what would be expected if there was simply an asset price or house price bubble on its own.

46 Taken from the VOA data and ONS data and archived VOA data from September 2011 to September 2021. Median rents rose from £696 a month to £898 a month or by roughly 30%.

47 Halifax, *Buying almost £1400 cheaper than renting*. [Link](#)

48 ONS Comparing measures of private rental growth in the UK. [Link](#)

49 Andrew Ellson, *Landlords Kill off the Living Room*. [Link](#)





## The international evidence shows that supply matters hugely

It is important to acknowledge, yet again, that supply is not the only factor that drives prices – not remotely. Mulheirn and others have played a valuable role in showing how globalisation and a decades-long decline in real interest rates played a substantial role in driving up prices in recent years.

Yet it would be very odd if housing was the one market in which the laws of supply and demand did not apply, or were somehow muffled by other factors.

And when we look overseas, we find clear evidence that the lack of new supply has driven up prices in England and the UK.

Globally, interest rates have been low in all economies. So if interest rates are the problem, we should find the UK is broadly in line with other economies. If supply is also an issue, the UK will have particularly high prices.

‘ The 2004 Barker review before the synchronised downturn in interest rates post 2008, the 2004 Barker Review noted that between 1974 and 2004, UK house prices had increased at double the average rate in the EU ’

Before the synchronised downturn in interest rates post 2008, the 2004 Barker Review noted that between 1974 and 2004, UK house prices had increased at double the average rate of increase in the EU. In real terms, prices had increased by 2.4% a year, compared to the EU average of 1.1%. The review estimated that a major increase – a doubling of the supply rate of new housing – would more than halve the rate of house price growth, thereby reducing it to the European average.<sup>50</sup>

In 2018, the think tank Onward carried out a longer-term assessment of supply in three comparable countries, with similar economic growth rates, similar population growth rates and with different housing supply rates. The table below shows the results.<sup>51</sup>

In all three countries – the UK, France and the Netherlands – interest rates have been broadly comparable. If anything, in the most recent decade the ECB has been even looser, with some rates even going negative.<sup>52</sup>

Change 1970-2015	France	Netherlands	United Kingdom
<b>GDP growth per year</b>	2.3%	2.4%	2.3%
<b>Population growth per year</b>	0.5%	0.6%	0.4%
<b>Growth in housing stock</b>	91%	100%	46%
<b>Growth in housing stock</b>	16.7m	3.8m	8.9m
<b>House price increase relative to the UK</b>	0.40	0.41	1

50 Kate Barker, *Delivering stability: securing our future housing needs*. [Link](#)

51 Neil O'Brien, *Green, pleasant and affordable*. [Link](#) and OECD, *Analytical House Price Indicators*. [Link](#)

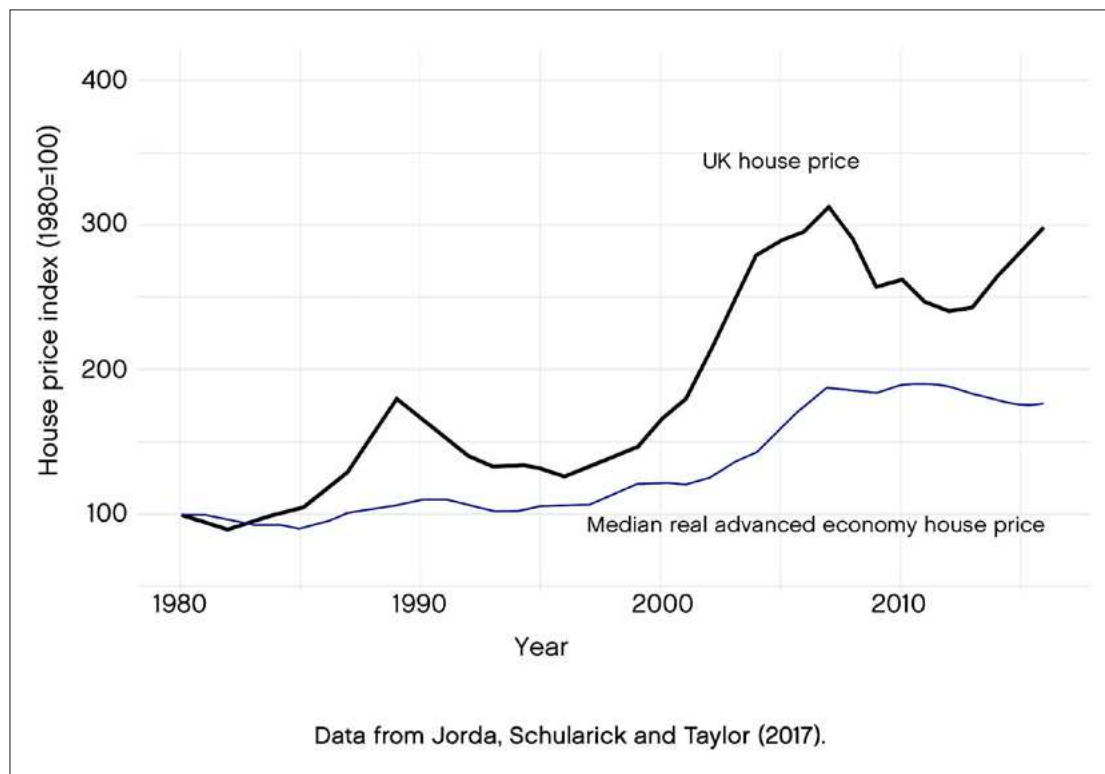
52 ECB, *Key ECB interest rates*. [Link](#)





As we can see, despite having similar population growth over the period as a whole, both France and the Netherlands roughly doubled their housing stock, whereas the UK's has grown by just 46%. Accordingly, real house price increases in the UK have been nearly more than double those of France and almost 50% more than the Netherlands, even as interest rates have been broadly comparable. This seems an odd coincidence – that much lower levels of supply just happen to go along with much lower price rises.

The Bank of England has also produced a hugely important paper showing that house prices in the UK have risen very substantially compared with other advanced economies, even as interest rate policies have been very similar. Using different metrics from the Nationwide figures cited earlier, the graph below shows that UK house prices tripled between 1980 and late 2010s, whereas the average across these economies was that they had merely doubled.<sup>53</sup>



This is not to deny that part of what drives house prices is interest rates and credit availability. But if UK house prices had only risen in line with the average advanced economy, they would have been around 33% lower before Covid struck – a pretty large difference.

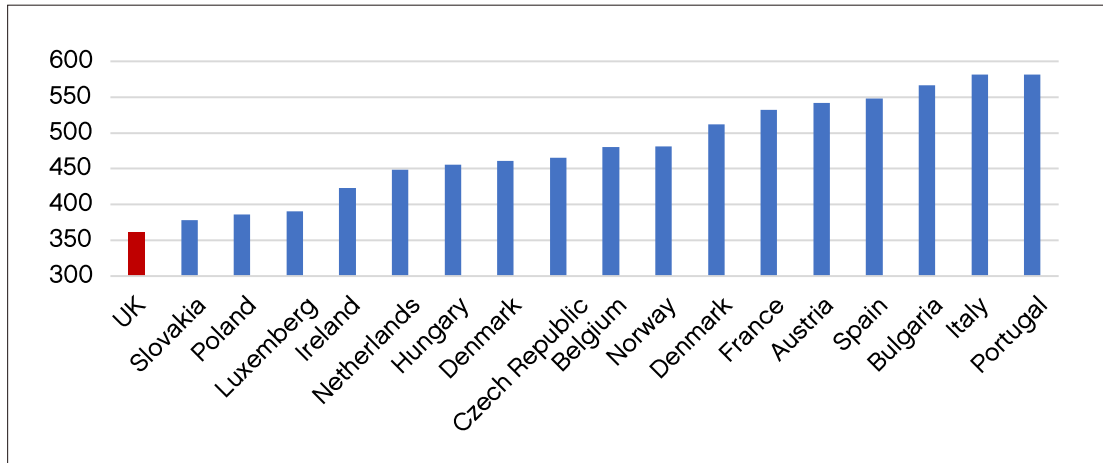
As shown below, the UK has 100 homes fewer per 1,000 citizens than the Netherlands and 150 homes fewer than France, and even bigger gaps with many other parts of Europe.<sup>54</sup> This partly impacts on the household fallacy discussed above. Building fewer homes results in fewer households, which makes it seem like additional homes are not needed, leading to fewer future homes being built, perpetuating a cycle of constricted housing and higher prices. And of course as we saw above, even when we do build homes they tend to be much smaller than elsewhere.

53 Lisa Panigrahi and Danny Walker, *There's more to house prices than interest rates*. [Link](#)

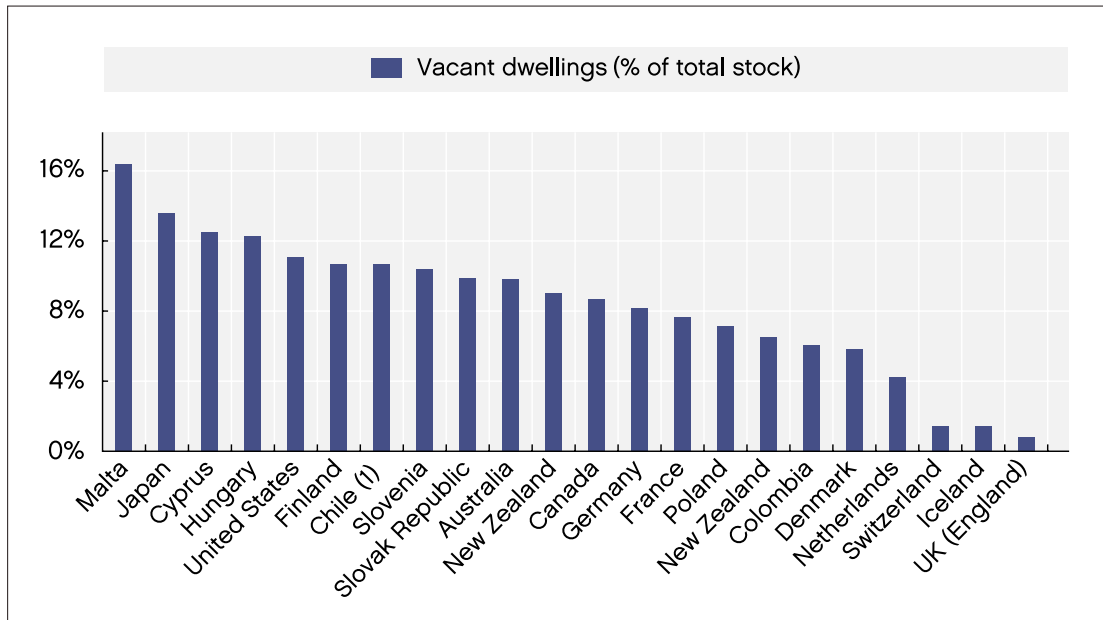
54 Deloitte, *Property Index Overview of European Residential Markets 2020*. [Link](#)



## Number of dwellings per 1,000 citizens, 2020



A further illustration that our high house prices are impacted by lack of supply is our share of vacant dwellings.<sup>55</sup> As shown below, we have a much lower level of vacant stock versus other nations – which is what you’d expect if there was a general supply crisis with supply not matching up to demand.



The final piece of international evidence comes from the level of support necessary for renters from the Government.

If rents are too high, and private renters struggle to pay, the taxpayer has to foot the bill through higher housing benefits.

UK public spending on housing allowances is by far the highest in the OECD. The UK is forecast to spend £30.3bn in housing benefit in 2021/22,<sup>56</sup> representing 1.4% of GDP. In contrast, other comparable countries such as Germany, Australia and France spend less than half that figure.<sup>57</sup> Even if it is argued that the UK is generous in terms of the rental support it offers to claimants (and the authors are not necessarily sure this is the

<sup>55</sup> OECD, *Housing Stock and Construction*. [Link](#)

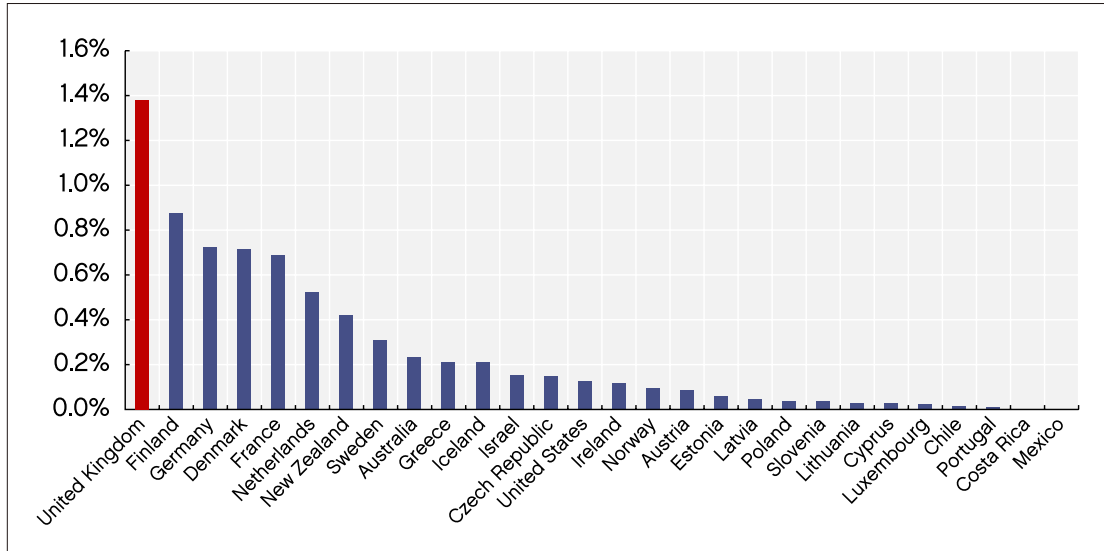
<sup>56</sup> House of Commons Library, *The rent safety net: changes since 2010*. [Link](#)

<sup>57</sup> OECD, *Public spending on housing allowances*. [Link](#)



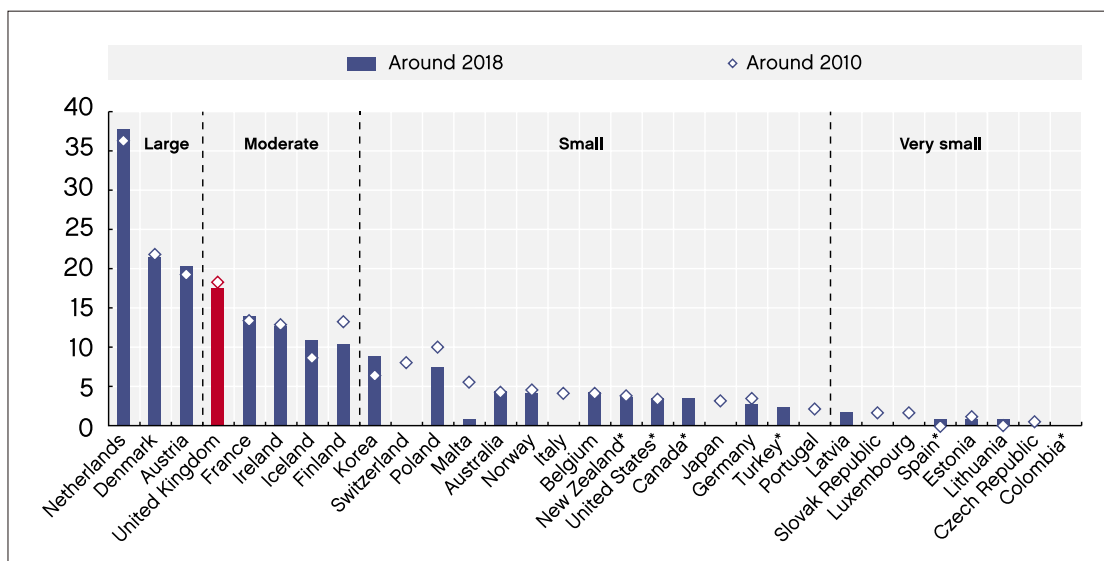
case), this is clearly evidence that rental housing costs are higher in the UK than other nations. This fact is also a reminder of the many hidden costs of the housing crisis. A 1% reduction in the proportion of GDP we spend on housing allowances, which would bring us in line with most similar economies, would mean a windfall of more than £20 billion.

**Public spend on housing allowances as % of GDP in OECD nations, 2020 or last year available**



At this point, some will argue that the UK spends too much on housing benefit because it does not have enough social housing – the high cost is because we are channelling too much money to landlords. But in fact, the UK’s stock of social housing remains among the highest in Europe.<sup>58</sup> We are paying through the nose for housing benefit because housing costs are so high, and because too many people are forced to rent rather than own – which itself is driven in large part by a shortage of supply, as outlined above.

**Social housing as proportion of housing stock in OECD nations, 2020 or last year available**



58 OECD, Social housing: A key part of past and future housing policy. [Link](#)



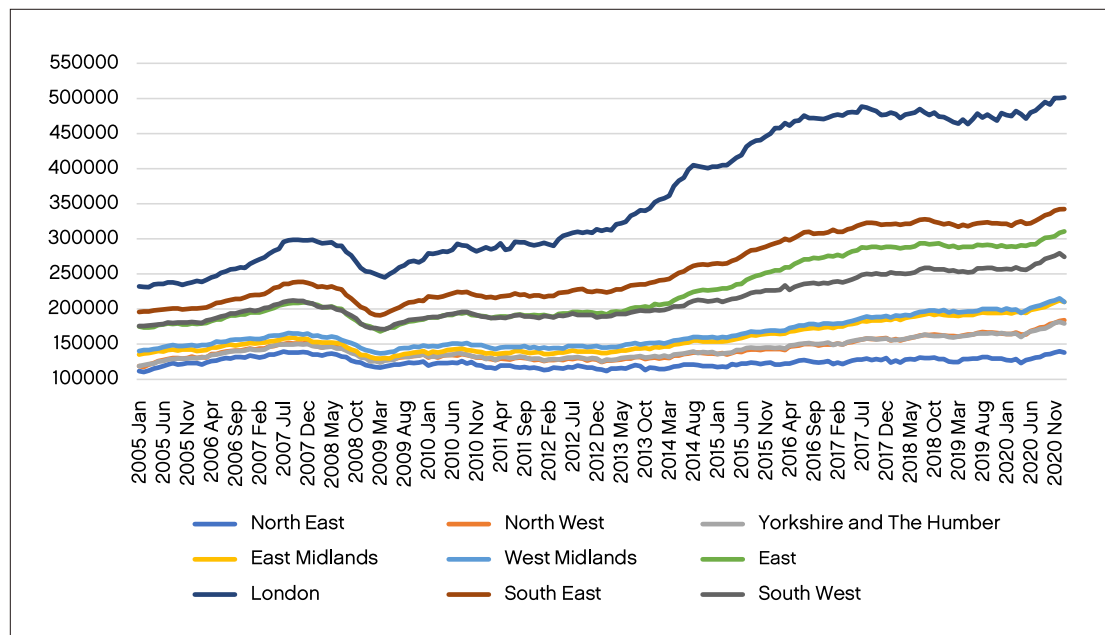
## Regional comparisons also show that supply makes a major difference

We have seen the evidence for a supply shortage in the overall UK housing market. We have seen it in the international data. But we can also see it in the local data from within our country.

If the only issue was interest rates, or supply did not matter, then we would expect each region in the UK to have seen a similar decline in affordability in recent years. If however supply were to be important, then areas where supply was out of balance with demand would see the highest increase in prices. Therefore we would expect to see greater divergence between some regions and others. After all, in markets where supply can adjust, price differences will be fairly small. London has higher economic activity and demand than the North East, but the price of a can of Coke or a pair of designer jeans is not much different. If supply is important, but cannot adjust to rising demand, you would expect to see widening price gaps between different parts of the country.

And as the graph below sets out, this is indeed the case. In 2005, the average home in the North East was around 50% of the average price in London. By 2021 this had fallen to just over 25% – a huge shift.<sup>59</sup>

**Average house price by English region, 2005-21**



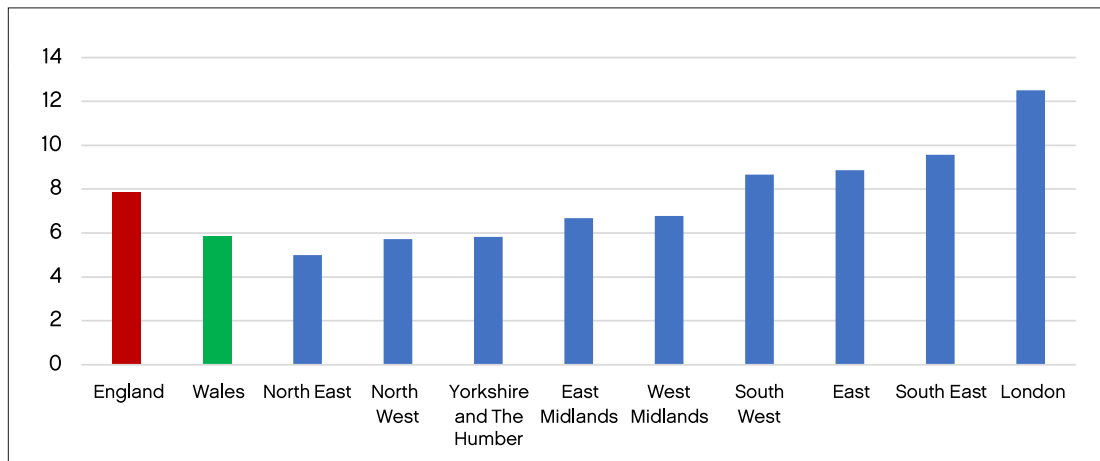
<sup>59</sup> Land Registry, *UK House Price Index*. [Link](#)



Region	Average Price (2005)	% London Price (2005)	Average Price (2020)	% London Price (2020)
North East	£116,645	49.5%	£131,286	27.1%
North West	£126,646	53.7%	£171,241	35.3%
Yorkshire and the Humber	£126,180	53.5%	£169,977	35.0%
East Midlands	£140,077	59.4%	£200,652	41.4%
West Midlands	£145,656	61.8%	£204,223	42.1%
East	£177,291	75.2%	£295,364	60.9%
South West	£179,128	76.0%	£264,652	54.6%
South East	£199,519	84.6%	£328,255	67.7%
London	£235,677	N/A	£485,046	N/A
England (excl London)	£151,598	64.3%	£220,706	45.0%

This shift is not just down to higher incomes in London and other affluent areas. In 2020, the price to income ratio in England was 8:1. But this ranged from only around 5:1 in the North East to 12:1 in London.

#### Price to income ratio by region, England and Wales, 2020<sup>60</sup>



The ratio of house prices to earnings in London, versus the average in the country, soared from 1.2 in 2005 to 1.7 in 2019.<sup>61</sup> So there must be unique problems particularly in London and the South East. This difference in prices to incomes is impossible to explain if you discount the role of supply. But a more holistic approach that considers supply as an important factor can easily set out what is happening. This is that we have had systematic undersupply where demand is strongest.

60 ONS, *House price to residence-based earnings ratio*. [Link](#)

61 Martin Wolf, *British housing is expensive and its supply must increase*. [Link](#)

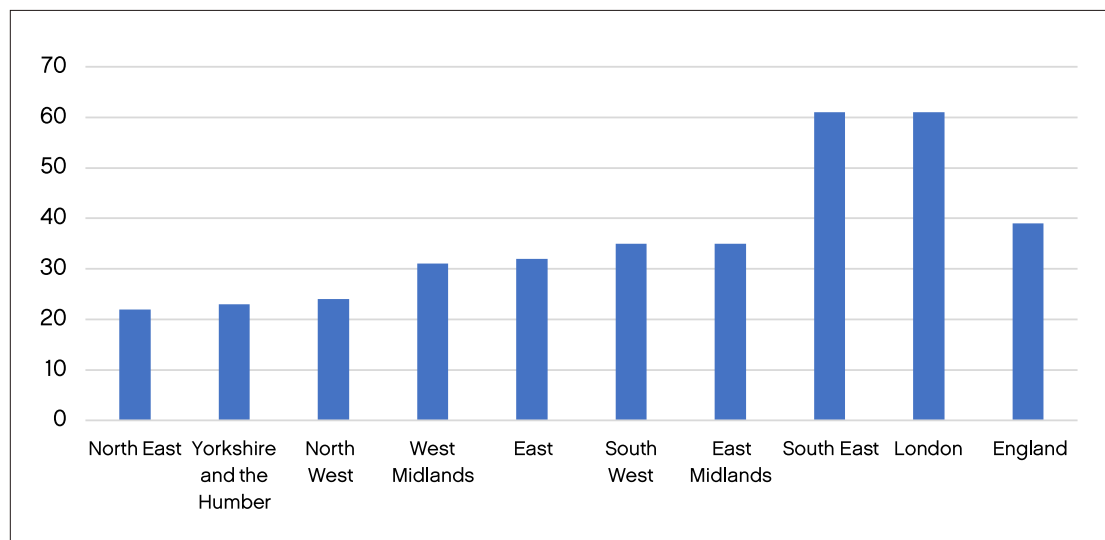


For example, over the nearly 40 years from 1980 to 2018, 56,340 houses were built in Barnsley and Doncaster combined, while population increased in those cities by 22,796. In contrast, in Oxford and Cambridge only 29,430 houses were built, but their populations grew by 95,079.<sup>62</sup>

And again, switching our focus from buildings constructed to net additional dwellings, as some critics would prefer, presents a similar picture. Despite some demolitions, Barnsley and Doncaster increased their supply of dwellings by 35,757 between 2001-2 and 2021-2, while Oxford and Cambridge grew by just 20,796.<sup>63</sup>

Again, this under-supply of housing feeds through into higher rents. In every region in England there are significant affordability issues. As the graph below demonstrates, London and the South East have the highest proportion of private sector renters living in unaffordable housing at 61%, and the North East the lowest proportion at 22%.<sup>64</sup>

### Proportion of private sector renters living in unaffordable housing



In conclusion, this chapter has shown conclusively that Britain has a supply problem, especially by international standards, and that it is concentrated largely in the areas of highest housing demand, notably London and the South East. Yes, interest rates and monetary conditions have played a large part in driving up prices – but so has a sustained shortage of housing supply.

The next question is: what do we do about it? And if we do need more homes, where can we build them?

62 Centre for Cities, *Homes on the Right Tracks*. [Link](#)

63 Department for Housing, Communities and Levelling Up, *Live tables on dwelling stock: table 122*. [Link](#)

64 The Affordable Housing Commission, *Defining and measuring affordable housing*. [Link](#)



## Part 3: Where can we build?

One of the reasons that so many people – particularly politicians – are keen to believe that we do not have a housing supply crisis is that it gets them off a political hook.

Housing development has always been unpopular with many of those in the communities affected, but recently those tensions have become even more acute.

At the start of this Parliament, there was an attempt to increase the levels of development on greenfield sites, in part via the introduction of a new ‘zoning’ system for planning approvals. This was met with resistance from backbench MPs, resulting in a promise in late 2020 that any added homes would be shifted to brownfield areas.

In his party conference speech, Boris Johnson promised ‘beautiful homes on brownfield sites... not on green fields’.<sup>65</sup> The speech prompted The Daily Telegraph to headline its report ‘Boris Johnson pledges no homes on green fields’ – inaccurate, but not entirely out of keeping with the rhetoric.<sup>66</sup>

‘One of the reasons that so many people – particularly politicians – are keen to believe that we do not have a housing supply crisis is that it gets them off a political hook’

Since then the arguments have continued. The 2022 white paper *Levelling Up The United Kingdom* referred repeatedly to the need to build more homes in less affluent areas in order to ease the pressure in more prosperous ones.<sup>67</sup> This seems a peculiar approach to market economics: McDonald’s does not respond to surging demand in Cambridge by opening a branch in Peterborough. But Tory leadership hopefuls doubled down on it, with both Rishi Sunak and Liz Truss promising to protect Britain’s green belt and green fields. Truss promised repeatedly to abolish ‘Stalinist top-down housing targets’, while Sunak’s team said he did not believe in ‘arbitrary top-down numbers’ which was taken by many councils as a promise that they would be able to significantly reduce numbers.<sup>68</sup>

More recently, Michael Gove has re-committed the Government to the 300k homes a year target.<sup>69</sup> But his Levelling Up and Regeneration Bill was the target of a series of amendments from MPs led by Theresa Villiers, which aimed to effectively make housebuilding voluntary for councils rather than compulsory. Their proposals included making any national housing targets advisory rather than mandatory; removing the requirement for councils to identify a land supply for the next five years, or indeed any

<sup>65</sup> Boris Johnson, *Conservative Party Conference Speech 2021*.

<sup>66</sup> Ben Riley-Smith, Lucy Fisher, and Christopher Hope, *Boris Johnson pledges no homes on green fields*. [Link](#)

<sup>67</sup> Department for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom*. [Link](#)

<sup>68</sup> Emily Twinch, *Rishi Sunak walks away from 300k homes a year manifesto pledge*. [Link](#)

<sup>69</sup> Joey Gardener, *Michael Gove confirms 300k homes a year target still in place*. [Link](#)



number of years; and abolishing the presumption in favour of sustainable development which (in theory) encouraged building as the default option for a plot of land.<sup>70</sup>

Many of these MPs, unlike the activists discussed in the previous chapter, do not deny that we need extra housing. Indeed, some angrily reject the ‘Nimby’ label on the grounds that they have fought for development in their own constituencies.<sup>71</sup> But they make a series of overlapping arguments: first, that we should trust councils to build appropriately for their localities; second, that the core problem is not a lack of planning permissions but the fact that housebuilders do not build the homes they are permitted to, partly due to rampant ‘land banking’; and third, that there is plenty of scope for the necessary development elsewhere, in particular on brownfield land. Indeed, this thinking has sometimes been echoed by Government – not least, as mentioned above, in the Levelling Up white paper.<sup>72</sup>

**‘Housing development has always been unpopular with many of those in the communities affected, but recently those tensions have become even more acute’**

We do not propose here to relitigate the issue of planning permissions vs build-out rates, on the simple grounds that one of the authors of this report published a lengthy paper in April 2021 examining the issue in exhaustive detail.<sup>73</sup> That paper, ‘*The Housing Guarantee*’, found that there is certainly an issue with build-out rates and delivery, which springs partly from the fact that we are developing fewer, larger sites rather than multiple smaller ones – which in turn is in part due to the intractable and adversarial nature of the current planning system. It also made a series of suggestions for how to improve matters, not least by turning a planning permission from an option to build into an obligation.

But the core finding of the paper was that our delivery problems are a result of a malfunctioning planning system which creates distinctive incentives for the large housebuilders particularly and developers in general, rather than self-centred ‘land banking’ on behalf of the large developers. This is a finding echoed by multiple official reviews set up to examine the issue, including the Letwin Review of Build Out (2018), the Lyons Review (2014), an Office of Fair Trading study of the housebuilding market (2008), the Calcutt Review of Housebuilding Delivery (2007), and the Barker Review of Housing Supply (2004).<sup>74</sup>

In other words, land banking is a more complex topic than critics claim, with the drip-drip output of the large housebuilders due to a range of complex issues and problems within the system. Likewise, the oft-cited statistic that there are ‘a million unbuilt planning permissions’ is wholly misleading, resting as it does on a series of misapprehensions about how housebuilding actually works, or the need for those building houses to have a reliable pipeline for future delivery.<sup>75</sup> In any case, the idea that if land banking does exist, the solution is to release less land is clearly logically absurd.

But what about the idea of shifting development elsewhere – primarily to brownfield?

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70 HM Government, *Levelling-up and Regeneration Bill*. [Link](#)

71 Damien Green, *Conservative rebels like me are not ‘Nimbys’*. [Link](#)

72 Department for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom*. [Link](#)

73 Alex Morton, *The Housing Guarantee*. [Link](#)

74 This is a finding echoed by multiple official reviews set up to examine the issue, including the Letwin Review of Build Out (2018), [Link](#); the Lyons Review (2014), [Link](#); an Office of Fair Trading market study on home building (2008), [Link](#); the Calcutt Review of Housebuilding Delivery (2007), [Link](#); and the Barker Review of Housing Supply (2004), [Link](#).

75 Built Place, *Digging Deeper – Unbuilt Planning Permissions*. [Link](#)





## The limits and potential of brownfield building

The desire to develop on brownfield is certainly understandable. The reuse of previously developed land not only preserves agricultural land but can improve the attractiveness of an area by removing neighbourhood eyesores and cleaning up contamination. By keeping cities compact, it can also conserve biodiversity and reduce energy consumption and greenhouse gas emissions.

The problem is that if the goal is to make housing affordable, this approach is simply unworkable.

In the late 1990s, the Labour government committed itself to a similar brownfield-first policy, culminating in Planning Policy Guidance Note 3 (PPG3) in 2000. But the effect, if not the intention, was less to make brownfield easier and more to restrict greenfield.

We at the Centre for Policy Studies fully support policies to make brownfield development easier – for example via policies such as estate regeneration and ‘street votes’, or the proposal in our report ‘Reshaping Spaces’ for every local plan to begin by estimating the potential to turn derelict commercial space in town and city centres into residential housing, and removing that allocation from wider housing targets.<sup>76</sup>

But the truth is that none of these approaches will provide a complete substitute for greenfield development on any reasonable timescale.

This can be seen more clearly if we delve into:

- A. The levels of brownfield land now and in the future
- B. The distribution of brownfield land
- C. The difficulties often faced by brownfield land
- D. The speed of delivery for brownfield land

### A. The levels of brownfield land now and in the future

The claims are sometimes made that we have sufficient brownfield land to meet current need, and that this stock of land is self-renewing (because new brownfield sites come onstream over time). If these claims were both true, we would never need to develop greenfield sites. But as we will see, neither claim is backed up by evidence.

*There is not sufficient brownfield land to meet our housing needs.*

Analysis of the Government’s brownfield registry by the Campaign for the Protection of Rural England (CPRE) shows that there are 21,506 brownfield sites covering 26,202 hectares of land. Extrapolating from current dwelling sizes and densities of new development, this means that in theory, if every square inch was developed into housing, this could provide enough land for 1.1 million new homes.<sup>77</sup>

This sounds impressive. Yet if we assume that at least 250,000 homes a year are needed (which is at the low end of any realistic target), this would cover less than five years of housebuilding.

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<sup>76</sup> Alex Morton and Jethro Elsdon, *Shaping Spaces*. [Link](#)

<sup>77</sup> CPRE, *State of our land: recycling brownfield*. [Link](#)



Still, this land might seem to be enough to meet national need for the next few years. In fact, not even this is true. Many of these sites will not be in areas which can easily be developed – as the next section of this chapter will show, brownfield land is disproportionately outside the more expensive and therefore viable areas. Furthermore, while registers can be a helpful indicator of brownfield potential, local authorities' assessments of site deliverability are not independently tested. Many of these sites may well be unviable.

These sites are also judged on what can be delivered over 15 years, and so may well take a long time to build out. For example, a site with poor road and public access may not be viable until other, surrounding brownfield sites are delivered. A factory surrounded by derelict land in East London cannot be developed until at least some of the surrounding land is built upon. Who wants to live surrounded by a crumbling ex-industrial site?

The CPRE also claims that brownfield land is perpetually regenerating. CPRE analysis shows that brownfield sites become 'previously developed' all the time – and points out that data on available sites remains static. That suggests a steady 'inflow' of brownfield sites roughly matching the 'outflow'.

But this is only true at the current, insufficient levels of new housing supply.

As the table below shows, the number of potential housing units on the brownfield register has increased in recent years from 1.05 to 1.16 million, or around 100,000. This was of course accompanied by a major shift in the post-Covid landscape away from office space – a shift that is unlikely to be repeated.<sup>78</sup>

Year	Number of sites	Hectares	Number of housing units
2021	21,566	26,256	1,162,969
2020	20,750	24,684	1,061,346
2019	18,277	26,002	1,077,292
2018	17,656	28,349	1,052,124

The CPRE claims that of the 1,162,969 potential housing units on brownfield sites, 506,086 (i.e. 44%) currently have planning permission.<sup>79</sup>

There is, however, a big problem. The UK needs land for commercial purposes as well as housing. And the value of commercial land, which is what brownfield land largely consists of, is very high. So much of that brownfield land will have to be reused for commercial purposes, rather than being put toward housing.

For example, Savills recently calculated that in London, rising demand for industrial and other uses (including the warehouses involved in online supply chains) meant that 9% of the residential pipeline assessed in 2022 was at risk because the market value was rising to the point where it no longer made sense to convert the land.<sup>80</sup>

This is not just a London issue, however. The most recent West Midlands industrial strategy noted that 'across the region there is a significant gap in good quality employment land'.<sup>81</sup>

78 CPRE, State of Brownfield Report. [Link](#)

79 Ibid

80 Savills, *Residential sites in London at risk as industrial land values soar, says Savills*. [Link](#)

81 Department for Business, Energy and Industrial Strategy, *West Midlands Local Industrial Strategy*. [Link](#)



Likewise, there has been significant coverage of the shortage of laboratory space in the Cambridge region, which is throttling the growth of a vital economic sector.<sup>82</sup>

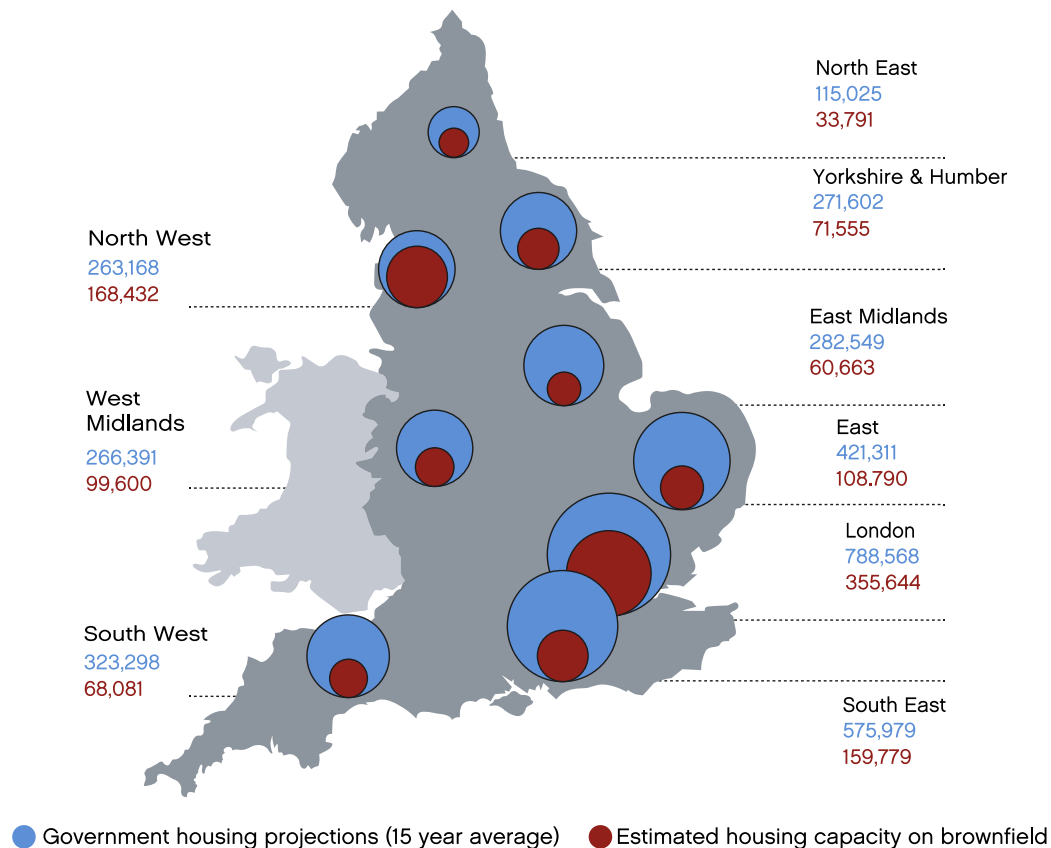
In other words, much of our brownfield land is going to be repurposed not for homes, but for employment. The CPRE view that we can simply channel all brownfield land into new homes is not just highly over-optimistic, but puts the country's wider economy at risk.

## B. The distribution of brownfield land

Just as there are distinct regional differences when it comes to housing affordability, there are also significant regional disparities when it comes to brownfield. In particular, most brownfield capacity is not concentrated in locations with the highest levels of housing need.

The map from Lichfields below matches the brownfield land available over the next 15 years through the register with housing need in each region, in terms of the potential number of homes that could be built.<sup>83</sup> Outside of London (355,644), the highest availability of brownfield sites can be found in the North West (167,461). Elsewhere, the South East has capacity for up to 159,779 houses – but its housing need is for nearly 600,000.<sup>84</sup>

Indeed, of all the regions covered, only London, the North West and the West Midlands could meet a third of their housing need or more on brownfield alone over the next 15 years, assuming they tried to meet it with existing capacity.



82 See for example: Peter Foster, *Lab space shortage threatens life science boom in Oxford and Cambridge*. [Link](#)

83 Lichfields, *Brownfield Land Solution?* [Link](#)

84 Figures taken from local planning authorities brownfield register. In order to be entered into the register the land has to be considered likely to be developed within 15 years of being entered on the register. Figures do not provide any assessment of site viability or achievability.



And on top of this distribution across regions, there may also be a problem *within* regions, in terms of there not being enough brownfield in the specific areas that need housing the most.

As the table below shows, even if every inch of brownfield land was to be developed, in many areas of acute demand there is simply not enough land to cover need.<sup>85</sup> That is true of places like Coventry and Derby, which many people will probably think of as having major amounts of ‘spare’ brownfield, as well as larger areas such as Bristol and London. Rural areas of course have practically no brownfield. In places like Daventry there is only enough brownfield to meet 7% of housing need. In other rural areas such as North Norfolk and Rutland, brownfield capacity meets less than half of housing need.

Urban Area	5 year housing target <sup>86</sup>	Brownfield land capacity	Number of homes required over the brownfield capacity	Percentage of homes required over the brownfield capacity
<b>Bristol</b>	15,980	12,136	3,844	24%
<b>London</b>	467,895	355,644	112,251	24%
<b>Kingston upon Hull</b>	2,680	1,653	1,027	38%
<b>Southampton</b>	6,765	3,779	2,986	44%
<b>Derby</b>	5,945	3,301	2,644	45%
<b>Rutland</b>	122	57	65	53%
<b>North Norfolk</b>	552	195	357	65%
<b>Coventry</b>	11,625	1,444	10,181	88%
<b>Daventry</b>	348	26	322	93%

These figures also overestimate the number of homes brownfield sites can accommodate. In particular, they assume that every single inch of brownfield land will be developed. But of course brownfield land is not necessarily easy – or financially viable – to develop, and the best quality sites may be used for commercial purposes instead.

85 Analysis from CPRE, Lichfields and NHF.

86 Housing requirement figures taken from Lichfields, *Planning Matters*, [Link](#). Brownfield land capacity figures taken from CPRE, *State of Brownfield Report*. [Link](#)



## C. The difficulties often faced by brownfield land are much greater than greenfield

Brownfield land is also, fairly obviously, harder to develop than greenfield.

There are three key problems:

- Viability is often more difficult on costly brownfield due to high alternate values
- Brownfield sites are often more complex and involve greater remediation/risks
- Ownership is often more complex

*Viability is often more difficult on costly brownfield due to high alternate values*

The first thing a developer must assess before deciding to develop a site is whether or not it is viable. If a site is not considered financially viable by a developer, it will not be built out. The Royal Institute of Chartered Surveyors (RICS) defines viability for planning purposes as:

*'...whether the value generated by a development is more than the cost of developing it. This includes looking at the key element of gross development value, costs, land value, landowner premium and developer return.'*<sup>87</sup>

A key obstacle in development of brownfield is the cost of the land itself. Brownfield land can command hefty price tags, including for rival uses such as industrial, warehousing or commercial use – particularly in areas of high demand such as London.

**‘ A single hectare of greenfield land in the South East may cost on average around £25,571 – but a hectare of brownfield land currently used for industrial use will be worth over £1.5 million ’**

As we already noted, the current price rises for industrial land in London are putting brownfield homes there in difficulty. In contrast, greenfield land tends to be agricultural and comes with a much lower price, because the existing and alternative use, farming, is less valuable than other commercial uses.

This means turning brownfield land into homes is often not viable, because by the time you add up the cost of buying the land (even at the existing use value), and then clearing the existing structures and putting homes upon it, the developer cannot make sufficient profit to make the scheme stack up.

For example, a single hectare of greenfield land in the South East may cost on average around £25,571 – but a hectare of brownfield land currently used for industrial use will be worth over £1.5 million. In other words, even before a single step has been taken, a brownfield industrial site has cost £1.5 million more for the developer to purchase per hectare.

Similar gaps exist across all uses in all regions. Even in the North East, value for industrial use is over 10 times agricultural usage, and most gaps are between 20x and 50x. This has a clear impact on viability because you have to pay for much more expensive land to start, which is clearly a more onerous burden than buying land with a low alternative use value.

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<sup>87</sup> RICS, *Assessing viability in planning under the National Planning Policy Framework 2019 for England*. [Link](#)



It is important to remember also that these figures are just regional averages. In some areas the gap between residential and industrial/office/retail use will be even greater, making redeveloping brownfield in those areas even less viable.

The chart below shows some of the issues: the office use figure for London is for prime real estate near Victoria station.<sup>88</sup>

£ Land price per hectare	Agricultural use	Industrial use	Office – edge of CBD	Office – out of town
<b>East Midlands</b>	£21,688	£494,865	£1,021,429	£721,429
<b>West Midlands</b>	£23,333	£631,833	£2,313,889	£686,111
<b>East</b>	£22,667	£845,700	£5,629,167	£1,628,333
<b>Yorkshire and Humber</b>	£21,188	£488,810	£2,574,167	£545,833
<b>North East</b>	£16,000	£190,417	£993,750	£262,500
<b>North West</b>	£24,000	£467,179	£2,208,889	£548,333
<b>South East</b>	£25,571	£1,554,104	£8,960,833	£3,127,727
<b>South West</b>	£23,292	£686,892	£2,666,000	£889,500
<b>London</b>	£25,000	£1,236,437	£480,680,000*	N/A

*Brownfield sites are often more complex and involve greater remediation/risks*

On top of higher baseline costs, there are usually extra complexities on brownfield sites in terms of making them ready for homes.

Repairing former industrial land for reuse as residential developments can be very costly. The most common cost to developers is decontamination. Land contamination can be caused by any number of elements. For example, contaminated land could be land previously used for landfill – where the land could be unstable or there could be dangerous gases; factories – where the factory used the land to dispose of noxious substances; or refineries or petrol stations – where petrol, solvents, oil or tar may have contaminated the land.

As the first industrialised country in the world, the UK has 100,000 sites containing contaminated land, covering over 400,000 hectares.<sup>89</sup> It is estimated that up to 20% of this land may require action to ensure that dangerous risks are decreased if it is to be made liveable for human beings.

The Environmental Protection Act 1990 makes current landowners liable for decontamination costs if the original contaminator cannot be located. This law makes the acquisition of brownfield land unappealing for developers as the cost of decontamination can be difficult to gauge. Despite the principle of the polluter paying, the contamination may date back decades, with the offender having long since disappeared or being untraceable.

88 DLUHC, *Land Value Estimates*. [Link](#)

89 Department for International Trade, *Land remediation: Bringing brownfield sites back to use*. [Link](#)



This means decontamination often being left to the current landowner, with the most common method of remediation being via the planning regime as part of a development project.<sup>90</sup> But this obviously depends on the developer purchasing the land and paying for the remediation costs. Such costs, and uncertainty regarding the exact level of risks, may inhibit the development or redevelopment of land, and in some cases contribute to long-term dereliction. In particular, such remediation costs frequently put off SME housebuilders who do not have the overhead capacity to deal with such variable, time-consuming and potentially unexpected costs.

This is particularly important because the cost and complexity of decontamination ranges widely. By one estimate, the typical cost of remediating brownfield sites ranges from £25,000 to £100,000 per acre – but industry figures we spoke to put the usual cost far higher, at roughly £260,000 to £360,000 per acre.<sup>91</sup> Over a five-acre site, that means remediation could cost anything up to £1.8m - or even more for complex projects such as former landfill sites. It has also been estimated that the overall average cost of cleaning up contaminated land is £250,000 per acre.<sup>92</sup> All this makes brownfield both more costly and more uncertain - and means that there is less scope for delivering affordable housing alongside it.

**‘ The cost of reclamation of brownfield sites is often too large for the projects to be viable ’**

Given that other than London, derelict and vacant sites are mainly located in the deindustrialised areas of the Midlands and North, the cost of reclamation of brownfield sites is often too large a proportion of the ultimate market value of the development for the projects to be viable.

Successive governments have recognised that remediation costs are a major barrier to the development of brownfield sites. As a result, the Government offers a Land Remediation Tax Relief (LRTR) that allows developers to claim relief of 150% of the cost in cleaning up the site against their Corporation Tax bill. However, the LRTR has recently been acknowledged to have largely failed in its primary objective due to low uptake levels.<sup>93</sup> The Civitas think tank has asserted that the process is so complex that it is ‘virtually impossible’ for developers to claim.<sup>94</sup>

#### *Ownership is often more complex on brownfield sites*

On top of all of the above, there is also the fact that land ownership tends to be more complex and fragmented on brownfield sites. Many are broken up into small parcels of land owned by multiple individuals or organisations, in contrast to greenfield land where the owner is usually easier to gauge. And because the existing use value is often higher, not all the landowners may want to sell, even in the long term (whereas usually those on greenfield sites do want to sell because the existing use value is far lower). A large share of brownfield is simply untraceable: a 2019 study by the National Housing Federation found that ownership is unknown for around 23% of brownfield sites.<sup>95</sup> This makes it incredibly difficult for developers.

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90 CPRE, *Barriers to Brownfield Development*. [Link](#)

91 Local Authority and Building Maintenance, *Breaking down the barriers to brownfield development*. [Link](#)

92 Legal Futures, *Land contamination costs homeowners £11.5bn*. [Link](#)

93 Patrick Parson, *Post-recession Britain: how does Brownfield Remediation look now?* [Link](#)

94 Civitas, *Brownfield regeneration needs greater government support*. [Link](#)

95 NHF, *Mapping brownfield land in England*. [Link](#)





Ownership status	Number of sites	% of total within ownership status	Hectares of brownfield land available	% of total within ownership status	Minimum net new dwellings that could be developed	% of total within ownership status
<b>Mixed ownership</b>	635	3.5%	2,275	8.8%	99,440	9.5%
<b>Not owned by a public authority</b>	11,117	61.8%	14,854	58.5%	559,881	53.7%
<b>Not recorded</b>	4,069	22.6%	4,253	16.8%	243,050	23.3%
<b>Owned by a public authority</b>	2,165	12%	3,991	15.7%	139,473	13.4%
<b>Total</b>	<b>17,986</b>	<b>100.0%</b>	<b>25,373</b>	<b>100.0%</b>	<b>1,041,844</b>	<b>100.0%</b>

While there is minimal national data measuring the extent of this issue, a 2001 study assessing 80 large-scale redevelopment sites across four major British cities found that ownership issues caused disruption to 64 of these sites.<sup>96</sup>

Finally, even if a specific brownfield site can be traced and ownership is clear, there may be further difficulties due to issues such as road access. Often there may only be a couple of ways to integrate the site into existing roads, for example, and it may be unclear who owns the land necessary for such a road to exist (even assuming that the ultimate owner wants to sell the land).

Of course, some greenfield sites may suffer from multiple owners, but since there is so much *more* greenfield than brownfield land, a stalled greenfield project can be replaced with another greenfield site. The pool of greenfield land is much larger – whereas, as we saw, brownfield is more limited.

## D. The speed of delivery for brownfield land is lower

The net result of all this is that the speed of delivery for brownfield sites is much lower than for greenfield sites.

Research from the CPRE suggests that the time between planning permission being granted and construction work starting is generally the same for brownfield and greenfield sites, with work on brownfield sites completed more than six months more quickly.<sup>97</sup> However, this study did not account for variables such as the size of the development, given that greenfield sites tend to be developed on a significantly larger scale.

In 2019, Lichfields carried out a study looking at lead-in times and build rates for large-scale sites of 500+ dwellings.<sup>98</sup> The research found that on average, the planning approval period was almost identical for brownfield and greenfield, at 5.1 years and 5.0 years respectively.

<sup>96</sup> Adams and Disberry, *Ownership constraints to brownfield redevelopment*. [Link](#)

<sup>97</sup> Planning Resource, *CPRE: brownfield sites quicker to develop than greenfield*. [Link](#)

<sup>98</sup> Lichfields, *Start to Finish*. [Link](#)

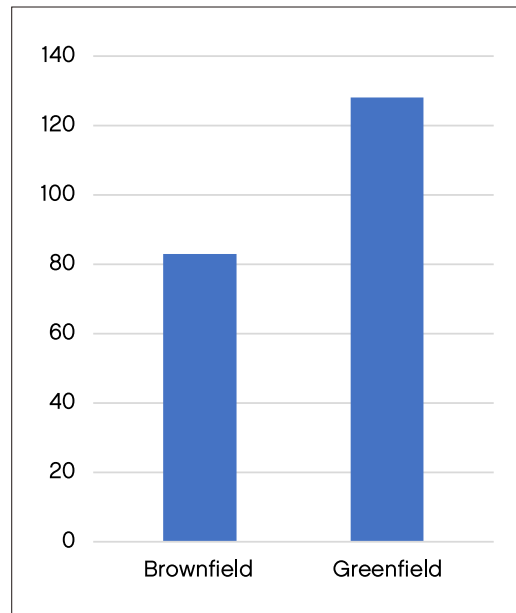




However, when looking at build-out rates (i.e. the speed at which sites with permissions saw new homes being built on them), a different picture emerged. Brownfield sites on average delivered at lower rates than their greenfield counterparts, both overall and across the different size bandings. On average, the annual build-out rate of a greenfield site (i.e. the number of houses completed per year) was 128 dwellings per annum, around 50% higher than the 83 per annum for brownfield. So to meet the same level of housing need in the short or medium term, you would need 50% more land approved for planning.

	Site size (dwellings)	Average annual build-out rate
Greenfield sites	500-999	86
	1,000-1,499	122
	1,500-1,999	142
	2000+	171
	Average	128
Brownfield sites	500-999	52
	1,000-1,499	73
	1,500-1,999	84
	2000+	148
	Average	83

**Previous land use and housing delivery (average units per annum)**



## We have never relied on brownfield for delivery

There is nothing wrong with using brownfield land – and indeed the government should aim to deliver as much recycling of brownfield as possible. But policies intended to promote brownfield have often simply limited greenfield.

The Labour government came to power in 1997 with the aim of revitalising English city centres through an ‘urban renaissance’. The Major government had already suggested an aspirational target of 60% of new homes on brownfield land.<sup>99</sup> In 1998, Deputy Prime Minister John Prescott published *Planning for the Communities of the Future*, the white paper which introduced the idea of ‘brownfield first’. This was described as ‘a sequential approach to the location of new housing and a phased approach to the release of land. Whenever possible, recycled land in urban areas should be built on first.’<sup>100</sup>

In 1999 the Government proposed that development on greenfield sites of at least five hectares should be referred to the Secretary of State. A target was set for 60% of new houses on brownfield by 2008. By 2005, 73% of new dwellings were being built on brownfield, although only 62% of land for new housing was previously developed (mainly because urban houses are usually built at higher densities than those on pristine rural sites).<sup>101</sup>

99 Matthew Spry, *Planning Matters*. [Link](#)

100 Hansard, *Planning For Communities Volume 307: debated on Monday 23 February 1998*. [Link](#)

101 Alberto Longo and Danny Campbell, *The Determinants of Brownfields Redevelopment in England*. [Link](#)

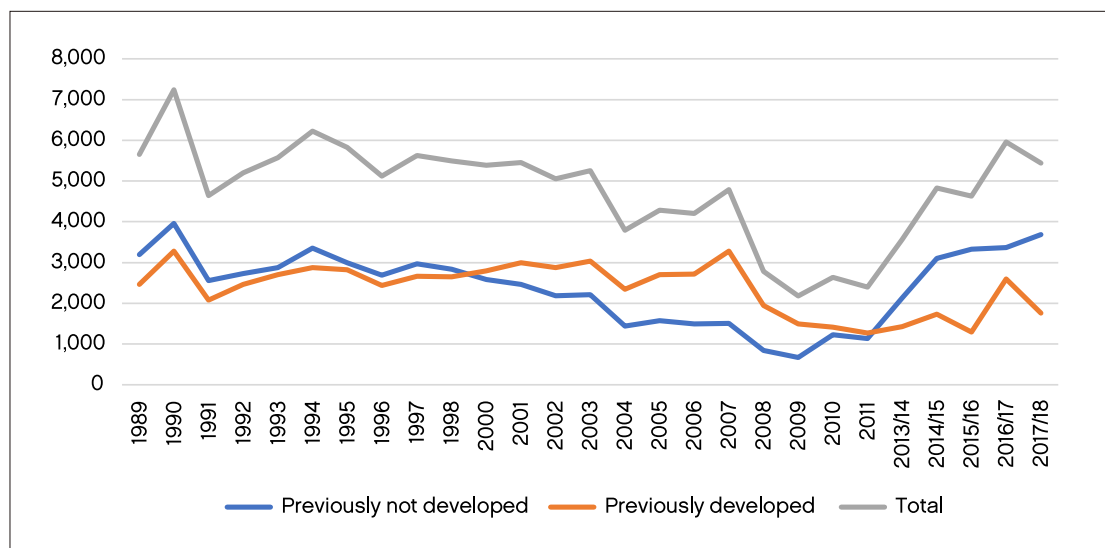


But while the target of 60% brownfield was reached very quickly, this figure was entirely misleading – because it only measured the relative relationship between brownfield and greenfield, not how many homes were actually being built.

Inevitably, the rising share of brownfield was not prompted by a sudden increase in brownfield development, but a major *decrease* in the use of greenfield. Between 1989 and 1998, an average of 2,644 hectares a year of previously developed land (as brownfield is technically termed) had changed to residential use. Between 2000 and 2006, the average was 2,774 hectares a year – almost identical. But the total level of not previously developed land (as greenfield is technically termed) being developed fell from around 3,000 hectares a year from 1989-1998 to 1,500 hectares a year by 2007.

Research by Savills in 2004 duly concluded that the immediate effect of PPG3 was to ‘restrict greenfield availability rather than increase the availability or capability of development of brownfield sites’.<sup>102</sup> The Barker Review reported that local authorities took the guidance to mean not ‘brownfield first’ but ‘greenfield never’, with councils either refusing or delaying applications for housing developments, and some using the policy to block development rather than actively manage the release of land.

### Previous use of land changing to residential, England, 1989-2018, hectares<sup>103</sup>



This reduction in land availability in turn meant that housebuilding settled at a much lower level than it would have done, even as the economy overall grew steadily from the mid-1990s to the financial crash.

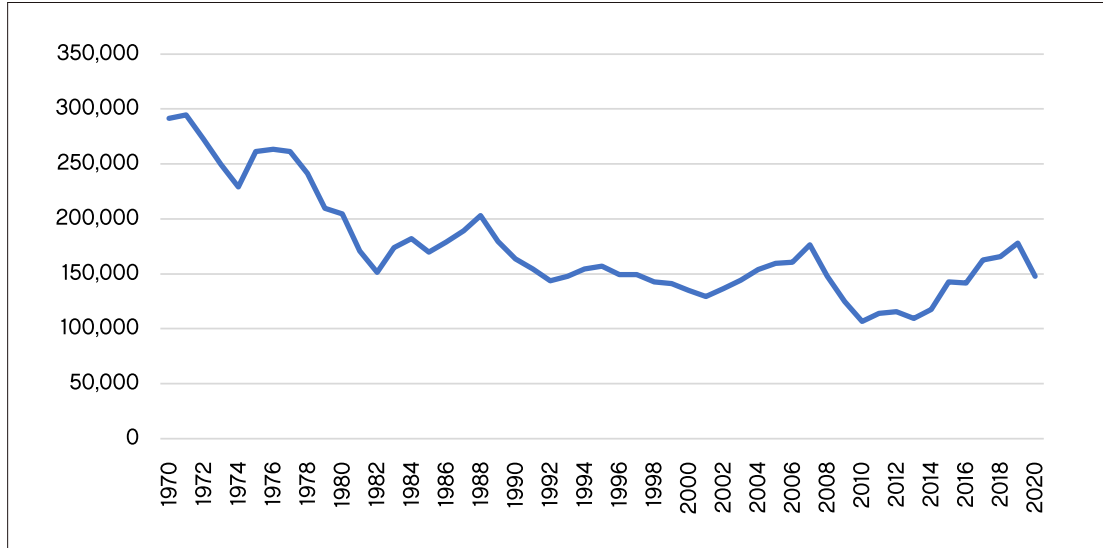
<sup>102</sup> Lichfields, *Planning matters*. [Link](#)

<sup>103</sup> House of Commons Library, *Tackling the undersupply of housing*. [Link](#)



As shown below, the economic turmoil of the early 1990s saw housebuilding in England fall from 202,930 net completions in 1988 to 143,830 completions in 1992. The figure then plateaued at around 140,000-150,000, not reaching the level usually seen in the 1980s until just before the financial crash. And it was of course during this period that UK house prices began their relentless upward march.

### Housing completions in England



## Government must focus on supporting brownfield – not restricting greenfield

Even to hit our existing brownfield targets will require an increase in delivery in much of the country. Reducing the flow of greenfield land will make the ability to hit existing housing goals impossible.

So rather than a return to the policy of ‘greenfield never’, the focus should be on policies which improve brownfield supply. We welcomed, for example, the Truss government’s plan for new investment zones with liberated planning rules – a policy proposed by the Centre for Policy Studies in multiple forms in recent years, most prominently with our paper ‘A Rising Tide’.<sup>104</sup>

But politicians also need to be honest with voters that the total supply of homes must rise, and that this will require more greenfield. If we do not, there will be a major price to pay – for society, for the economy, and as we shall see in the final chapter, for our politicians.

<sup>104</sup> Nick King, *A Rising Tide: Levelling up left-behind Britain*. [Link](#)



## Part 4: Why building is less unpopular than people think

The challenge of fixing supply might seem daunting. It becomes even more so when you consider that many politicians believe that increasing supply will be hugely unpopular.

This final chapter will show both that housebuilding is less politically difficult than is sometimes assumed. In particular, house prices rising – the inevitable outcome of an imbalance between supply and demand – is deeply unpopular. Though so, of course, are severe house price crashes. Instead, the public are in favour of moderate falls in house prices in general (and then likely price stability).

In fact, far from facing a dilemma around boosting supply and ownership, there is a coincidence of incentives. Increasing supply is fairly popular (honestly), home ownership is very popular, and stopping house price rises is very popular too.

**‘Housing is an increasingly salient political issue, with four-fifths (81%) of Britons saying there is an issue with the housing market, including 35% who say it’s a major issue’**

This is not to say that we should not be doing all we can to win greater local consent for housebuilding, and to ensure that what is built is of good design and quality. On the contrary. Improving design, providing adequate infrastructure, and ensuring there are more local benefits are all absolutely necessary. But those policy changes should take place within a wider pro-supply framework.

### The politics of new homes has become even more urgent

Housing is an increasingly salient political issue, with four-fifths (81%) of Britons saying there is an issue with the housing market, including 35% who say it’s a major issue.<sup>105</sup>

Other polling backs this up. Despite being treated as a separate category from general cost of living issues (when of course the two are inextricably intertwined), YouGov found that housing was the seventh most important issue chosen by voters as facing the country in the middle of August 2022.<sup>106</sup> Redfield and Wilton found that it was the sixth most important issue when people were asked what would determine their vote in summer 2022.<sup>107</sup> This is all the more significant given the large proportion of Britons who own their own homes, and within that the majority who own outright. Effectively, housing trades at a discount in such polling: for the millions to whom it is salient, it tends to be very salient indeed.

<sup>105</sup> YouGov, *What are the problems with housing in the UK?* [Link](#)

<sup>106</sup> YouGov, *What are the most important issues facing the country at this time?* [Link](#)

<sup>107</sup> Redfield Wilton, *Latest GB Voting Intention (24 July 2022)*. [Link](#)



Housing is particularly important in the context of ownership, which is in turn crucial for the fortunes of the Conservatives. This is because homeowners are much more likely to vote Conservative compared to renters. Analysis from the New Statesman shows that in 2019, 57% of owner-occupiers and 43% of mortgage-holders voted Conservative, against just 22% and 33% for Labour. Of the 365 seats won by the Conservatives, 315 have home ownership levels above the national average, compared with just 53 of the 202 won by Labour.<sup>108</sup> By contrast, in 2019, 45% of private renters and 45% of social renters voted for Labour, whereas just 31% and 33% respectively supported the Conservatives.<sup>109</sup>

The failure to create new owners is likely to be a double loss for Conservatives. Not only will it shrink their voting base, but the fall in ownership is likely to create huge electoral resentment. In 2021, Ipsos Mori found that 81% of people want to own rather than rent, with 60% feeling this strongly. Just 1% of owner occupiers want to move back into renting.<sup>110</sup>

**‘ In 2019, 45% of private renters and 45% of social renters voted for Labour, whereas just 31% and 33% respectively supported the Conservatives ’**

Falling home ownership may also have an impact on the distribution of votes in a way that is unhelpful to the Conservatives. In 1987 and 1992, the Conservatives performed better in London than they did nationally. Indeed, it was once considered a Conservative city. But real terms house prices have increased by 513% in London since the 1970s and home ownership has fallen below 50%.<sup>111</sup> This, along with other electoral shifts, has caused the Conservatives to be marginalised. Similar shifts are underway in a number of towns and cities, such as Brighton, Cambridge and Bristol, where homeownership is becoming increasingly unaffordable. In short, it is hard to sell capitalism to those with no capital.

Moreover, more detailed studies have similarly shown serious problems for the Conservatives. Pollster Matt Singh noted in the aftermath of the 2017 General Election that the shift to Labour among those renting privately was a staggering 10%, making up around 77% of the total swing from Conservative to Labour swing after accounting for other factors (such as age or Leave/Remain).<sup>112</sup> In other words, private renters shifted to the Labour party en masse, even adjusting for other variables. Shelter similarly found in 2017 that the more renters there were in each constituency the worse the election result was for the Conservatives (and they noted, as above, that housing is a much bigger issue for renters than owners).<sup>113</sup>

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108 George Eaton, *How Tory dominance is built on home ownership*. [Link](#)

109 Ipsos Mori, *How Britain Voted 2019*. [Link](#)

110 Council of Mortgage Lenders, *Home-ownership or bust?* [Link](#)

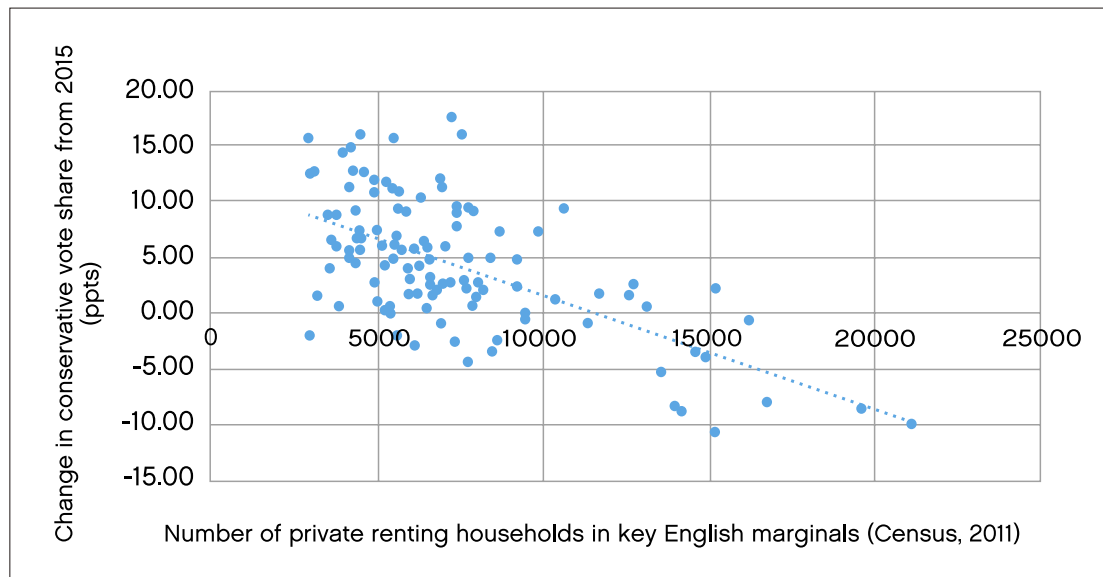
111 George Eaton, *How Tory dominance is built on home ownership*. [Link](#)

112 Matt Singh, *The U.K. ‘Youthquake’ Was All About the Rent*, [Link](#) and Matt Singh, *Is the rentquake analysis a spurious correlation?* [Link](#)

113 Steve Akehurst, *Housing and the 2017 election: what the numbers say*. [Link](#)



## Number of private renting households in key English marginals v Conservative vote share



## Building new homes is not unpopular

Many Conservative MPs insist that building new homes is hugely unpopular. But the truth is that the base of Conservative activists and councillors is not representative in terms of how most people feel about new homes in their area. People are much more ambivalent than this narrative of hostility and the idea new homes are always unpopular is simple false. This has been the case for some years.

‘Polling shows that new homes have become more popular in recent years – or at least the hostility that used to be felt has diminished greatly’

In fact, polling shows that new homes have become more popular in recent years – or at least the hostility that used to be felt has diminished greatly.

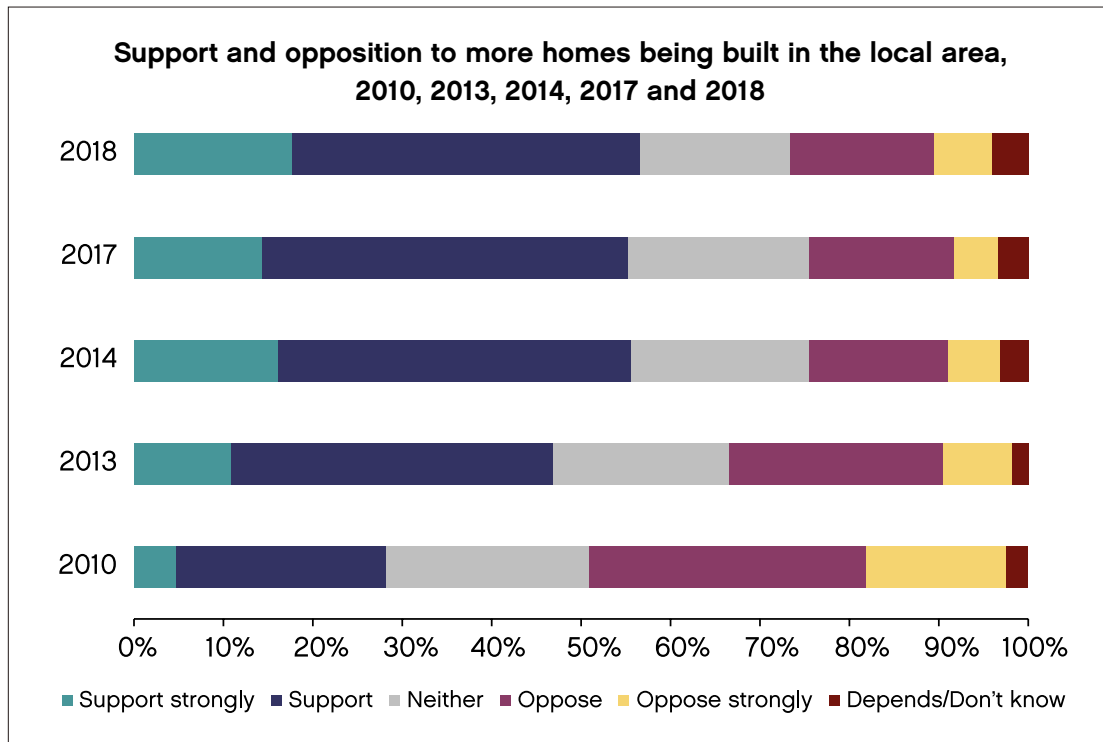
The headline finding from the 2018 British Social Attitudes survey was that building more homes in the local area was still unpopular, by 45% to 30%, with those in the South feeling particularly strongly.<sup>114</sup> But other analysis of BSA data shows steadily increasing levels of support for more homes. Below, for example, are the figures published by DLUHC since 2010.<sup>115</sup>

114 NatCen, *British Social Attitudes Survey 28*. [Link](#)

115 Ministry of Housing, Communities, and Local Government, *Public attitudes to housebuilding*. [Link](#)



## Public attitudes to housebuilding, via DLUHC<sup>116</sup>



It is also possible to get dramatic changes in response depending on how you frame the question. In a YouGov poll carried out in 2017, people were surveyed on their support for various potential levels of housebuilding in their local area. When asked whether they backed the building of large numbers of homes, 43% were in support and 44% were in opposition. For building moderate numbers of new homes, 56% were in support and 32% were opposed. For building small numbers of new homes, 52% were in support and 35% were opposed. And on stopping *any* new homes from being built, just 15% were in support and 71% were opposed.<sup>117</sup>

In short, there is almost no constituency for an outright halt to housebuilding: there is no cohort of the population, geographic or demographic, among which it has anything approaching a majority. On a national level there is overwhelming support (60-30) for a 'large' number of new houses being built. And in their own locality, people are generally in favour of 'moderate' numbers of new homes over time – which in the context of around 23 million homes, means that building another 230,000 to 300,000 homes, or 1% each year, should be easily manageable.

Furthermore, polling shows that it is more than possible to increase support for housebuilding if it addresses people's existing concerns.

ComRes polling for the Centre for Policy Studies in 2018 showed that voters would support more housebuilding in their local area by 48% to 33% – contradicting the BSA findings.<sup>118</sup> But by 63% to 16%, those we surveyed said they would be more likely to support development near them if their community received more of the benefits, and by 59% to 18% that they would be more likely to do so if the quality of the new buildings matched the old. These are precisely the issues that Michael Gove hopes

<sup>116</sup> Ministry of Housing, Communities and Local Government, *Public attitudes to house building*. [Link](#)

<sup>117</sup> YouGov Survey, 2017. [Link](#)

<sup>118</sup> ComRes for the Centre for Policy Studies, *Housing Poll 2018*. [Link](#)



to address by focusing the planning system on a set of principles summed up by the acronym BIDEN: Beauty, Infrastructure, Democracy, Environment, Neighbourhood.<sup>119</sup>

The most recent polling further supports this idea that opposition to new homes is less pronounced than people imagine. A survey by Ipsos this year found that by 69% to 9% people agree there is a housing crisis; by 55% to 17% they agree that we need to build a lot more homes in order to solve our housing problems; and by 49% to 22% they were in favour of building more homes in their local area.<sup>120</sup>

Thus what is seen as an overwhelming hostility to new homes is nothing of the sort. Yes, there are people who absolutely do not want more homes in their area. But there are also people who absolutely do. And the polling suggests that if those homes were well designed and brought benefits to local communities, then opposition would fall even further, illustrating that pro-reform and pro-supply measures can work together.

## People don't want higher house prices

One of the major problems around housebuilding is that the Government is often nervous that if it did build homes that this could result in house prices falling – reflecting the stereotypical view of the family home as the biggest and best pension pot most of us will have.

In the current interest rate environment, it is hard to write about house prices with any confidence. But while it is true that nobody with a home wants its price to collapse, it is also true that stable or falling house prices are far more popular, even among those who already own homes, than yet more house price rises.

In 2017, a YouGov poll asked people what they wanted to happen in terms of house prices nationally. The preferred answer was that they wanted prices to come down by a moderate amount.<sup>121</sup> This was backed by 59% with 25% opposing. Even Tories supported this by 51% to 35%. A maximum of 13% supported any type of price rise, with more supporting smaller rises than bigger rises.

**‘ A survey by Ipsos this year found that by 69% to 9% people agree there is a housing crisis; by 55% to 17% they agree that we need to build a lot more homes in order to solve our housing problems; and by 49% to 22% they were in favour of building more homes in their local area ’**

In fact, YouGov has been repeatedly asking people this question and repeatedly getting the same answer. As of the latest instalment of its tracker poll, 52% said it would be better for the country for them to fall, 25% said they should stay the same, and just 4% that they should rise further. And as prices rise, the percentage wanting them to fall has risen too.<sup>122</sup> If you restrict your sample just to Tory voters, or over-65s, the percentage wanting prices to fall and prices to stay the same moves closer together – but the percentage wanting them to rise further remains absolutely tiny.

119 Michael Gove, *Unlocking the change this country needs*. [Link](#)

120 Ipsos, *Seven in ten of Britons think there is a national housing crisis, while opposition to local home-building has cooled*. [Link](#)

121 YouGov 2017. [Link](#)

122 YouGov, *House prices - what would be best for the country?* [Link](#)





Of course, there would be serious impacts from a major and rapid crash in house prices. But assuming the country can navigate the inflationary shoals over the next year or so, then for prices to fall a moderate amount from their current peak and then remain broadly stable (which would mean that they fall in real terms) is clearly the most popular view among the public – which reinforces the case for building more homes.

**‘ Even those in larger homes may have children or family members they are worried about, or feel that it is too hard for those who work hard and do the right thing to get on the housing ladder ’**

This may seem surprising, given how much many people have profited from rising house prices. But consider the real-world implications. A first-time buyer in a flat who wants to move to a house would benefit from small price falls – if you own a flat worth £200,000 that falls 10% you lose £20,000, but if you want to move to a house that used to cost £400,000, you will save £20,000 from moving up if prices fall by 10% across the board (assuming you are not in negative equity and can move).

Even those in larger homes, who do not benefit from prices falling themselves, may have children or family members that they are worried about, or may simply feel (absolutely correctly) that it is too hard for those who work hard and do the right thing in modern Britain to get on the housing ladder.

## The case for more homes is politically urgent

There is an urgent need for more homes in order to boost home ownership. The political situation is also more favourable than is often assumed: the unpopularity of these new homes is overstated, while the public are generally in favour of house prices falling. (And of course, if we do enter a recession, then building more homes is a wonderful and time-honoured stimulus technique.)

In summary, whoever is in power, the case for housebuilding is both urgent and unassailable.



# Conclusion

This report goes into all manner of detail about the state of the British housing market. No doubt its readers may take issue with some of the specifics. But we believe it is impossible to disagree with the overall conclusion – that Britain needs to build more houses, in the places where people want them. To do otherwise is to court economic, social and increasingly political disaster.

The good news is that progress has been made. After collapsing in 2008, housebuilding levels slowly clawed their way back up, with the assistance of policy reform from the Government. More needs to be done – but simply throwing a spanner in the works is not the way forward.

The backlash against the planning reform plans since 2020 has put us back at square one politically – even as the pandemic, the cost of living crisis and the current economic turmoil have made the problems within our housing sector even more apparent, and the gap between haves and have-nots even wider.

**‘ The fundamental case for housebuilding is that without it, Britain will become a less productive, less equal, less fair and less happy country ’**

It may be that rising interest rates bring an end to the era of high house prices, either gently or suddenly – that millions of buy-to-let landlords retreat from the markets and a new golden age of owner-occupation dawns. We hope that is the case. Certainly politicians should not try to prop up the housing market unless the fall in prices turns into an absolute collapse.

But our data shows clearly that even if the monetary bubble is pricked, there will still be an underlying supply shortage that will still drive prices relentlessly upwards – unless and until politicians finally grasp the nettle. And in the longer term, once prices have adjusted over the next few years, it would be better if we saw stable prices rather than another boom bust cycle.

Nothing in this report should be taken as removing the need for reform in terms of better design, infrastructure, more SMEs, ensuring buildout and so on. But these reforms are complementary to building more homes, not an alternative to it.

The fundamental case for housebuilding is that without it, Britain will become a less productive, less equal, less fair and less happy country. If we want to rebuild our economy after the pandemic, and create a better society, we need to get building.



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