SHELTER

SAFE AS HOUSES:

WHY INVESTMENT IN SOCIAL HOUSING IS GREAT FOR US AND OUR ECONOMY

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FOREWORD

WHY INVESTMENT IN SOCIAL HOUSING IS GOOD FOR THE ECONOMY AND FOR ALL OF US

Foreword by Polly Neate CBE, Chief Executive Officer, Shelter

When I started at Shelter, social housing was a phrase only whispered by the brave in the corridors of power. Even as homelessness was rising at alarming levels, too many housing advocates were cowed into silence by sweeping cuts and a political rhetoric that focused on tightening belts at the very time when investment was most needed.

As I reflect on where we are today, it seems we are moving towards a different place. Ministers now openly talk about delivering the 'biggest increase in social ... housebuilding in a generation', and all major political parties have decried the lack of social rent homes and the need to build more. I'm proud to have played my small part in the movement to present an alternative vision: where every person should have the right to a decent, affordable and safe place to call home.

Social rent homes are genuinely affordable, with rents tied to local incomes, and provide people with a secure and stable place to live and prosper. They are central to the dignity of our communities, families, and individuals, and essential to the public's trust in our nation's institutions.

And yet, there are still nowhere nearly enough social rent homes being built. Despite encouraging steps being made by this government, such as elevating weight on social rent homes within our planning system, there remains no clear trajectory to end homelessness and house the 1.3 million households who are stuck waiting for a social home. For the 164,000 children living homeless in temporary accommodation, there is no clear plan for how these social homes they desperately need will be built.

Recent history shows that relying on the private market alone will not work. Similarly, the focus on so-called 'affordable' housing rather than social rent has made the homelessness problem worse by draining government investment away from social rent. Shelter analysis shows private rents are unaffordable in nearly half of England for a newly qualified nurse. Similarly, 'affordable' homeownership products are not affordable for the nearly half (48%) of private renters who have no savings whatsoever because rents are so high.

Unless there is a wish to repeat the neglect of previous parliaments, this government must pull the lever on the essential missing component needed to end the housing emergency: a mass scale investment in social rent homes. This is the only way the government will deliver the 90,000 social homes a year for 10 years needed to end homelessness and house the majority of households on the waiting list.

Hence this collection of essays. Put forth by some of this country's leading economists, industry figures, and policy experts, they set out the economic case for investing in social homes and provide robust options to deliver it. The authors

demonstrate that social housing investment is vital not just for society, but also for our economy, bringing with it a huge array of economic benefits vital to the shared prosperity of this country.

Included within the collection are rigorous analyses of how the housing emergency is degrading our economy, and unique insights into how its solution, social housing, stimulates productive investment and an efficient labour market. Savings to our NHS and local councils, as well as reduction in welfare costs, feature as important contributions that investment in social housing delivery provides to the nation. At the local economic level too, more granular studies into the impacts of social rent homes show how these benefits accumulate to drive forwards national progress. There are also compelling arguments for how to make social housing delivery cheaper and easier, alongside wider housing market and taxation reforms that can help bolster investment.

The UK government's fiscal and monetary policy is also interrogated to carve out new approaches that can unlock large-scale investment in social rent homes. Crucially, the authors show that increasing public funding for social housing is entirely possible. Homelessness in this country is therefore avoidable and thus a government's policy choice.

The government has acknowledged the devastating impact of the housing emergency on individuals and families. The Deputy Prime Minister has rightly recognised the emergency and called for a 'revolution' in council housing. We now need to see the Treasury commit the funds to make this a reality.

The upcoming Spending Review in June is a critical juncture in this Parliament. With the government's ongoing creation of its ten-year housing strategy and its homelessness and child poverty strategies. The dream of millions to live their lives with dignity and security will depend on this. Government must seize this Spending Review as a crucial moment to increase investment in a successor to the Affordable Homes Programme that is transformative and prioritises social rent homes.

It stands as testament to the strength of its economic case that over 40 top economists, including four Nobel Prize winners, have recently signed an open letter to the Chancellor calling for exactly that.

These essays provide the government with the rationale and the methods to end this emergency, affordably, and make good its promise of change. We have built social housing en-masse throughout our modern history, far beyond Shelter's current ask of government and in far harsher circumstances. We can do it again. Now is the time for bold action – government must invest.

RIGHTS-BASED, MISSION-ORIENTED HOUSING FOR THE COMMON GOOD

Mariana Mazzucato
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Introduction

Housing is a fundamental human right. It is not only the foundation for other core rights, including health and education, but also for the right to life itself and the right to live with dignity.[1] Equally, as housing is at the heart of the built environment sector with its materials, resources, systems, land-use – the way that we make housing also impacts the rights of the environment.

It is entirely possible for housing to be dignified, durable, beautiful and adaptable, and made available for all as a common good. In other words, housing can be made in ways that are affordable, valuable and environmentally sustainable. Yet currently, housing is not made available as if it were a human right. To make this ambition real, we must bring a human rights approach together with new economic thinking and mission-oriented—outcomes-driven— economic policies.

This essay consists of extracts from two papers on global housing issues that were co-written over the last two years with members of the Council on Urban Initiatives, *The right to housing: A mission-oriented and human rights-based approach* with Leilani Farha and *Modern housing: An environmental common good* with Dan Hill.[2] The key insights from these two papers have been woven together to underscore the drivers of and opportunities for social housing and housing more broadly in the UK.

What's wrong with our housing system?

The housing systems that produced our current crisis were facilitated by governments who stepped away from their human rights obligations and overlooked their role as market-shapers.[3] During the late 1980s and early 1990s, global economic and political shifts led government to support and facilitate market-led housing development, moving away from direct delivery of housing.[4] Governments have reduced their involvement in social housing without providing adequate planning and regulatory frameworks to enable other actors to fill the gap. In most cases, resources and investments were cut and government engagement at all levels was minimised, limiting housing opportunities for vulnerable groups amidst growing urbanisation.

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This approach constrains governments' ambitions, coordination and accountability. It starts by assuming that the housing market is broadly competitive but suffering from a market failure of supply shortage due restrictive planning or mortgage regulation. The solution then becomes removing such barriers. Market-fixing housing policies have involved deregulating land use, mortgage markets and the private rented sector to encourage market-led housing supply.[5] Would-be homeowners and renters are supported in accessing market housing via subsidies for first-time buyers or housing allowances, contrasting with the pre-1980s housing regime which instead focused on the provision of affordable supply.[6] Meanwhile, the public and not-for-profit sector is relegated to providing housing for extremely low-income households.[7] Rent price regulations have been removed to incentivize private landlords and public housing sold off without replacement.

The assumptions of this market-fixing approach are flawed for multiple reasons. For one, housing has characteristics that distinguish it from other commodities. Most importantly, land supply is inherently limited. Housing is also immobile, heterogeneous, long-lasting, and costly to build and transact.[8] These features are not market failures, but fundamental properties.

Liberalising mortgage and investment markets has thus led to an explosion of money chasing an inherently limited housing supply, inevitably pushing house prices far beyond income growth.[9, 10, 11] This generates more demand for housing as a financial asset and for larger mortgages; a 'housing-finance feedback cycle' that can be difficult to break away from without structural interventions.[12] Deregulating rents and subsidising market-based rentals have also driven contract rents higher, benefiting banks, landlords, and homeowners at the expense of affordability.

These dynamics highlight the state's key role in providing affordable housing and socialising land rents. Yet market-fixing housing policies have reduced the social housing stock dramatically,[13] leaving governments unable to provide genuinely affordable homes for people in need. Moreover, some government regulations actively aid financialisation, such as cities' lax short-term rental regulation[14] that raise rental prices[15] or tax incentives for real estate investment trusts.[16, 17]

As if the profits from housing development were not sufficient, governments lure developers with subsidies, preferential loans, tax breaks, and waived permitting requirements, often producing gentrification[18] and increasing middle-class rent burdens.[19]

The default response of constructing new housing has major climate and environmental impacts. To protect the planet and human futures, governments must consider the risks of supply-led solutions.[20] Greater attention should be paid to allocating and improving the energy efficiency of existing stock, while considering new builds critically.[21]

Governments' arm's length relationship to housing markets and their deferral to finance and the private sector has undermined their capacity to address the housing system's structural flaws.[22] A new way forward is required. Solving the housing crisis requires bold government leadership and willingness to hold themselves accountable.

Tackling the housing crisis

The right to housing mission

Complex challenges require collaborative engagement from multiple stakeholders, sectors and parts of government. Missions set a clear, ambitious focal point around which governments can mobilise, coordinate and evaluate activities, and provide a clear direction for public and private investment. By defining the problem and goal, but not the solution, they catalyse bottom-up innovation and collaboration.[23]

The processes of defining and implementing missions is critical. Ensuring that an outcome is truly in the interests of the common good requires meaningful participation from those most impacted in all stages of decision-making, planning and implementation.[24] Moreover, it requires a symbiotic, mutualistic approach to public-private collaboration wherein risks and rewards are more equally shared.

As market-shapers, governments need new capabilities, institutions, policies and partnerships – an 'entrepreneurial state'.[25] An entrepreneurial state is bold and unafraid to lead, both in its willingness to innovate and learn, and its capacity to direct change and engage stakeholders.[26]

For the right-to-housing mission to be successful, it must break down silos with a whole-of-government approach.[27] Every policy, from property taxation to housing-income support, planning and land use, public health and mortgage finance, must move towards the mission goal: the right to housing.

Meaningful community participation is fundamental to the success of a human rights mission. Those facing the realities of unaffordable, insecure housing are best placed to inform what is broken and how to fix it. Governments are obligated to ensure that meaningful participation occurs regularly throughout the process and during ongoing monitoring.

Funding

Implementing housing policy is, by nature, initially expensive. It requires acquiring land and existing buildings that could be used for housing, building, repurposing, renovating, and providing social benefits and supports. The mission will require patient, long-term, outcome-focused public finance in the form of tax reliefs, subsidies, public spending, equity stakes and strategic procurement, alongside low-interest and long-term loans from public investment banks.[28] Governments must ensure that loans, grants and subsidies directly contribute to the mission. This could be done by requiring that mission-consistent conditions[29] be attached to all lending, tax credits or any other public benefits bestowed on developers. For example, related to affordability, sustainable design, human rights impact assessments and transparent beneficial ownership.[30]

Recent research indicates that by engaging with purpose-driven policymaking and common good outcomes, the UK government would save around £1.5 billion annually by making good quality social/affordable housing available and thus negating the various costs incurred by homelessness.[31] In considering broader spillover effects, further research estimates that building 90,000 social rent homes would not only reap returns after a decade, but would generate £51.2 billion for the economy over 30 years through added jobs and construction activity, and savings including lower housing benefits and reduced strain on the NHS.[32]

In addition, governments can create or enable strategic, mission-oriented institutions like land banks, public banks, community land trusts or public housing authorities and urban public wealth funds.[33, 34, 35] These bodies have been effective vehicles for developing real estate and ensuring the rise in land values that comes from public investment in infrastructure, in particular transport, is captured by the public purse rather than leaking out to a small number of private landowners.[36] Similarly, land value capture policies could also be considered.[37]

The council housing revival

Housing is affordable if it is made affordable. This means it must be proportional to household income or made available outside of household income where that does not exist. In the UK, the potential of a re-engaged "new municipalism", combined with a housing affordability crisis, means that public housing (AKA "council housing" in the UK) is finally back in play. Exemplary public homes are being built for the first time in decades. For example, Peter Barber's (2024) designs for councils in Greenwich, Camden and Barking indicate the quality of architecture possible via this reinvigorated civic capability, enabling medium-density, convivial and sustainable spaces by integrating with local public transport networks and social infrastructure.[38] RSHP's (2021) work at Croft Street in Cardiff demonstrates how innovative modular fabrication systems allied to contemporary utility services can produce high-quality public housing that effectively eradicates most energy costs for residents.[39]

> **Housing is affordable if it is made affordable. This means it must be proportional to household income...**

Equally, the UK has also demonstrated the problems that arise from mishandling public housing and the possibility of public housing as a common good asset will remain out of reach if it remains publicly owned but privately managed, or public land is simply sold to private developers, often with only meagre requirements to produce affordable housing. In these situations, the public continues to hold risk while profits accrue to private operators, well outside notions of public value or common good.[40]

These tensions are also evident in other domains such as digital public infrastructure, which plays a critical role in shaping access and to essential services including housing. Digital tools underpin social housing applications, wait-lists, rental market oversight, and urban planning, yet their governance is often overlooked. Like housing, DPI is frequently treated as a market-driven service rather than a public good, with private actors leading development and capturing its benefits.[41] However, if digital systems are essential to ensuring common good outcomes, they must be designed and governed in ways that create public value. Just as housing policy must prioritize collective well-being over private profit, so too must the digital infrastructures that underpin it.

Social housing to drive green innovation and markets

As with any form of mission-oriented innovation,[42] the direction and quality of what gets built is more important than sheer quantity or speed. The environmental impact of operational and embodied carbon emissions in construction and the harm from resource extraction in the Global South makes this even more important.

New-build housing will be required, but with tighter direction on where, what, how and for whom, complemented by greater emphasis on the adaptive reuse, or retrofit, of the buildings and neighbourhoods that already exist. With common good outcomes in mind, innovation in policy, design, construction and maintenance must prioritize retrofit of existing living environments while carefully considering both *what* gets newly built in the gaps, and *how*.[43]

> **...public housing provides the public sector with "green procurement" possibilities that may ultimately offer better affordability across urban systems.**

The necessary innovation is unlikely to emerge from the mainstream private sector oriented around the "easy money" of traditional supply-side policies. However, public housing provides the public sector with "green procurement" possibilities that may ultimately offer better affordability across urban systems.

Mission-led procurement can play a key role in the innovation chain by creating markets through creating demand for new products and services, widening the ecosystem of companies able to access government contracts and increase the local economic multiplier.[44] When aimed at socio-economic challenges, mission-led procurement can enable transformative impact with the same overall expenditure.[45]

Vienna offers a lasting example of the benefits of maintaining public housing as a common good. As documented by Bauer (1934), Vienna began building public housing at scale in the 1920s, alongside many other European cities.[46] Unlike most, Vienna continued to expand and maintain its high-quality public and social housing over the following century. This long-term commitment has allowed the city to entwine sustainability and affordability as related planning goals. Vienna's original purpose-driven motivation was to provide a sufficient supply of decent housing for all, including private homeowners. Today, Vienna leads in sustainable construction, including Passivhaus building standards and mass timber structures, driving the creation of a sustainable development sector.[47]

Taxation as a tool to ground land and property in the common good

The taxation system can be designed to align with missions[48] and the human rights principle of deploying the maximum resources available toward the right to housing.[49] There is widespread support for property tax reform amongst international organisations such as the OECD and European Commission.[50] City governments use property and development taxes to generate revenues for housing policies. While useful, property tax regimes could be further leveraged to support the right to housing, rather than financial assets. For example, taxing annual land value increases would diminish incentives for speculative land purchases and l and hoarding.

Beyond property tax, the taxation system can modify investor behaviour and curb speculation by levying significant taxes on vacant or second homes, short-term rentals and on the overconsumption of housing. Revenue raised from these initiatives can fund affordable, secure, dignified and decarbonised housing.[51] Tax exemptions can also shape market behaviour toward genuinely affordable rents and mortgages, and greener buildings.

Conclusion

Housing sits at the heart of pressing ecological, economic, and social challenges in the UK and beyond. Yet, the current housing system is flawed, with homes treated as financial assets rather than as a foundation for human dignity and collective well-being. A new approach is needed – one that positions housing as a common good and ensures that public value shapes markets. The right to housing framework holds governments accountable for securing access to decent, affordable homes, while a mission-oriented approach provides a practical blueprint for delivering this goal. Together, these frameworks call for bold, coordinated action at all levels of government, sectors and disciplines to ensure that housing policy and systems supports a future that meets social needs and respects planetary boundaries.

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MAKING THE CASE FOR SOCIAL HOUSING INVESTMENT NOW AND FOR THE FUTURE

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Introduction

Whether through intuition, experience from housing practice, or our familiarity with social housing changing peoples' lives positively across a range of non-housing domains, we do not need to be convinced of the case for more social housing. There does however remain a time-critical as well as a longer term requirement to make the best possible case for social housing investment to Government. This is particularly true right now because of the housing supply target, housing's input into the spending review and the developing long-term housing strategy. It is also generally true that we must provide rigorous, unimpeachable evidence – for two main reasons.

First, social justice normative arguments for investment in social housing need to be under-girded by robust evidence that makes the cause and effect of positive outcomes clear, and which signposts which interventions have the most impact for end users and offer best value for citizens and taxpayers (to paraphrase Howard Glennerster, wasting [scarce] social spending resources is not being 'caring').

Second, for better or worse, the reality of political choices deciding between competing departmental spending priorities requires the best available economic evidence that meets Treasury Green Book investment appraisal principles i.e. social cost benefit analysis, as they or MHCLG currently understand it. Influencing political priorities is of course always critical, but it is a necessary condition that the intervention's finances are strong: you don't get in the door let alone sit at the table if you don't possess a worked-out economic argument evidenced in a way recognised by and credible to HMT economists.

Tabling the results of a social housing investment appraisal is the end of the argument. It builds from a clear and robust understanding of the level of unmet need and the inability of the low-income rental market to function as a general alternative to social housing. This can then be set against what we know about the net benefits of social housing, the non-housing domains positively affected by social housing investment, perhaps understood as avoided costs to the Government (we should also however, recognise some of the challenges in realising these preventative benefits and how they might be overcome – see, Rose and Mildon, 2022[1]). We can also then appraise the still limited literature, one often in the form of non-peer reviewed work, that makes the economic case for social housing. This is the background to which the formal economic case for social housing investment might be drawn. The rest of this chapter unpicks the different stages of this argument.

Stage One: Unmet Need and the Absence of a Readymade Alternative

There is much consensus on levels of estimated unmet housing need in England. Pre-Covid, Bramley (2018)[2] identified both the overall level of housing requirements and the element of that figure that represented housing need associated with additional social and affordable homes (annually 90,000 and 30,000 units, respectively). More recently, Bramley (2024)[3] has brought this analysis up to date in a paper for the UK Housing Review. The new work suggests that the level of need and hence required new supply of social and affordable homes has remained broadly at the pre-COVID level.

The context is of high levels of unmet need, a dysfunctional low-income private rented sector constrained by the benefit cap and, particularly, the low levels of Local Housing Allowance (LHA), alongside the crisis in temporary accommodation numbers (Maclennan and Gibb, 2025)[4]. Bramley in Watts-Cobbe et al (2024)[5] runs simulations to model the drivers of future rates of homelessness in Scotland indicating how important relaxing the LHA constraint would be to reducing future growth in homelessness.

While it makes sense to find social or affordable housing solutions for many private tenants in the lower end of the PRS, it is clearly important to first inject new social housing into pressured areas which are currently characterised by high demand for, and low rates of, vacant social housing.

Developing more general needs social housing to meet this need requires funding from a range of sources including S106 provision targeted toward social and not affordable rent. It also necessitates a significant increase in grant per unit and programmatic capital grants. While supporting the principle of access to a range of interventions to generate social housing supply (something developed in John Muellbauer's contribution to this volume), a grant-based programme with significant increases in per unit funding is essential to kick start and sustain a large programme in the current parliament. I would go further and take a leaf from Scotland's book and abolish the right to buy on new build council housing and widen the reach of upfront capital grants to include the council sector, too.

This is a bold proposal that marks a reversal of long-term policy and is precisely why we need strong economic evidence on impacts.

Stage Two: Economic Arguments

In their review of the economic impacts of social housing, Gibb, et al (2020)[6] reported that:

- Construction makes a relatively large industry level contribution to value-added, while social housing can also be an important counter-cyclical investment (Monk, et al, 2010)[7], and new affordable housing investment contexts enhances labour productivity and retains jobs in higher demand local economies (Maclennan, et al, 2021)[8].
- Housebuilding (per unit) generates on average 4.0–4.5 FTE jobs per annually (e.g. HBF Nathanial Litchfield, 2015)[9].
- Savills (2019)[10] report that social housing is significantly economically additional, i.e. 50% of it would not have occurred otherwise. This proportion rises towards 100% countercyclically and with greater efficiency within the development system alongside wider market failure in the private housing sector. This is very different from (erroneous) conventional economic pronouncements about *dead weight* social housing displacing market provision.

In a paper for Shelter, Boyle and Husbands (2020)[11] argued that a Scottish investment of 35,000 social housing units between 2021–26 would add up to £4.0 billion to GDP as a result of otherwise homeless people taking work enabled by housing security, would add a further £1.5 billion due to health and educational benefits and £6.5 billion to GDP from direct multiplier effects of the construction itself a(and planned maintenance spending thereafter).

A 2024 study for the NHF and Shelter by CEBR[12] estimated that a 90,000 social housing programme would contribute more than £51 billion to the economy. The study also argued that government funding would be repaid in 11 years by the additional tax revenues that this investment injection creates. While the study, as is generally, rests on specific assumption and sensitivities, its emphasis on process and examination of the revenue side generated by additional investment is an important innovation that complements the earlier work by Savills.

Diner et al (2024)[13] complement the CEBR study and wider analysis of reforming the Green Book to better capture social housing as infrastructure (see also Gibb and Christie, 2024[14] and Lloyd and Grayston, 2023).[15] They conclude that building 365,000 social housing units over the current Parliament will yield £365 billion over 30 years and a wider economy realised multiplier of 2.60:1 returned on the initial public investment public investment.

Final Thoughts

As was indicated earlier, there are also political reasons for a properly funded social housing programme providing grant to both [post RTB] councils and housing associations. Such an initiative will make a strong contribution to the housebuilding target and operate potentially countercyclically, supporting the construction sector. It also offers the potential to trail new models, for instance, expanding affordable models such as Community Land Trusts, co-operative models and locally controlled community-based housing associations, as well as mixed tenure developments where next generation new towns spring up over the next ten years.

We can also make the case based on preventative avoided costs associated with reducing homelessness, providing safe secure homes (e.g. NHS health savings as reported by Garrett, et al, 2023)[16]. However, even where the causal pathways are clear (and sometimes they are not, see Long and Cullum's (2024)[17] work on housing and health), and we have confidence in estimated avoided costs if an outcome is achieved (for example, as a result of taking someone from rough sleeping to settled accommodation), we do not have sufficient incentives and funding rules to encourage departmental and cross-department preventative spending. This is because of short termism, rational silo thinking and the difficulty in cashing the preventative dividend.

This need not be the case, positive lessons are emerging from multi-year preventative budgeting in Victoria, Australia, where common approaches to identifying outcomes from prevention and consistent social cost benefit analysis is indicating those programmes which can reduce acute service demand over time. Critically, these approved programmes win booked future savings from the prevention which they can reinvest in further preventative work (Rose and Mildon (2022)[18] and Gibb, 2025)).[19] This systemic reform of budgeting should be further examined and lessons learned for the UK (fully discussed at the Victoria State Government website).[20]

The public finance environment is critical. While we have already seen progress on reversing the anti-investment bias through the fiscal rules reforms and the willingness to set longer term rent determinations, Lloyd and Grayston (2024)[21] have also stressed the need for the Treasury to not interfere with short term subsidy controls but rather provide the long-term stability and predictability required to create the best possible environment to promote social housing investment.

Returning to the need for evidence. More than ever, it is important that we monitor and evaluate new programmes of social housing investment. It is not enough to appraise future investment plans; we must collect the body of evidence that will help us see what works and why to help optimise the scale, quality, form and extent of new social housing programmes.

One is that a planned social housing effort will likely be more predictable and achievable in the short run than market supply can be (and can therefore underpin supply targets).

The social housing programme is a key part of the wider housing supply target for many reasons. One is that a planned social housing effort will likely be more predictable and achievable in the short run than market supply can be (and can therefore underpin supply targets). However, it is important that we recognise that these initiatives are long-term projects and that it will take time to see results in terms of overall pressure lessening. Most obviously, with the new town programme but, more generally, the long lived stock-dominated housing system will adjust only slowly and will require long-term constancy of priority and effort. That is the single most important change of direction in government thinking that is required. Start for the long term now; it is never too early to do so.

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WE CAN AFFORD WHAT WE CAN DO

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"Stamp, you will never balance the Budget through measures which reduce the national income. When the county council builds houses, the country will be richer even if the houses yield no rent at all. If it does not build houses, we shall just have nothing to show for it except more men on the dole. ....it is the decline in the national income which are upsetting the Budget. Look after the unemployment and the Budget will look after itself."

J. M. Keynes in a BBC wireless discussion with Sir Josiah Stamp, 19 February 1930.[1]

Shelter's plan to tackle the housing crisis is a modest one. Namely that the British government assume the upfront cost of building 90,000 units of social housing a year for 10 years. The Centre of Economics and Business Research (CEBR) estimates that delivering 90,000 social rent homes can be achieved at a cost of £35.4 bn or just over 1% of the nation's annual income.[2, 3]

Let us add to that number the cost of upskilling the workforce, to tackle the dearth of bricklayers, architects and engineers needed to achieve Shelter's goal. £20bn a year is currently spent on post-compulsory education and training, so we may assume that at a minimum, a doubling of that sum would be necessary to achieve Shelter's target of 90,000 units. (Because skills shortages are now said to cost the UK economy £39 billion per year, that spending might be offset out by immediate savings.[4])

For the sake of simplicity let us assume the annual direct cost to government of investment in social housing will amount to roughly one hundred billion pounds a year. Is that affordable for an economy with an annual GDP at the end of 2024 of £3.5 trillion a year?[5] The answer is a resounding yes, even given the Chancellor's current challenges.

The investment, as Shelter argues, will pay for itself, and as such is a safe investment. Which is why lenders, pension funds and other investors will be doubly keen to help the government raise the finance needed.

...investment will deliver profound welfare benefits; it will inject income into parts of the economy that are income-poor; and by so doing will expand the Chancellor's growth 'cake'.

The investment will deliver profound welfare benefits; it will inject income into parts of the economy that are income-poor; and by so doing will expand the Chancellor's growth 'cake'. It will simultaneously increase the nation's income and as a consequence, HMRC's tax revenues. The investment will therefore achieve several goals: decent, safely housed families, greater prosperity and a more balanced budget.

Prosperity and a more balanced budget will please domestic and foreign investors who prefer an economy that is prospering, not one that is failing.

However, the ability of government to finance that outlay will require a radical change to the HM Treasury and Bank of England's current approach to both fiscal and monetary policy.

"There is no money"

The claim "there is no money" for vital public investment has dogged the British and European economies since the Great Financial Crisis of 2007–9. The scale of economic destruction that followed the GFC can be compared to an asteroid cratering the earth. On the advice of orthodox economists (ever present at the Treasury) governments and central banks across the world responded to the economic shock with generous, and largely unconditional monetary policies, bailing out those that had caused the crisis. Central bankers loosened monetary policy and ensured that for fifteen years capital markets enjoyed exceptionally low, and even negative borrowing costs.

Cutting spending did not, and will not reduce the debt.

By contrast, governments ignored low rates and used contractionary fiscal policies (austerity) to lower demand in the real economy and deepen the metaphorical sinkhole. Vast damage was inflicted on public services and the public sector workforce. Five years of consolidation became ten years, with total spending cuts virtually doubling in size. The economy barely expanded in per capita terms relative to the pre-crisis peak, and public sector debt as a share of GDP kept rising, in spite of a vast fire sale of public assets.[6] Cutting spending did not, and will not reduce the debt.

The public debt and deficits that expanded after the GFC calamity must be understood as *the consequence* of the post 2010 era of historically low levels of public and private investment; of falling wages and of economic stagnation.

Rising public debt and deficits are an *outcome*, not a cause of economic failure.

Mario Draghi, until recently President of the ECB has called for "a fundamental change in the mindset" that made the 2007-9 catastrophic crisis worse. In the Financial Times he noted that Europe (and Britain's) stance on fiscal policy – in contrast to that of the United States – had neither provided welfare for Europeans, nor healthy public finances, nor even national autonomy.[7]

"From 2009 to 2024, measured in 2024 euros, the US government injected over five times more funds into the economy via primary deficits — €14tn versus €2.5tn in the eurozone."

The lessons are clear: monetary policy after the GFC and after the COVID19 collapse, was largely used to protect and stabilise global capital markets. Fiscal policy was deliberately constrained. Led by George Osborne in the UK, successive governments refused to inject necessary public funds into the cratering economy, at a time when capitalists were too timid and fearful to risk private sector investment.

When as now the government (like the private sector) fails to finance the investment needed to drive the recovery and economic security, expect public debt to remain stubbornly high.

Draghi is adding to the clamour for an end to 'fiscal rules' and austerity. If the British Chancellor is to meet Shelter's modest ambition, that will require the Treasury to chart a radical change away from the disastrous policies of the last sixteen years.

Britain needs greater, and more active monetary and fiscal policy co-ordination to restore prosperity and stability to the British economy – and to afford urgently needed social housing.

Will taxes pay for the £100 billion?

Tax revenues are a consequence of investment.

The Chancellor will *not* finance £100 billion from existing tax revenues, or by raising taxes. Politicians must ignore the Institute for Fiscal Studies and once again be reminded that taxes do not pay for expenditure. For governments, tax revenues, as we all know from our own experience, are *as much a consequence* of spending, as a source of finance. When a business invests in a project that leads to an increase in the firm's profitability, only then does the business pay tax. When a person takes on a new job, she works for a month or week, and only then is she paid a wage or salary that is taxed.

Tax revenues are a consequence of investment.

Despite the Chancellor's current constraints, the British government is backed by more than 30 million taxpayers obliged by law to pay annual taxes to HMRC. The default premium on UK assets is minuscule. No private company enjoys that robust level of income. And as the Daily Telegraph pointed out recently, the economy is in better shape than it looks.[8] That is one reason UK government debt is so attractive to private investors.

There are other reasons.

Global capital markets and government fund raising

Globalised, deregulated financial institutions have gorged on public assets. Thanks to the post-Thatcher privatisation policies of governments, they have purchased and now manage privatised pensions, care homes, health bodies, corporate and personal savings and other juicy public infrastructure. Globally these financial assets amount to about $238.84 trillion according to the Financial Stability Board, and are managed by companies like Blackrock, Blackstone and Private Equity firms in the unregulated "shadow banking" or market-based finance sector.[9]

The challenge facing these globalised behemoths is this: their $239 trillion must be invested in safe assets that generate sufficient rent over time to help meet obligations – to pay for future pension and insurance payouts, care home maintenance and so on. Yet there are far too few of the safe assets needed to satisfy the requirements of companies like Blackrock and Blackstone.

British government debt and the regular 'rents' paid out on UK bonds and gilts, meet that need. As evidence of that appetite for UK gilts one need only monitor the activities of the largely obscure Debt Management Office (DMO) the body responsible for raising finance for the Her Majesty's Treasury. When issuing the Labour government's bonds, the DMO has repeatedly had to turn away lending institutions offering sizable supplies of finance.

For example, on 19 February 2025 the DMO issued a UK government promise to pay in three years (a bond or gilt) of £4.25 billion at a whoppingly high interest rate of almost 4.5%. Potential lenders bid more than £13 billion pounds to finance the £4.25 billion. In other words, lenders bid 3.09 x more finance than HMT needed. Creditors in search of a safe haven for their $9 billion surplus, were disappointed and turned away.

Public debt is a fundamental pillar of the private City of London's 'plumbing'. Without it, investors – capitalists all – would face unacceptable levels of risk and substantial losses.

The Bank of England fails its mandate

While the City's enthusiasm for financing government debt should encourage the Chancellor, there is one sting in the tail: the rate of interest demanded by investors.

The rate of interest, as Keynes reminded us, is the *cause*, not the passive consequence, of the level of economic activity and in particular the level of employment.

Keynes understood that the creation of bank (and central bank) money within a developed monetary system, meant that those fortunate enough to build up a surplus of capital, are no longer *sole* providers of loan finance to the government or to the rest of the economy. Within a developed banking and monetary system neither the Chancellor, nor Joe Bloggs is dependent on Blackrock for finance.

Keynes understood that the rate of interest can be influenced not by a demand for savings (as monetarists argue) but by the 'liquidity preference' of investors or savers. All savers have differing motives and time preferences. Some demand safe, long-term investments; others prefer short-term, or risky assets – the chance to make a quick buck. As happened in World War II rates can be managed by central banks and treasuries to satisfy the full variety of savers' liquidity preferences. This would be even easier if the world's central banks cooperated to ensure low rates across the board.

If the Bank of England working with the DMO were to issue a full range of such assets, together they could influence and manage the spectrum of interest rates applied across the economy for loans of different maturities and risk. Above all, they would keep interest rates low, not just for government borrowing, but also for private sector investors, currently loathe to risk investment in the British economy.[10]

It may not surprise readers, but Keynes's revolutionary liquidity preference theory does not appeal to the robber barons of the globalised financial system. But if central banks were to work with DMOs and Treasuries to manage rates across the spectrum – the economic landscape could be transformed, and social housing made affordable.

The Bank of England: monetary policy set against fiscal policy

As things stand, the Chancellor is now hobbled by the failure of the Bank of England to implement its monetary policy under Gordon Brown's 1998 Bank of England Act.[11] That requires the Bank to

(a) to maintain price stability, and

(b) subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment.

Currently the Bank's monetary policies (high interest rates and Quantitative Tightening (QT)) deliberately (in my view) work *against* this (and the last) government's "objectives for growth and employment". The Bank has used high rates to raise unemployment and repress wages, based on the flawed theory that rising wages were a cause of inflation. By doing so the Bank badly miscalculated. Inflation was not driven by rising wages, but by global spikes in commodity and energy price rises. Today higher than expected pay growth coexists with falling inflation. And countries with the highest growth rates have the lowest levels of inflation.

The Bank has not issued a mea culpa but continues to insist on an elevated Bank Rate – causing stress in bond markets (as witnessed recently) and thwarting both public and private investment.

Those missteps have made the Chancellor's goal – to expand economic activity – doubly difficult. If Rachel Reeves is to mobilise the finance needed for social housing and for the many challenges Britain now faces, she needs to enforce the Bank of England's mandate, and to ensure monetary and fiscal policy work in tandem to support the government's objectives for growth and employment.

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WHY SOCIAL HOUSING IS CRUCIAL TO THE NEEDED REPAIRS OF THE UK'S FAILING ECONOMY

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Politicians are fond of expressing the intention that this or that policy would make the UK a world leader in some sphere. Boris Johnson claimed that his policies would make the UK the world leader in green wind energy. While the UK punches above its weight in some respects – in leagues of top universities, in popular music, in pharmaceuticals, aerospace and in service exports – it is a world leader among advanced countries in some very negative qualities. It has the highest level of inequality between households and between regions in Europe, and in the last 15 years, one of slowest growth rates of output per head and in living standards. While average life-expectancy has been improving across Europe, among 20 countries studied, England had the largest slowdown in the rate of improvement, with the rest of the UK not far behind.[1] It is also notable than when measuring poverty and inequality in the UK, these measures are considerably worse when housing costs are taken into account.

Our housing market is one of the most dysfunctional in the world, and not only because of our cumbersome planning system. We have the most regressive property tax in the world. In northern Europe, we have the worst insulated homes and the highest commuting times. Among the countries for which the OECD collects the data, which includes the seven leading economies, the UK leads in having the highest share of the value of the housing stock captured in the underlying land rather than in the buildings erected on that land. There is a close connection between its disproportionally high cost of land and the UK's current housing affordability crisis, especially for younger people lacking the backing of wealthy families, and for households in the bottom quarter of the income distribution. As the Resolution Foundation reports, the UK's sky-high housing costs make poorer families far worse off than comparable poor families in Germany, the Netherlands and France.[2]

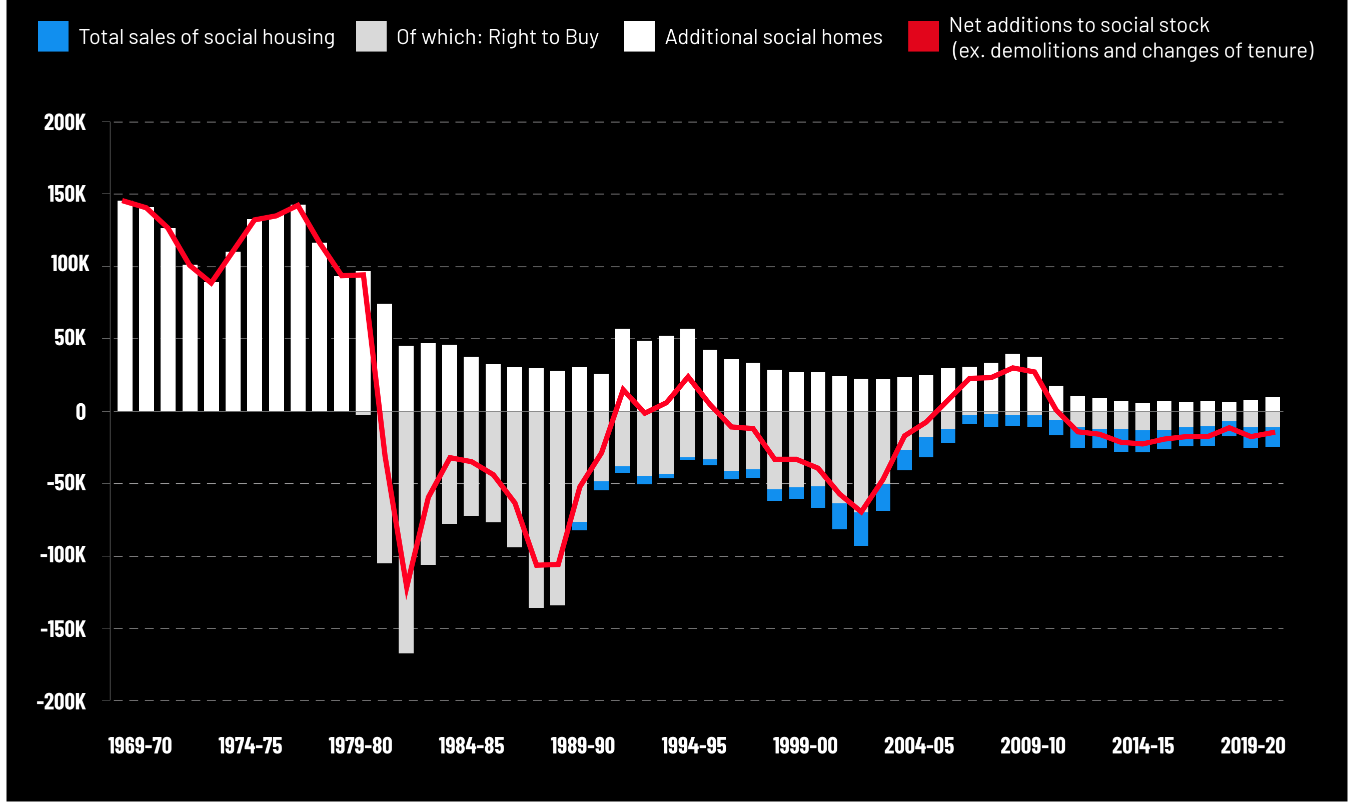
Housing unaffordability, as measured by the ratio of new-build house prices to average income, increased from around 3.5 in 1997 to 8.3 in 2022. There is also a quality problem, and especially in the private rented sector, where in 2023, a fifth of privately rented homes were classified as 'non-decent', a proportion twice as high as in the social rented sector.[3] The UK has a higher proportion of pre-1946 housing stock than any European Union country and far too little of it is well suited to meeting the needs of an ageing population. Emerging concerns include the future of 1960s and 1970s tower blocks built with a design life of 50 years, whose expected effective lifespan of 60 to 90 years are likely to end within the next few decades due to maintenance challenges and material degradation.

Investing in social housing is a key to addressing this affordability and distributional crisis and also has a wider role in boosting the performance of the UK economy. It creates jobs, supports local economies, enhances productivity, reduces public expenditure on welfare and healthcare, and reduces inequality and social exclusion. But it needs to be embedded in a broader set of reforms. These are to the system of land-use planning, to the legal and institutional framework to enable land value capture, and to the structure of property taxes. Not only do the latter reforms make a radical increase in social housing investment much more feasible, but in their own right they go a long way to addressing the root causes of economic failure in the UK.

The decline of social housing

Since the introduction in 1979 of Right-to-Buy, at large discounts, for council house tenants, but without the funding for councils to replace the homes sold, the social housing stock has shrunk. See Figure 1 below for England.

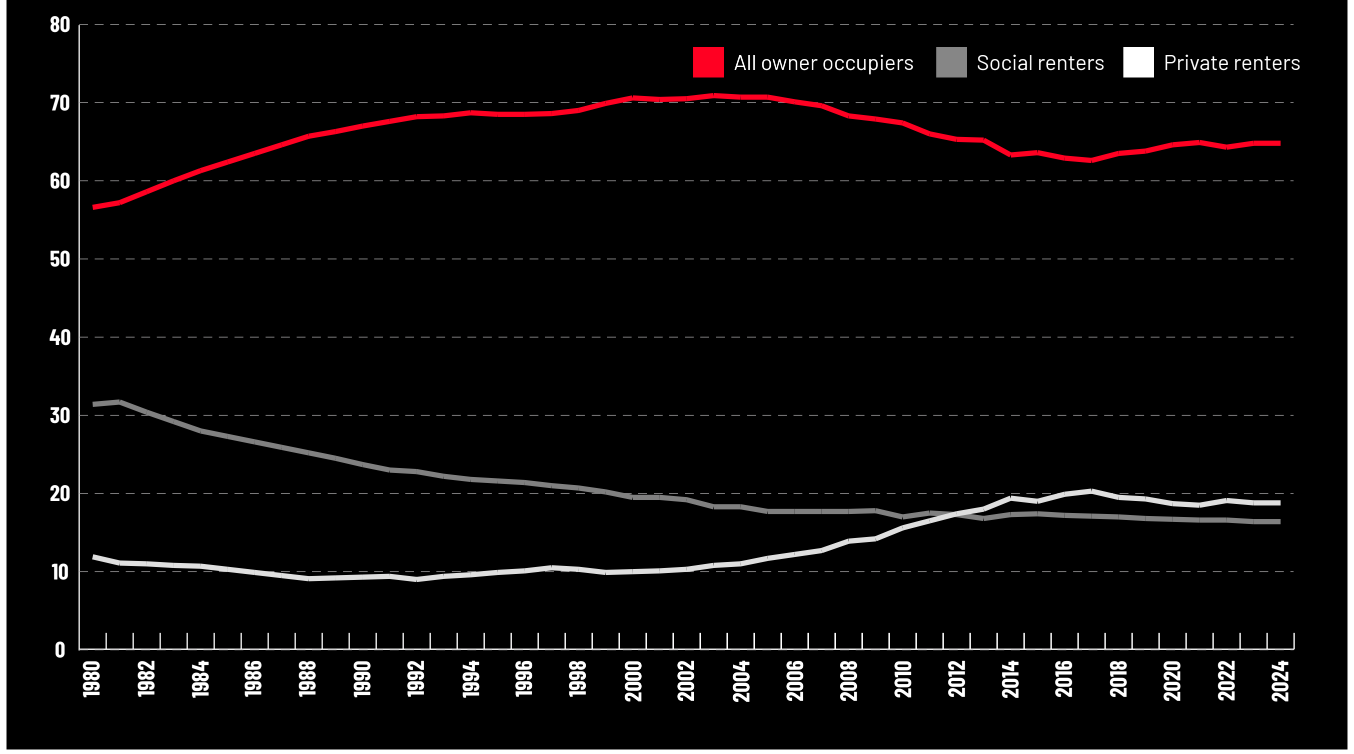
FIGURE 1: ADDITIONAL SOCIAL HOMES AND SALES OF SOCIAL HOUSING: ENGLAND 1969-70 TO 2022-23. PACITTI (2025) AT THE RESOLUTION FOUNDATION[4]



...the decline in overall rates of housebuilding since 1980 is almost entirely accounted for by the decline in social housing investment...

Moreover, the decline in overall rates of housebuilding since 1980 is almost entirely accounted for by the decline in social housing investment, as private sector house building has remained far more stable in the long-run (though quite volatile with the vagaries of the market). This lack of supply relative to the rising population and income levels accounts for a considerable part of the rise in house prices relative to incomes. The changed tenure structure is reflected in the halving of the fraction of households in the social rented sector since 1980, to 16 percent in 2022–3.

FIGURE 2: TRENDS IN TENURE (PROPORTIONS), 1980 TO 2023-24 IN ENGLAND.[5]



Council tenants accounted for the great majority of the social tenants in 1980 but by 2023–4, only 6 percent of households remained in council housing. The composition of households in social housing has changed, with the elderly, the very poor and the disabled making up higher proportions than in other tenures, and far more than was the case in 1980. Judge (2019) notes the low economic activity rates of working age adults in the sector, arguing that it can be explained in terms of household characteristics and the tendency for dwellings in the sector to be located where local labour markets and transport links are weaker.[6] This is an important signpost for the revival of new building for the sector. There is a tendency for high land prices to force construction into economically less desirable locations and this needs to be resisted. Another feature of the existing stock casts a shadow: this is that many of the high-rise blocks constructed in the 1960s and 70s are nearing their useful lives and are often hard or expensive to renovate. As availability of the social housing stock has declined, the housing benefit bill has soared to over £30bn in 2023, and many of those families thus supported live in poor quality and expensive private rentals. Indeed, in 2023, a fifth of privately rented homes were classified as 'non-decent', a proportion twice as high as in the social rented sector.[7]

The benefits of social housing investment

The National Housing Federation has classified the benefits of social housing investment under six headings.[8] First, it underpins economic growth at both local and national levels by ensuring that workers can afford to live near their places of employment, reducing commuting times, improving work-life balances, and enhancing productivity. The availability of housing for key workers, such as teachers, healthcare professionals, and emergency responders, ensures the smooth functioning of essential services. Furthermore, housing investment contributes directly to GDP and stimulates local businesses by creating demand for building materials, energy-efficient technologies, and home improvement services. Secondly, with the right complementary apprenticeship and training programs, such investment helps develop a skilled workforce, with pathways into stable employment for young people and unemployed individuals. Thirdly, such investment will put public spending on a far more sustainable path by reducing future costs of housing benefits and through their impact on the NHS. The latter arises both because poor housing contributes to respiratory conditions from damp homes, injuries from unsafe living conditions, and mental health problems caused by housing insecurity, and because many of the NHS's recruitment problems are linked to the lack of affordable housing for health workers.

The NHF argue fourthly that over 3 million people in the UK are pushed into poverty due to housing costs. Increasing the supply of affordable social housing will prevent such high numbers falling into financial distress. Moreover, reducing reliance on volatile private markets enhances financial resilience at both household and national levels. Fifthly, stable and affordable housing is crucial for educational attainment and long-term workforce participation. Children in overcrowded or insecure housing struggle to concentrate on schoolwork, leading to lower academic performance and reduced future earning potential. The NHF point to research which indicates that nearly 50% of children in overcrowded homes find it difficult to do homework due to space constraints and that homeless children are two to three times more likely to be absent from school than their peers, which severely affects their long-term economic prospects. Moving workers from high levels of housing insecurity in the private rented sector to the more stable social housing sector should encourage them to focus on stable employment and career advancement.

Finally, as noted above, the UK has some of the least energy-efficient homes in Europe, with residential properties' carbon dioxide emissions exceeding those of the country's entire transport sector. Poor insulation and outdated heating systems lead to high energy costs, with the government estimating that 13 percent of English households lived in fuel poverty in 2023 and that over 36 percent of households spent more than 10 percent of their income after housing costs on domestic energy.[9] Investing in social housing and retrofitting existing social housing with better insulation, modern heating systems, and renewable energy sources reduces fuel poverty and contributes to the country's net-zero targets while also lowering public expenditure on energy subsidies.

Taking the many benefits into account, according to the National Audit Office, one £1 invested in social housing delivers at least £2.70 in economic benefits.[10] Such favourable returns should be enhanced further by a set of complementary policies, especially when the government's fiscal capacity looks so constrained. As is explained next, these policies have major benefits in their own right for enhancing sustainable economic growth and reducing inequality, poverty and social exclusion.

The role of land in the economy

Many of the roots of the UK's failing economy can be traced to past policies (see Muellbauer and Soskice, 2022)[11] which lowered national rates of saving and investment and undermined productivity growth. These policies included the sale of council housing without adequate replacement. Additionally, the 1961 Land Compensation Acts (UK Public General Acts 1961) gave landowners excessive privileges, while real estate booms driven by credit have diverted resources away from productive investments. A spate of international studies provide empirical evidence on the mechanisms that impinge on productivity growth. They include Müller and Verner (2021)[12], with evidence from a study of 116 countries since 1940, Doerr (2020)[13] on US firms, Chakraborty et al (2018)[14] on the diversion of credit from more productive functions into real estate, Hau and Ouyang (2021)[15] for a similar mechanism in China, and Hericourt et al. (2022)[16] for European country-level evidence. Hirano and Stiglitz (2024)[17] formalise these ideas in a theoretical model.

> **...rising land prices have disproportionately benefited landowners and financial sectors, fostering rent-seeking behaviours over entrepreneurship.**

In the UK, rising land prices have disproportionately benefited landowners and financial sectors, fostering rent-seeking behaviours over entrepreneurship. These problems were exacerbated by lax financial regulation before the Global Financial Crisis, which left a lasting impact on government debt and economic resilience, especially with the misguided austerity policies of the last 15 years. Combined with the UK's cumbersome planning system, these structural problems help explain the UK's poor productivity growth record.

The needed policy package

To address these challenges, a three-part policy package is proposed on top of a programme of investment in social housing. First, planning reform toward more flexible land-use zoning (Watling and Breach 2023)[18] is needed to streamline processes, ensuring automatic approval for compliant proposals and merging Local Plans with Local Transport Plans to align development priorities. Current planning reform proposals do not go far enough in this direction. Secondly, enabling Land Value Capture (LVC) would ensure that the benefits of land value increases from receiving planning permission and from public investment are shared fairly between landowners and the wider society. This will require further reform of the 1961 Land Compensation Act beyond the timid first step taken in changes to the compulsory purchase order system in the Levelling Up and Regeneration Act 2023 (LURA).[19]

Also, while the shift in the Treasury's fiscal rule from limiting gross debt to GDP to net *financial* debt to GDP was a welcome relaxation, a further tweak, in which publicly owned land at market value can also be offset against debt, would increase the ability to use LVC. As the gap between prices on land with and without planning permission is likely to be highest in more expensive locations where housing need is often the greatest, LVC is essential to being able to finance social housing and infrastructure in such locations.

Finally, property tax reform must address the regressive nature of Council Tax, which remains unfair across regions and income levels, see Figure 3 and 4, and Corlett and Gardiner (2018).[20,21] Better designed property taxes would complement the first three parts of this package. They would enhance land value capture and help fund social housing. They would result in better allocation of the existing housing stock and interact with a more flexible planning system in encouraging developers to shift away from building luxury homes to more affordable homes – all steps to improving housing affordability.

FIGURE 3: THE INDIVIDUAL REGRESSIVITY OF COUNCIL TAX IN ENGLAND, FROM DIXON ET AL.[22]

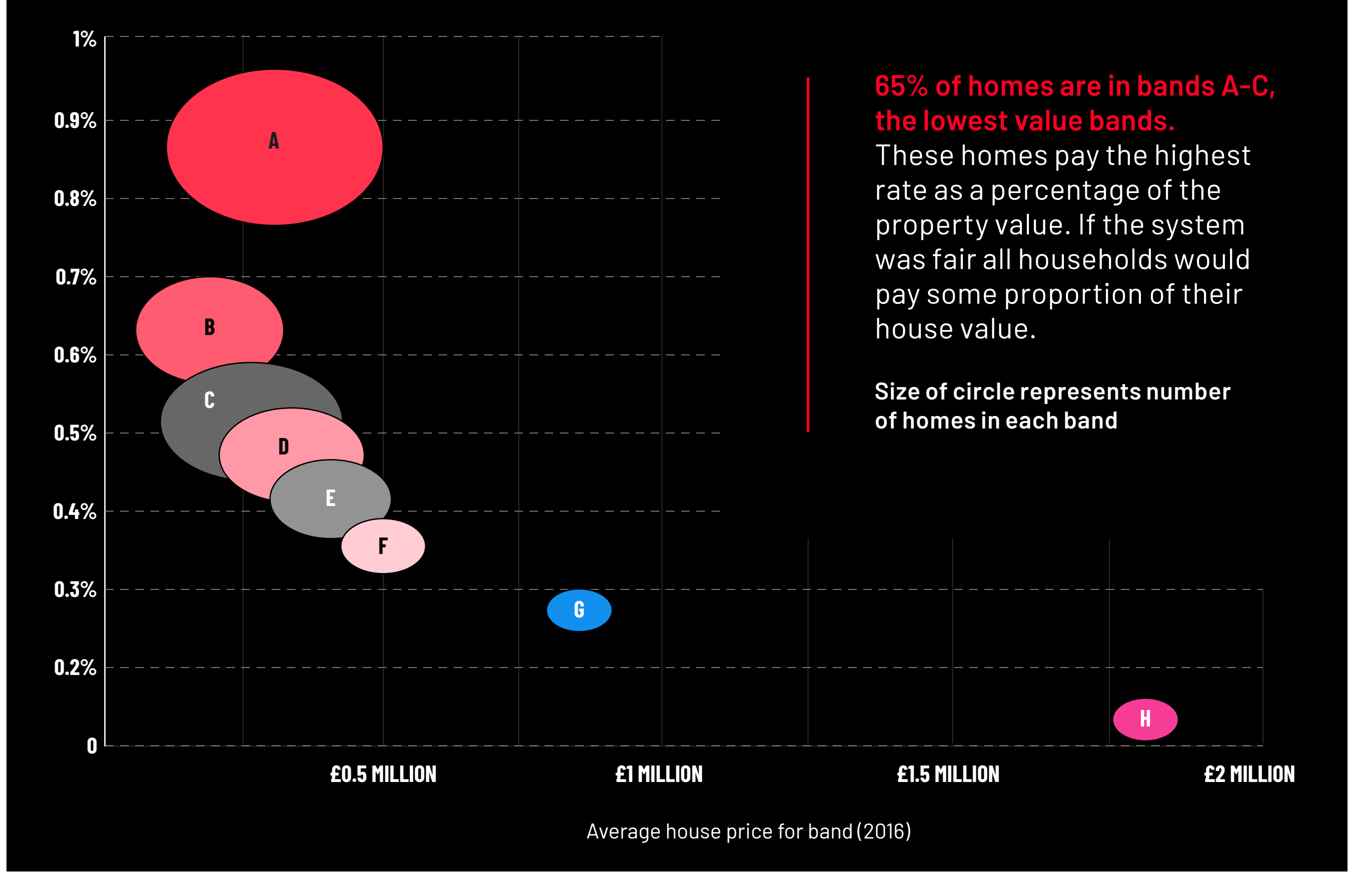
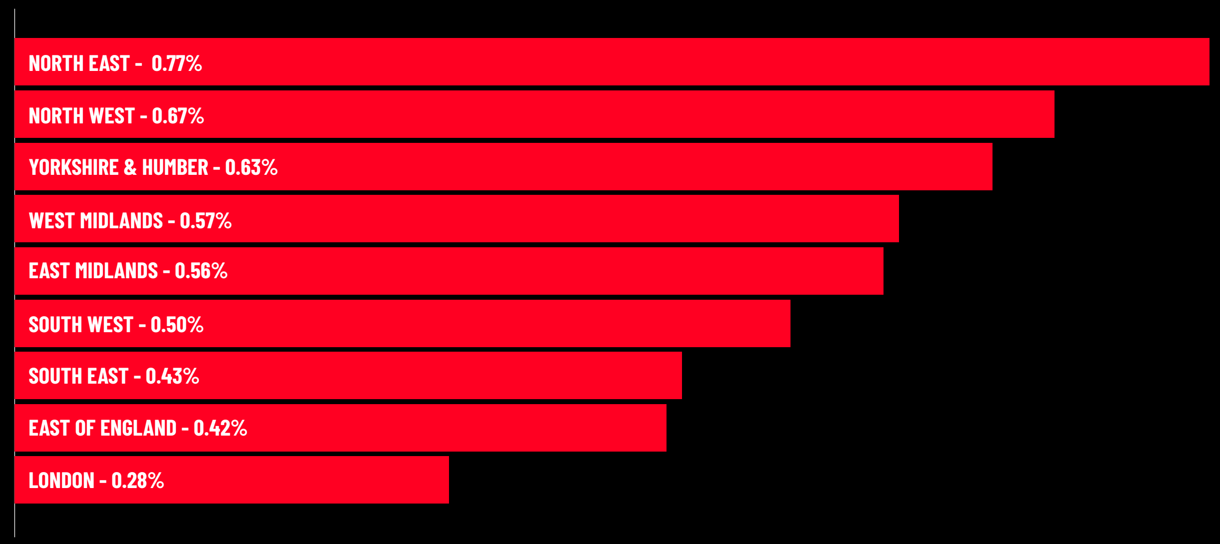


FIGURE 4: THE REGIONAL REGRESSIVITY OF COUNCIL TAX IN ENGLAND, FROM DIXON ET AL.[23]



Contrary to popular belief, there is no inherent conflict between reducing inequality and promoting economic growth. Well-designed property taxes can simultaneously broaden the tax base, stabilize the economy, and enhance productivity. Such policies would reduce intergenerational inequality, improve housing affordability, and support labour market flexibility by encouraging mobility. Additionally, these reforms could help address regional disparities and reduce greenhouse gas emissions by incentivizing energy-efficient homes.

Green property tax reform

A Green Land Value Tax (GLVT) represents a crucial innovation in property taxation (see Muellbauer 2023 for details, 2024 for a summary).[24,25] GLVT resolves the tension between achieving climate goals and improving housing affordability. With land prices at record highs, younger generations are increasingly priced out of ownership. OECD studies have shown that property taxes tied to market values promote economic stability and growth. A GLVT would combine a land charge and building charge while offering energy usage discounts to encourage energy-efficient buildings. Regular revaluations would discourage speculation, and households with significant land wealth but low cash flow, such as retirees, could defer tax payments until the property is sold or transferred.

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

Additional reforms to property taxation include expanding the tax base to cover high value agricultural and vacant land.[26] Investments in the Land Registry and requiring registration of land options would improve the accuracy of land title coverage and the transparency of pricing information, supporting fair taxation. Reducing Stamp Duty would encourage labour mobility by removing barriers to buying and selling homes, enhancing housing market flexibility. A phased implementation of these changes, coupled with public education campaigns, would ensure a smooth transition and minimize disruption. Split-rate taxation structures for business properties also would further align tax systems with economic goals.

The proposed reforms begin with property revaluations to facilitate proportional taxation, incorporating green discounts to incentivize sustainability. Gradual adjustments would prevent sudden tax increases, while concerns about land value estimation can be addressed through modernized assessment methods and transparent processes.[27] In the long run, the reduction in land prices relative to other prices in the economy caused by these tax reforms, would reduce the cost of acquisition of land for affordable housing, boosting value for money from social housing investment.

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

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26 Note the synergy with land value capture. This tax reform would incentivise land-owners to offer land with hope value but without planning permission in auctions for public authorities assembling land parcels for subsequent development. It should leave untouched great swathes of agricultural and forest land, but tax annually the excess above, say, £50,000 per hectare. It would also encourage building out rates of permissioned land, where UK rates are typically far below those in the rest of Europe, and capture some of the benefits of infrastructure investment. Politicians fearful of reforming Council Tax but serious about boosting social housing investment and the rate of home building should embrace this.

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HOUSING IN AN AGE OF WEALTH AND AUSTERITY

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Sometime in the 1980s and 90s, industrialists profiting through the exploitation of workers in manufacturing gave way to financiers making money from managing wealth as the key players in the British economy. Today, the workings of the British economy can be characterised by the primacy of wealth and its interdependence with austerity.

Opportunities for wealth accumulation via financial markets were created with liberalisation of capital flows and trade internationally. In the UK, the deregulation of finance, the sell-off of state-owned businesses, including the privatisation of public utilities, and a shift in responsibility over welfare from the state to the individual since the 1980s has provided the stream of funds and the assets for wealth accumulation.

> **At the heart of this entanglement is the transformation of housing as a right to housing as an asset.**

In this short essay, I illustrate the entanglement between wealth and austerity by presenting the case of housing, social care and provisioning for old age. At the heart of this entanglement is the transformation of housing as a right to housing as an asset.

Housing and welfare

Firmly in middle-age, many of my peers find themselves in between pincer jaws, unable to qualify for a mortgage on the one side and caring for aging parents who may be forced to sell their homes to finance social care on the other. Whilst by no means destitute, this common experience among median income earners illustrates worsening inequality in the UK that has resulted from withdrawal of the welfare state and increased reliance on asset wealth for private provisioning of social care and retirement. I have heard expressions of guilt and anxiety from elder friends whose grown-up children will not inherit from the modest wealth accumulated in their family home. It is in this context that the assisted dying Bill was heard in Parliament in 2024/25. Despite public support for the right of terminally ill people to choose, concerns that individual choices could be skewed in the context of a social care crisis, and the under provisioning of good end of life and palliative care, are clear and present.

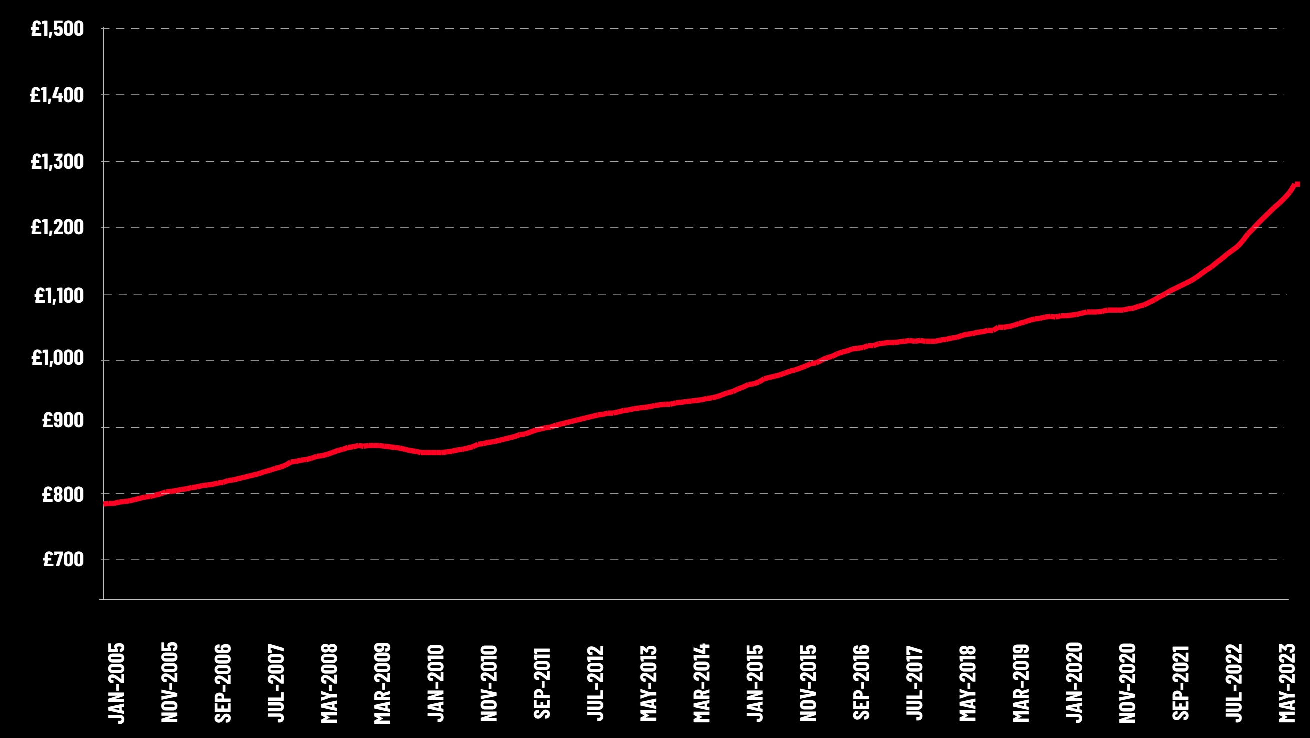
The link between housing and welfare are intimately tied at every stage of life. According to a recent Shelter Briefing, A quarter of children living in relative poverty in the UK are in 'housing costs-induced' poverty.[1] Record numbers of children are growing up homeless.[2] These children face a much higher risk of exploitation, poor physical and mental health that have a lasting impact.[3]

Pensioner poverty is more pervasive among those living in rented homes. 34 percent of renters over retirement age are living in poverty compared with 19 per cent of all pensioners.[4] From a quick glance at recent trends in private rental prices (figure 1), it is not difficult to see that this is a key driver of worsening pensioner poverty.

> **The share of pensioners now living in private rentals is rising and is expected to continue to rise.**

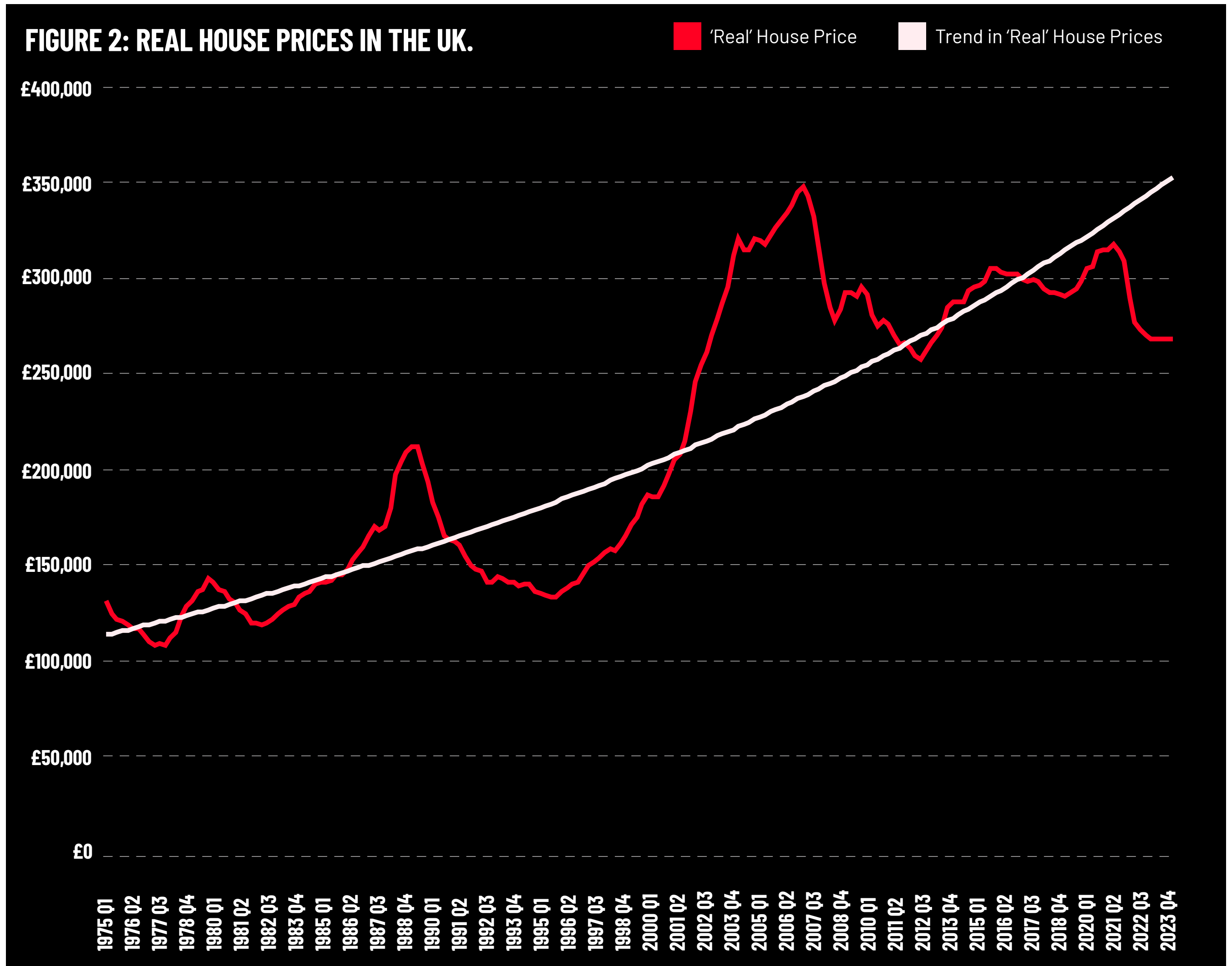
There has been a close link between housing tenure and pensioner poverty since the 1990s. Between 1994 and 2012, pensioner poverty as a share of pension age population halved from 28 percent to 13 percent. Rising rates of home ownership and increasing house prices (figure 2) along with higher incomes from private pensions were key factors for this.[5] But these gains were temporary in nature and tied to the political and economic reforms that will be discussed further in the next section. The share of pensioners now living in private rentals is rising and is expected to continue to rise. In 1993, 1 in 10 working-age people rented privately – now it's a quarter. People aged between 35 and 44 are three times more likely to rent than was the case 20 years ago. The proportion of 35-44 year olds who own with a mortgage has fallen from more than two thirds in 1997, to just half in 2017. Those approaching retirement age in the next decades are also the generation of workers that has seen worsening precarity, insecurity of employment, higher rates of self-employment and related collapse in savings for old age.[6]

FIGURE 1: AVERAGE MONTHLY PRIVATE RENT IN ENGLAND.



Source: Office for National Statistics[7]

FIGURE 2: REAL HOUSE PRICES IN THE UK.



Source: Nationwide (2025).[8]

From housing as a right to housing as an asset

The present entanglement between housing and provisioning for old age in the UK has its origins in the break from the post-war political and social contract. British social and economic policy was characterised by a commitment to maintaining full employment and the rapid expansion of the welfare state. Under Thatcher's leadership, the British State embraced neoliberalism – a policy programme that prioritises the interest of private investors via the embrace of markets over direct state regulation and the transfer of the responsibility of welfare from the state to the individual.

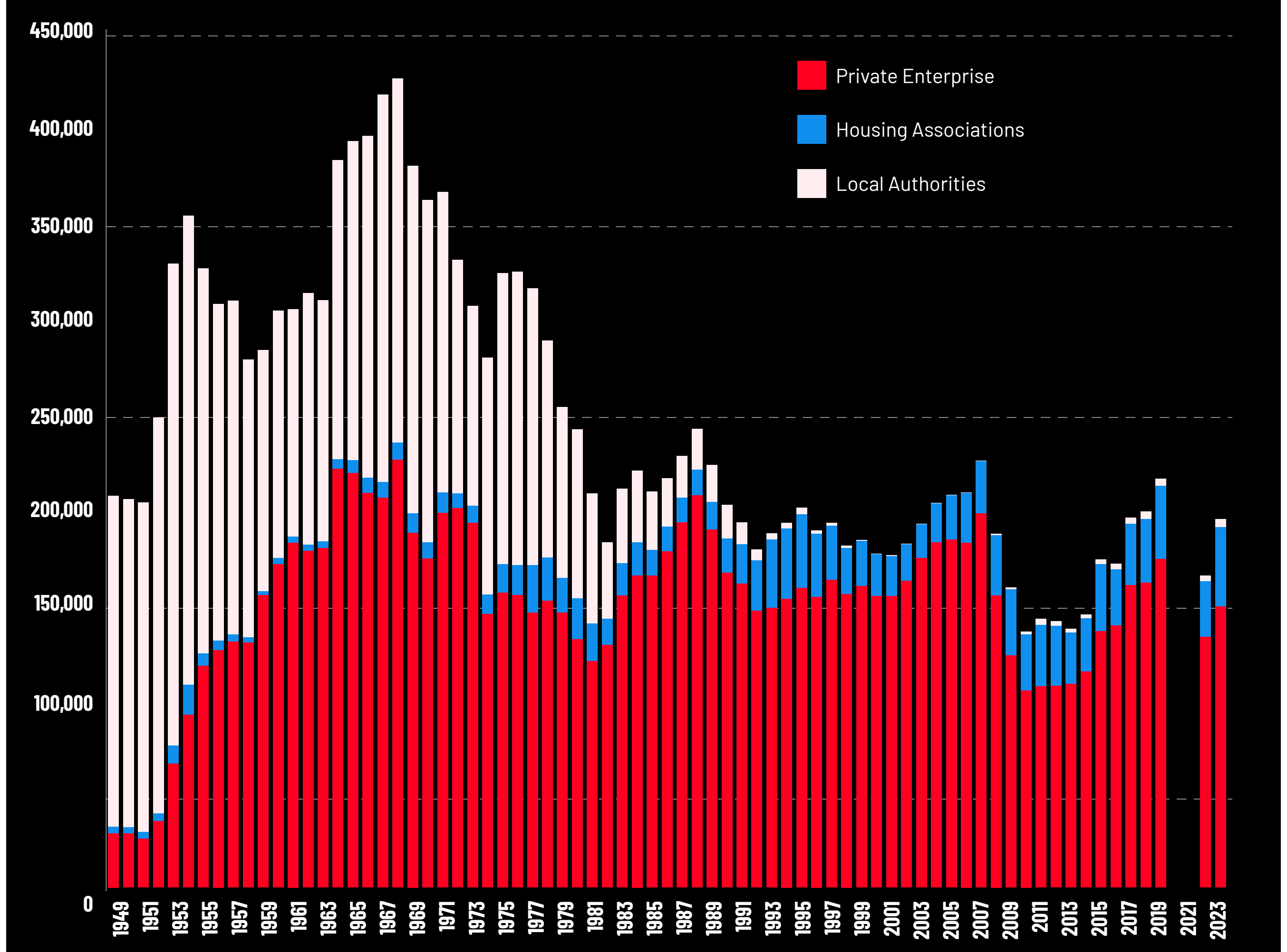
The two most significant changes to housing introduced by the Thatcher Government were opening of the mortgage markets to financial institutions other than building societies,[9] and the imposition of constraints on council house building whilst introducing the Right to Buy for sitting tenants. Between 1949 and 1979, local authorities built on average 160,568 new dwellings per year compared to 147,158 by private enterprise. Comparative figures for the decade of the 1980s were 39,211 and 162,573. Figure 3 shows the collapse of local authority builds and overall falls in home building since the 1980s that underpin the current housing crisis.

Huge expansion of mortgage markets facilitated the expansion of home ownership, that included the privatisation of council houses. Owner occupation increased from around 50 per cent in 1981 to its peak above 70 per cent in 2005.[10]

Wealth contained in housing facilitated the state's further withdrawal from social provisioning under Austerity measures since 2010 by providing a pool of private funds on which to draw on for private welfare provisioning, particularly in old age. Housing as an asset has become a linchpin in the British economic system where the maintenance of its value is of critical importance as it temporarily and partially staves off what will be a deep and deadly crisis of health and social care. In the wake of the financial crisis of 2007/8, bank bailouts followed by quantitative easing preserved and increased the value of assets including housing. As Britain emerged from lockdown, the first 'non-essential' high street shop to be reopened were estate agents.

"Experience shows us that it has never been profitable to provide decent housing to all of the working class".[11] When housing becomes an asset, the ownership, building and management of housing is primarily geared towards the maximisation of profit for developers and the maximisation and maintenance of asset value affecting the location and aesthetics of new housing developments. The over-supply of un(der) occupied luxury housing in London fuelled by speculative investment and used primarily as store of wealth side by side with the chronic undersupply of decent homes for the working class has been well documented.[12]

FIGURE 3: COMPLETION OF NEW DWELLINGS BY TENURE.



Source: Office for National Statistics[13]

The modern aesthetic of 'greige' sees the homogenisation of architecture and interiors across the world designed to maximise resale or rental value by being inoffensively neutral.[14] Click or tap here to enter text. Asset Aesthetics played a role in the cladding crisis that the UK now finds itself. Cost-cutting and visual appearance were the main concerns for Grenfell Tower refurbishment. Since Grenfell, more than 15,000 people have been forced to move from their homes. 600,000 people are estimated to be living in homes at heightened risk of fatal fire and three million home-owners are unable to sell for fire safety reasons.[15]

The assetisation of housing also means that when things go wrong, it is very difficult to apportion responsibility and hold accountable the many investors, jurisdictions, and players involved. Take the case of the upmarket Skyline Chambers in central Manchester that epitomizes the greige aesthetic:

> *"The building was completed in 2007 by a company called Space Developments UK, which was bought by the huge Irish housebuilder McInerney in 2002. When McInerney went bust after the financial crash, Skyline was picked up from the creditors by Wallace, an opaque entity that makes its money by owning freeholds and charging leaseholders for ground rent and building management. It's owned by an art-collecting Italian called Luca Rinaldo Contardo Padulli, sometimes styled Count di Vighignolo in official documents, who has a Norfolk manor as one of his more tangible home addresses; the Cambridge-based network of companies that runs his investments is owned by a Gibraltar-registered company, Perseverance Limited, which in turn is owned by the Guernsey-registered Hauteville Trustees, which has Padulli as a director."*[16]

Real estate development today is entwined in Global Wealth Chains that comprise transactions between networked firms and high wealth individuals operating across multiple jurisdictions for the purposes of creating, preserving and concentrating wealth that further dislocates housing assets from housing that can meet the real human need for decent homes.[17]

What needs to be done?

The Labour Government has increased housing targets aimed at getting "Britain building again". These mandatory targets imposed on local authorities come with no direct funding for housebuilding; rather central government "will provide councils and housing associations with the rent stability they need to be able to borrow and invest in new and existing homes" at the next fiscal event.[18] The plans rely on local authorities 'streamlining' planning processes, removing red-tape and reviewing existing greenbelt all under the close eye of central government fixed on meeting targets. This amounts to reliance on private developers and incentives to induce private investment. History shows us that the present reliance on private housing has been the cause of the present housing crisis; why social housing stock is at its lowest since the 1980s; why 1.3 million households are stuck on social housing waitlists[19] and 164,000 children are denied a safe and stable home in the sixth wealthiest country in the world.[20]

> **History shows us that the present reliance on private housing has been the cause of the present housing crisis;**

The housing crisis can only be solved in the long-run by addressing its root cause and delinking housing as a right from housing as an asset. Attempts to induce the private sector to build more homes in misguided.[21] The present housing crisis is one of inequality across how the current housing stock is occupied, and one of overall undersupply, especially of social homes. The returning of housing as an asset to housing as a right would need to involve both repurposing parts of the current housing stock and building a new generation of social homes fit for purpose and protected from assetisation.

Further, the reliance on housing wealth for provision in old age must be broken through the proper funding of health and social care, and transferring the responsibility over welfare from the individual to society as a whole.

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BUILDING COMMUNITIES, BOOSTING ECONOMIES: THE ROLE OF SOCIAL HOUSING DELIVERY IN LOCAL ECONOMIES

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When discussing social housing, the focus is often placed solely on its social benefits, overlooking its economic potential. Yet, in a time when economic growth is the UK's top priority, understanding the connection between social housing and local development is more important than ever.

Social rent homes are not just a solution to a social issue—it's a powerful economic opportunity. It can stimulate local growth, reduce public spending[1], and provide long-term benefits for communities. But, as with many complex urban challenges, the key to success lies not just in building more housing, but in how we build it. The way we approach its delivery can make the difference between strengthening or stalling local economies.

> **Social rent homes are not just a solution to a social issue—it's a powerful economic opportunity.**

In this essay, we explore three key lessons from successful housing projects, showing how a strategic approach to social housing can drive growth, resilience, and lasting prosperity for our communities.

1. The construction phase creates jobs – but proactive programmes such as a Construction Skills Hub are required to harness the opportunity for local people.

Construction innately offers benefits to the local economy:[2] jobs are needed on site, and the site is by definition – local. While developers, house-builders, and housing associations will ensure their supply chains are as efficient as possible, local labour is a key factor in this.

To increase the chances of construction benefits being felt locally, we need targeted interventions. Good examples include: construction skills academies, local labour and supply chain targets, and local authorities communicating skills demand forecasts to local contractors.

Capturing this opportunity depends upon local government having capacity to predict and meet the skills requirements for these developments.

Central government investment in social housing presents an opportunity: public sector-led delivery allows better co-ordination in local government – this can help local government not just to predict where skills are needed but also to capture the local benefit from new housing.

At Kings Cross, the Construction Skills Centre placed 600 local people into work on site, 330 of whom were previously unemployed.[3] Of 1,500 suppliers used, 20% were local businesses, and this was estimated to support 500 local jobs and generate a GVA of £33m per year in the local area.[4]

In Ebbsfleet, the area's Development Corporation has seen the supply chain employ 393 local residents, creating an estimated £19m in social value for the area.[5]

Results like these depend on:

a) scale of development;

b) co-ordinated action from local government and skills providers;

c) and a partnership approach with the organisations delivering the housing.

2. New social homes contribute to the demand for the local economy – this creates resilient places but is undervalued by our economists.

The 'Foundational Economy' represents the parts of the economy that are required by everyone regardless of income. It includes education, housing, water, utilities – as well as retail banking, food, and transportation. When there are more homes (of any tenure) there is more demand for the Foundational Economy, creating jobs and opportunities.

The Foundational Economy is often taken for granted, because it is lower productivity for the UK at a national level; but at a local level, it makes up a big proportion of the local economy.[6] New homes creating more demand can be a good thing – creating more localised jobs (in healthcare, education, utilities).

It can also be a bad thing. More homes, without more infrastructure, places strain on fundamental services (think: oversubscribed doctor surgeries). More homes, without accounting for local tenure needs, can exacerbate housing cost pressures and decrease how much residents have left to spend in the local economy. Pressure on services can exacerbate inequalities as the more affluent population short-circuits an over-subscribed GP practice by seeking private medical care.

It's a lesson as old as time that increased provision of housing (including social) must be accompanied by infrastructure. But there's an opportunity here too – when housing is planned well, including meeting true local housing needs, alongside social infrastructure, increased demand can lead to more employment opportunities and can improve the resilience of the local economy.

A study from Sweden[7] identified that the Foundational Economy suffered less from employment decline during the Global Recession in 2007 – 2009. It also enjoyed substantial job creation in the post-crisis recovery, particularly outside of metropolitan areas, supporting economies that were more impacted by job losses in other areas (like export-oriented businesses). Long-term growth does depend on increasing productivity in the wider market – but localised, Foundational Economy services help to better weather a storm.

We must advocate for the importance of the Foundational Economy creating local economic resilience. And use this to strengthen the case for investment in infrastructure (both physical and social) alongside social housing.

3. New developments need diversity: mixed uses support more prosperous communities.

Towns need both housing and businesses to retain their vitality. A population that comes from many walks of life and which is active in different sectors of the economy is more resilient in the face of change.

Much has been made of mixed-use developments over the past few years and the benefits it can bring to local communities. Mixed use communities integrate housing with uses that support the local community: retail, leisure facilities, office spaces, cultural facilities. These spaces create opportunities for residents to interact with each other beyond their own home, fostering community cohesion and belonging.

It also enables more diversity for the local economy: providing spaces that integrate a business with its potential customers, and wider anchor uses (like leisure or cultural spaces) that can help to increase the dwell time in a local area (and by extension, the local expenditure). It creates areas that are more walkable, which is linked to increased spend and a decline in retail vacancies.[8]

Social housing provides the opportunity to build more of these communities. Golden Lane Estate, in London, is an excellent example of a mature mixed use community. Built in the 1960s, the estate has a balanced tenure of approximately 50% social housing and 50% private ownership, allowing the community to be both socially diverse and tenure blind.[9] It has a mix of residents, including key workers, young professionals and long-term social housing residents, and the design of the site catered to a mixture of housing needs (i.e. single people, couples, and families).

Its mixed uses were designed to encourage resident interaction, through a community centre, shops, and public spaces built into the area and designed for use by all. This has resulted in a strong sense of community, an active and empowered resident base, and an estate which interacts with the wider world.

When we build more social housing, diversity is key. This requires care from landowners and professionals to 'design in' the right mix to support the local economy:

a) high quality public spaces, including parks and playgrounds;

b) mixed tenure streets with social, and privately owned and rented homes;

c) mixed uses, particularly for large scale projects, to provide access to goods and services;

d) and provision of leisure facilities such as swimming pools and football pitches to promote community cohesion.

Social housing is a social issue. It is also a significant economic driver. The successful integration of social housing into local economies requires careful planning and execution. Proactive engagement from local governments, through targeted interventions such as Construction Skills Hubs, and partnerships with developers are crucial to maximizing the economic benefits.

Investing in infrastructure and building quality public spaces can help to embed social housing in mixed-income communities which flourish and support the local economy.

Ultimately, social housing presents an opportunity to address the housing crisis while simultaneously bolstering local economies.

Ultimately, social housing presents an opportunity to address the housing crisis while simultaneously bolstering local economies. By recognizing and harnessing this potential, towns and cities can create vibrant, resilient communities that thrive both socially and economically.

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ASSESSING THE ECONOMIC BENEFITS OF SOCIAL HOUSING PROVISION

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The former US Secretary of Housing and Urban Development, Julián Castro, once noted that his country was in the midst of "an affordable housing crisis, particularly in the rental market in cities big and small".[1] This quote could have easily come from a UK civil servant or elected official, seeing as how much of the Western world is currently experiencing an acute housing crisis. In London and other UK regions, a dearth of supply of social homes has profoundly exacerbated this crisis.

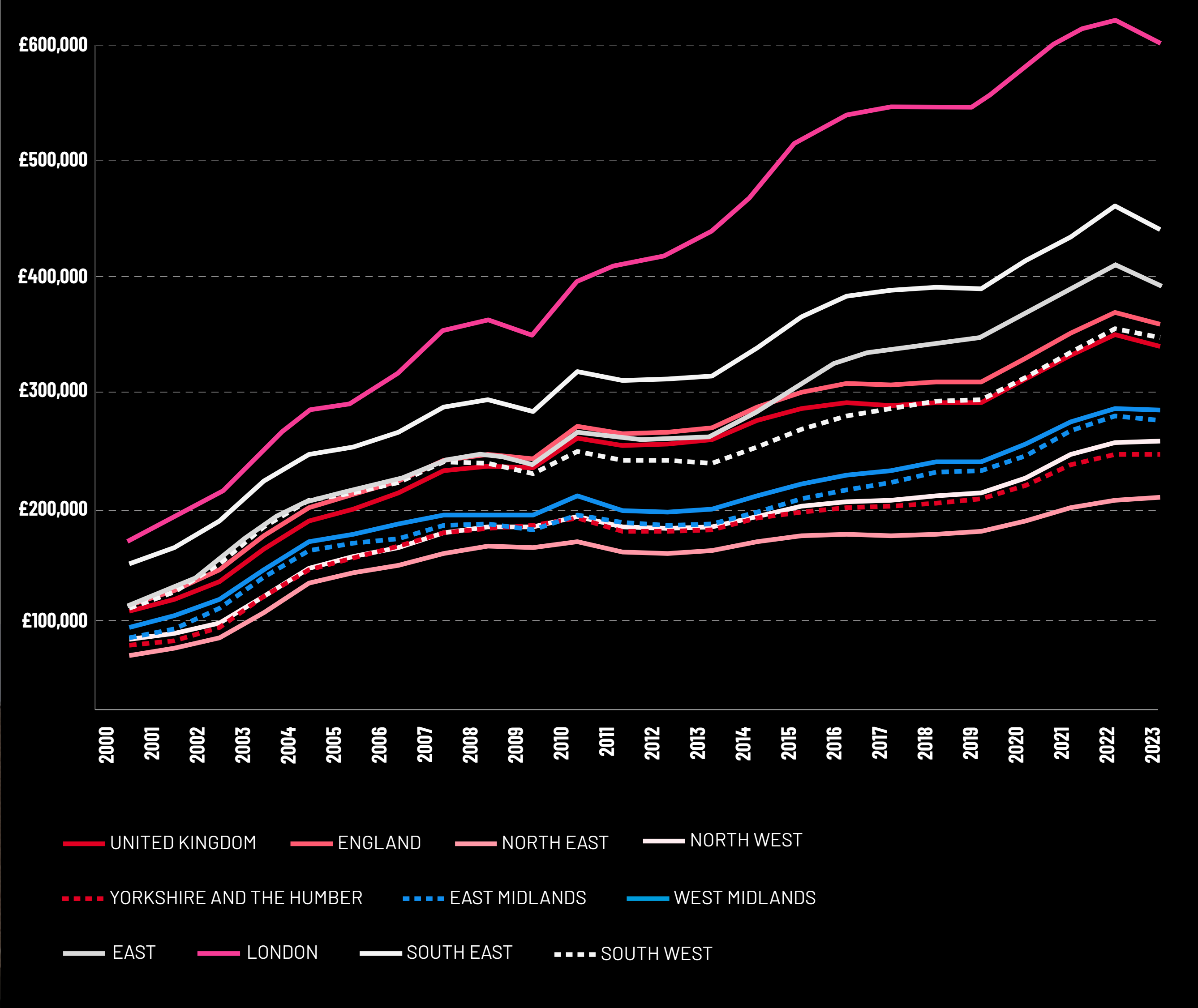
What the data reveals on the housing crisis in London and the UK since 2000

It is worth providing some context on the housing crisis in London and the UK. Figure 1 (right) looks at simple average house prices by region for all dwellings since 2000.[2]

The chart reveals that the percentage increase in prices was considerably higher between 2000 and 2008 than it has been since 2008. For example, average house prices in the UK, England and London increased by 124%, 122%, and 115% respectively between 2000 and 2008. This compares to 45%, 48%, and 68% for the three regions (respectively) since 2008. While London did not experience the fastest appreciation in house prices prior to 2008 (the Northeast did; 148%), prices in the capital grew faster than other regions since the Financial Crisis (68%).

Within London, price appreciation trends also differ pre- and post-2008. Between 2000 and 2022, median house price increases ranged from 214% in Tower Hamlets to 436% in Waltham Forest. Interestingly, pre-Financial Crisis, Inner London Boroughs (e.g., Tower Hamlets, Lambeth, and Islington) experienced some of the smallest appreciation rates. Generally, Outer London boroughs experienced greater median price appreciation than Inner ones (see Figures 2 and 3 on page 44).

FIGURE 1: SIMPLE AVERAGE HOUSE PRICES BY REGION (ALL DWELLINGS).



Source: Office for National Statistics
https://www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices

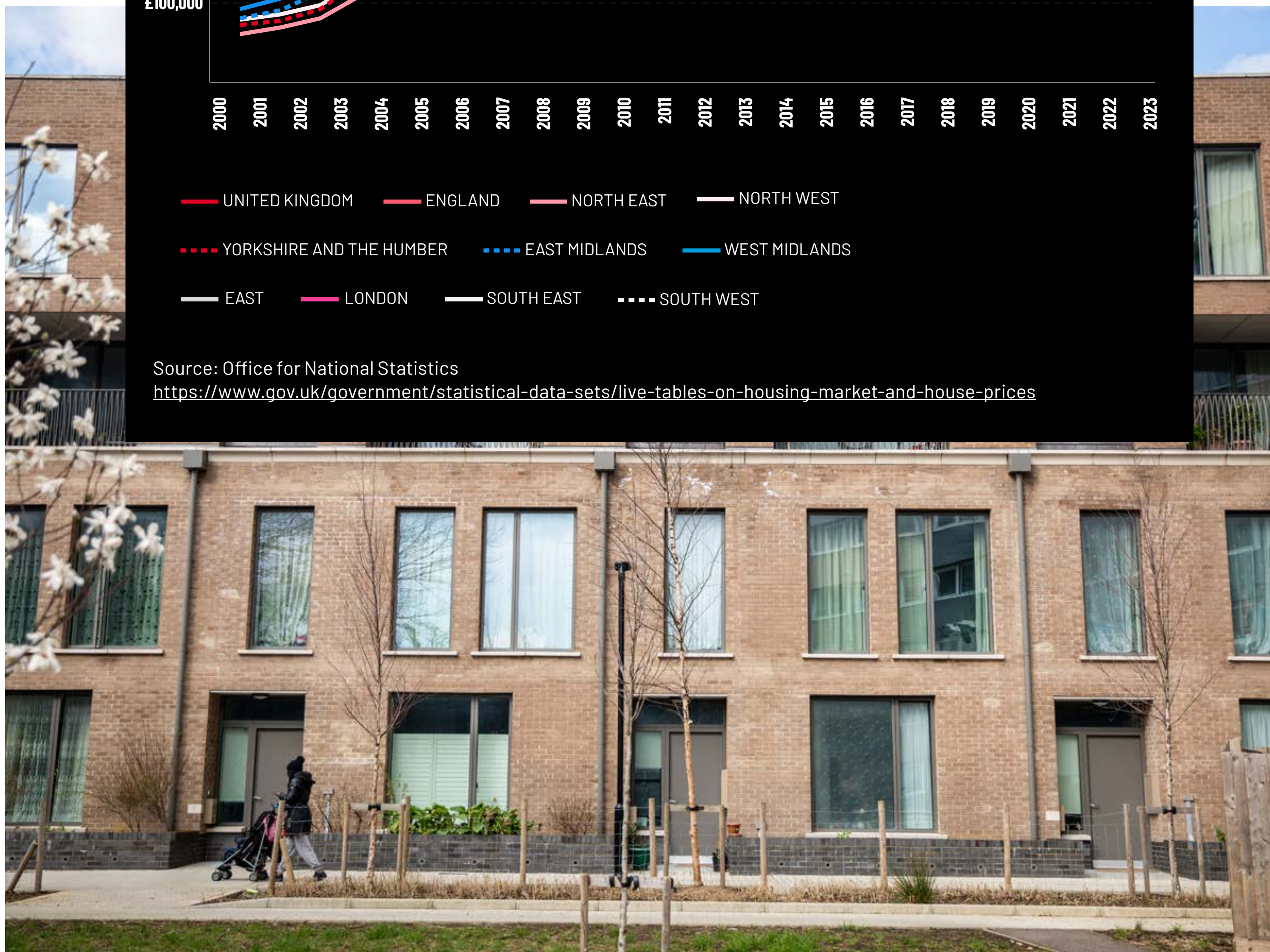


FIGURE 2: FIVE LONDON BOROUGHS WITH THE BIGGEST AND SMALLEST MEDIAN HOUSE PRICE INCREASES PRE-FINANCIAL CRISIS (2000 TO 2008).

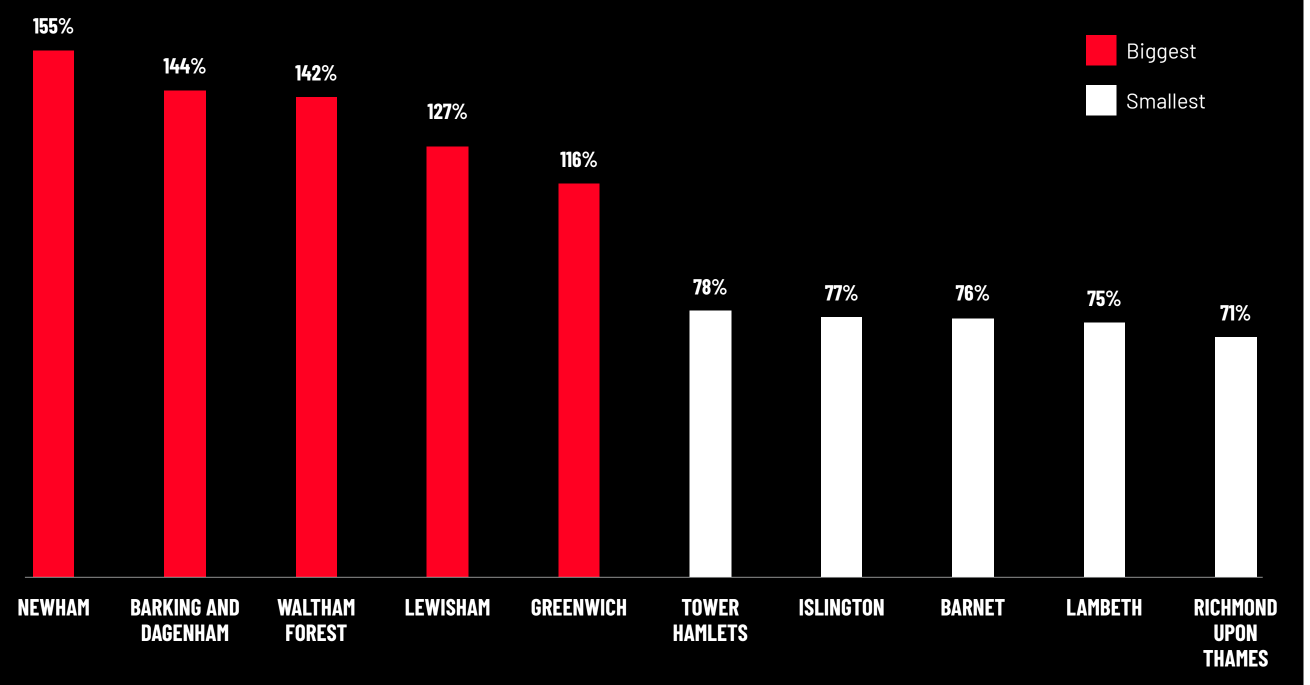
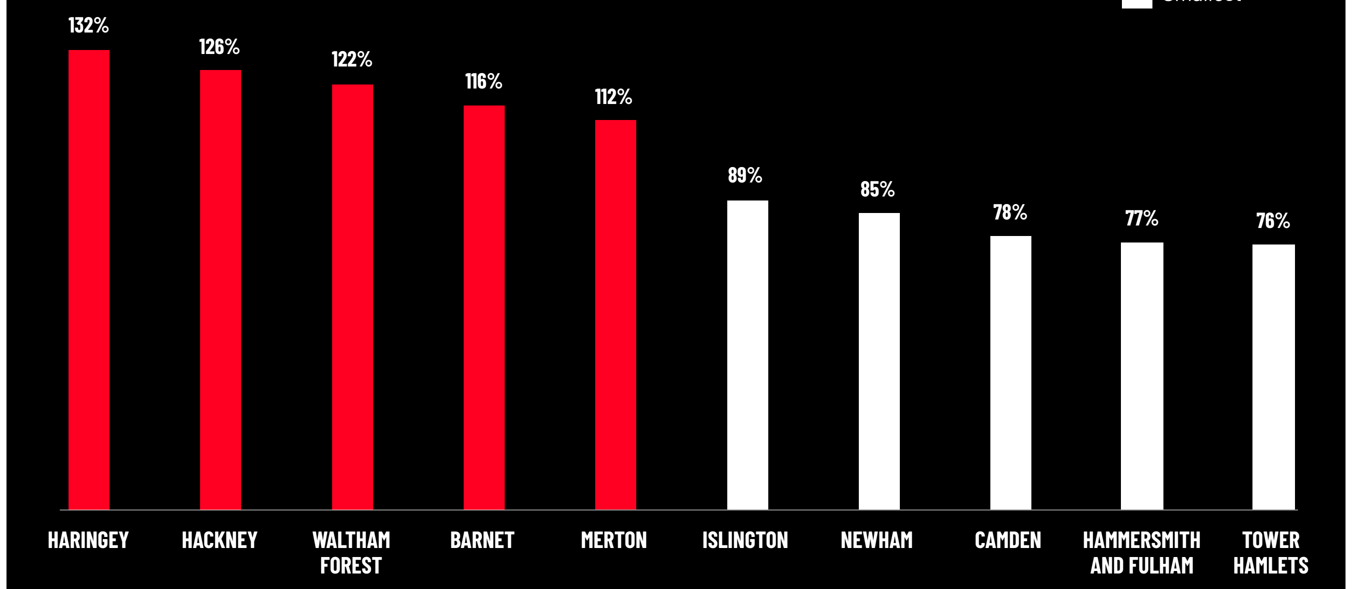


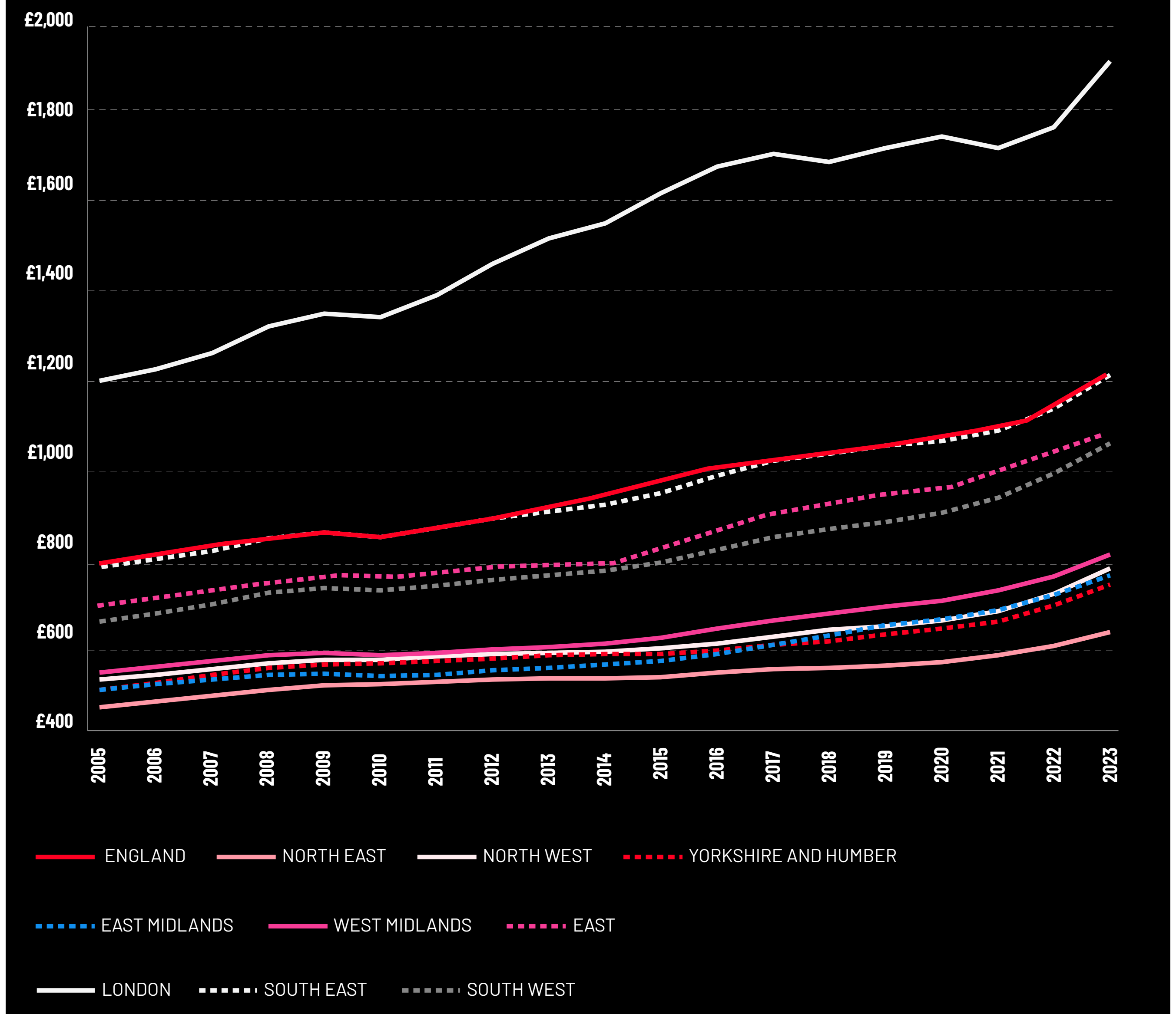
FIGURE 3: FIVE LONDON BOROUGHS WITH THE BIGGEST AND SMALLEST MEDIAN HOUSE PRICE INCREASES POST-FINANCIAL CRISIS (2000 TO 2022).



Source: https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housepricestatisticsforsmallareas/yearendingmarch2023

Private rents in England also experienced significant appreciation. Between 2005 and 2023, mean private rents in England appreciated by 55%; this compares to 37% in the Northeast (smallest) and 60% in London and the Southwest (joint biggest). Since the 2008 Financial Crisis, only the Southwest (46%) witnessed a bigger rise in average private rents than London (45%) (see Figure 4 below).

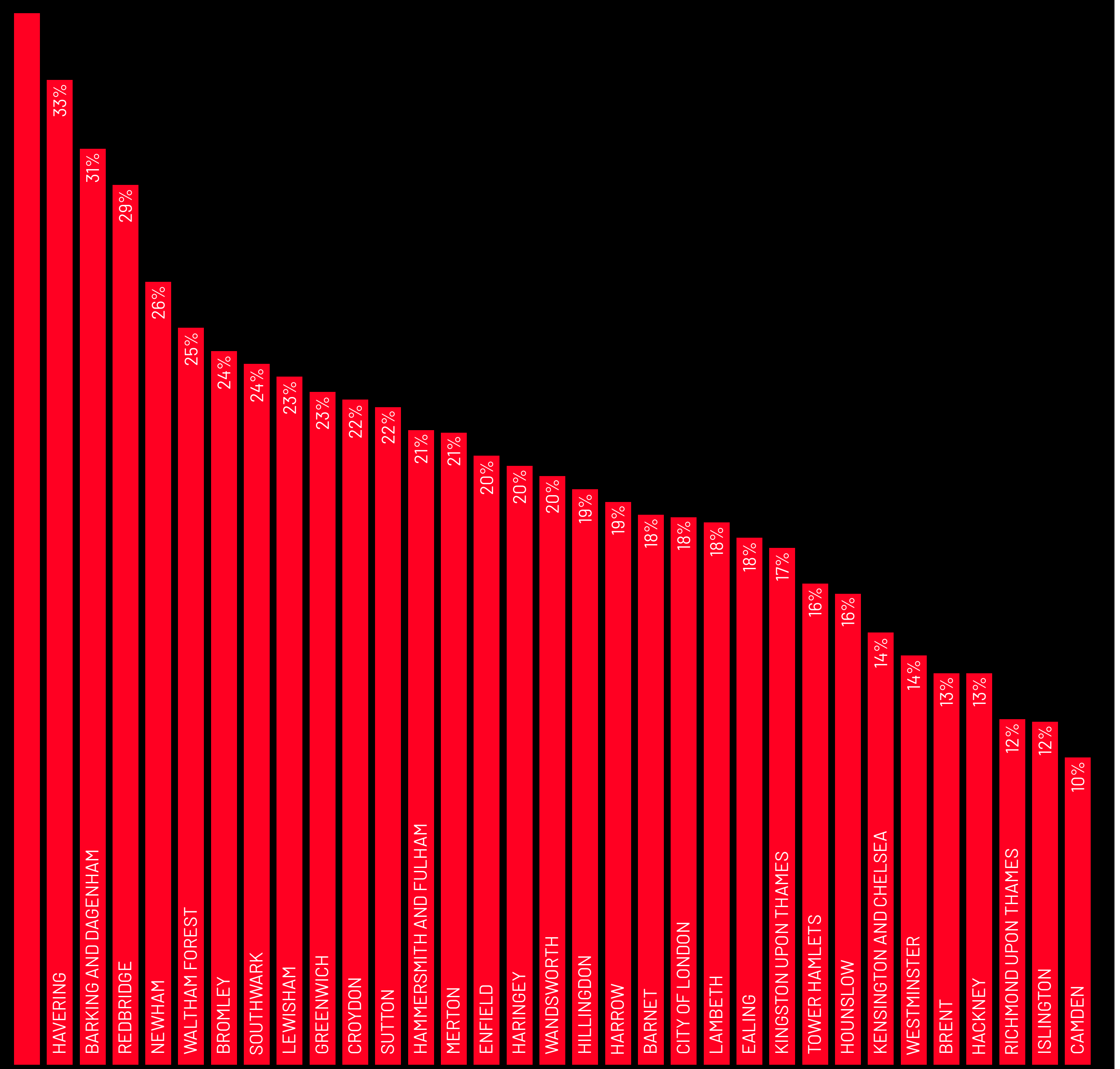
FIGURE 4: AVERAGE MONTHLY PRIVATE RENT BY REGION IN ENGLAND.



Source: https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/priceindexofprivaterentsukhistoricalseries

Looking at private rents by London borough, data from 2015 to 2023 shows that London experienced different rental appreciation rates over that period, ranging from 10% (Camden) to 35% (Bexley). Generally, boroughs with lower average incomes experienced greater price appreciation. Most Inner London boroughs characterised by high private rental prices (e.g., Kensington & Chelsea, Islington) experienced smaller growth in rent than other London boroughs (see Figure 5 on page 46).

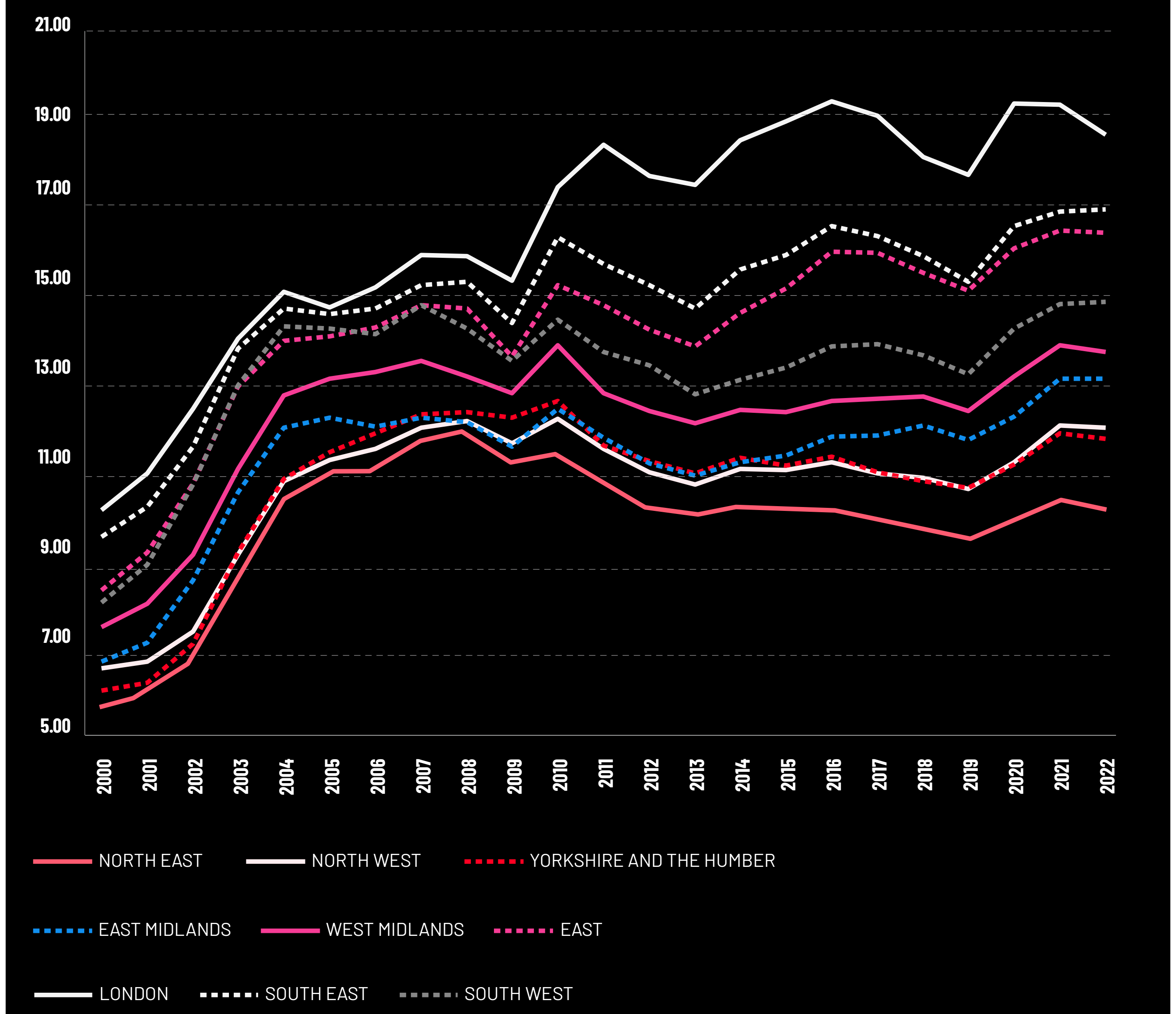
FIGURE 5: AVERAGE RENT PRICE GROWTH BY LONDON BOROUGH (2015 TO 2023).



Source: https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/priceindexofprivaterentsukmonthlypricestatistics

A typically-used measure of affordability is house price-to-income ratio. Figure 6 on page 47 uses price-to-income ratio data to compare trends across England's regions. London's ratio has always exceeded that of the other regions. However, that difference grew much larger following the Financial Crisis. In fact, the Northeast, Northwest, and Yorkshire & the Humber had lower price-to-income ratios in 2022 than they did in 2008. Meanwhile, London, the East and the Southeast experienced the biggest increases.

FIGURE 6: RATIO OF AVERAGE HOUSE PRICE TO GROSS HOUSEHOLD INCOME PER PERSON BY ENGLAND REGION.



Source: https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome and www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices

It is important to note, however, that the housing crisis goes beyond simply rising costs of rent and ownership. Relatively slow earnings growth and disproportionate taxation of employment income have also played a part. In the illustrative example below, a single-person household earning only employment income (at the mean level for each region) buys an average house in their respective region. Figures 7 and 8 on page 48 show that standard price-to-gross income ratios understate the severity of housing pressures. For example, as the mean income in London is higher, "average" Londoners also face higher tax rates, thereby increasing the financial pressures resulting from the housing crisis.

FIGURE 7: HOUSING AFFORDABILITY RATIO (AVERAGE GROSS EMPLOYMENT INCOME TO AVERAGE INCOME BEFORE TAX AND NATIONAL INSURANCE) BY REGION.

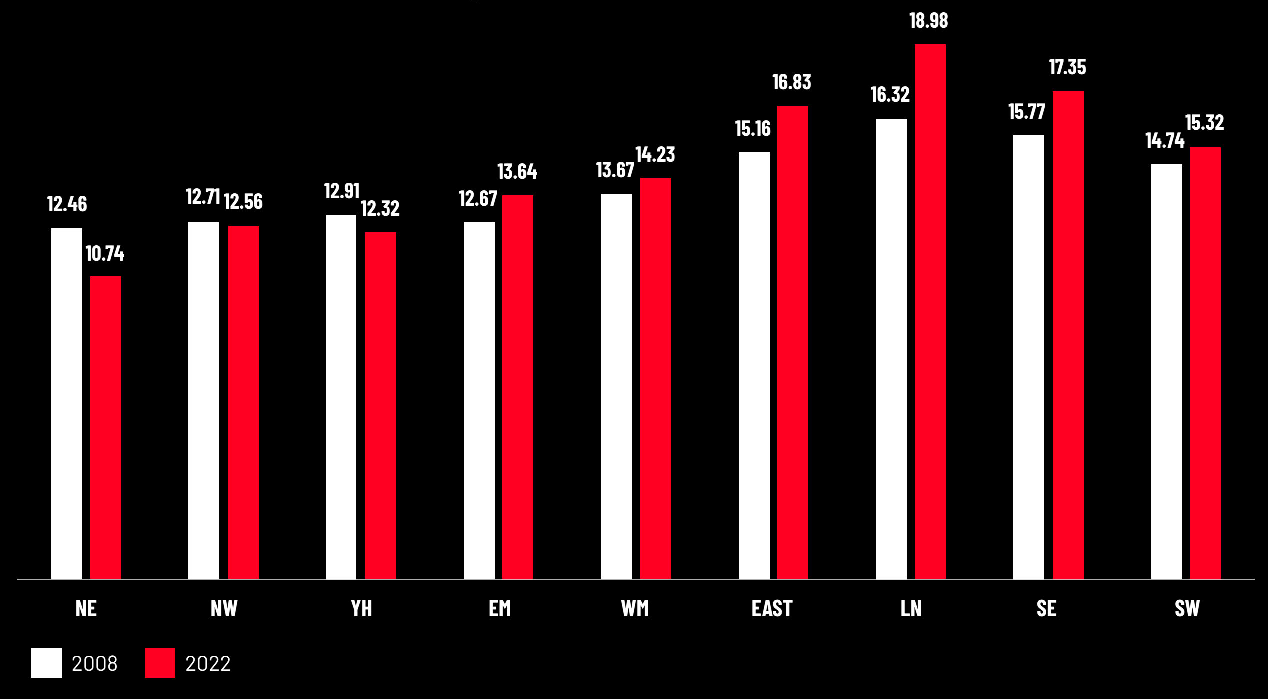
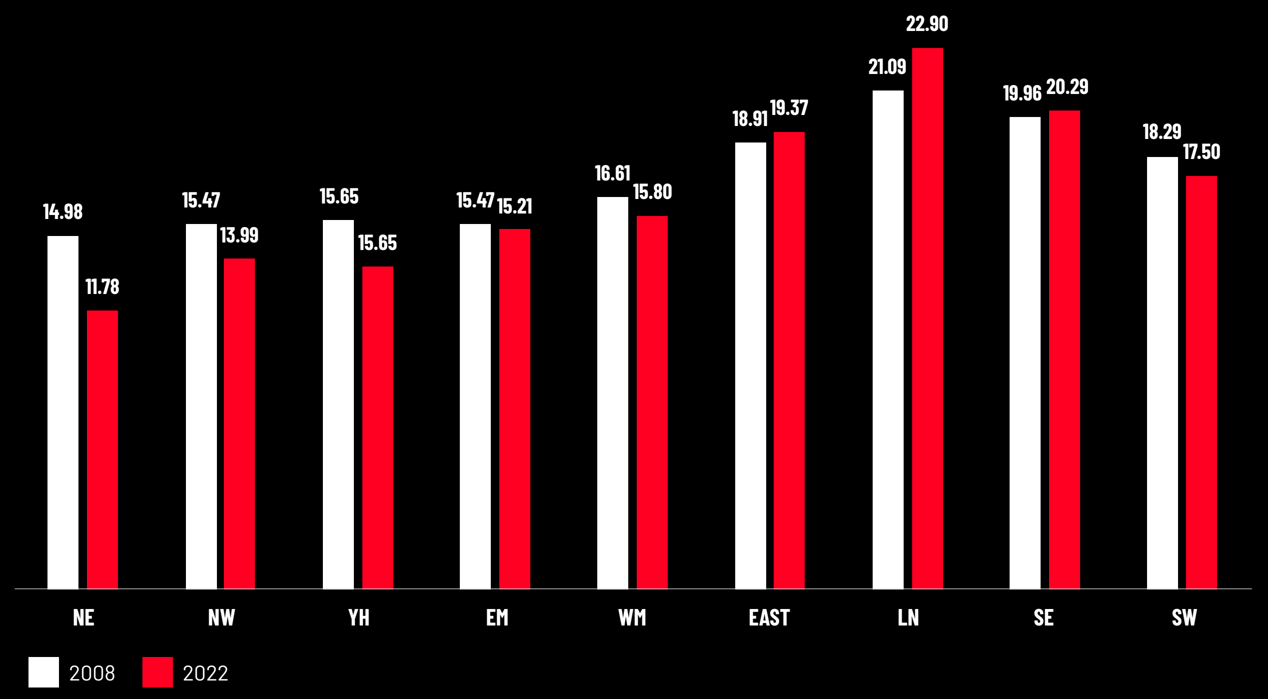


FIGURE 8: HOUSING AFFORDABILITY RATIO (AVERAGE GROSS EMPLOYMENT INCOME TO AVERAGE INCOME AFTER TAX AND NATIONAL INSURANCE) BY REGION.



Note: ONS data was used in addition to GLA Economic analysis to compute after-tax incomes.
Source: https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome and https://www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices

Finally, it is worth examining the data on housing supply trends across the UK.[3] In 2020–21, London and the Southeast saw more permanent dwellings completed than other regions. Historically, however, London has not always led the pack; things only started changing from the mid-to-late 2000s. The number of permanent dwellings completed in London in 2020–21 fell below that for 2016–17. However, compared to 2007–08 (the year just before the Financial Crisis), only London, the Southeast, and the West Midlands added more homes in 2020–21, with London adding 23% more homes. That said, the number of net additional dwellings per region has fallen short of the housing needs of all regions. The problem is more pronounced given that social housing represents only a subset of the total supply of additional dwellings. For example, social and affordable rented dwellings represent only 16.3% of the total dwelling stock as of 31 March 2023.[4]

The data points to the following takeaways:

- London has the least affordable housing market in England and the UK. However, house price appreciation in London only started overtaking other England regions since 2008.
- Within London, the boroughs with the highest housing costs experienced relatively small appreciation in these costs; pressures are more pronounced in boroughs with lower housing costs.

The socioeconomic implications of the housing crisis

Both London and the UK have been suffering from low economic productivity and growth, particularly since the 2008 Financial Crisis. London has seen its productivity grow at a slower rate than other regions since 2008. Given the city's significant contribution to the UK's GDP, this jeopardises future national growth. The capital's productivity slowdown impacts not just economic indicators, but also exacerbates existing inequities and social outcomes. This engenders a vicious cycle of worsening economic and social realities.

Given the city's significant contribution to the UK's GDP, this jeopardises future national growth. The capital's productivity slowdown impacts not just economic indicators, but also exacerbates existing inequities and social outcomes.

There are several potential reasons for low productivity and growth in London and the UK, including but not limited to chronic business underinvestment, poor investment in infrastructure and research and development, income and wealth inequality. The housing crisis is another primary contributor. In late 2023, I developed a theoretical framework linking the housing crisis to feeble productivity growth (see diagram below). This framework was presented to the London Partnership Board (co-chaired by the Mayor of London) and serves as the analytical cornerstone on which initiatives to address the housing crisis are designed and implemented.

Meanwhile, more expensive housing means that households would devote more of their savings and income to it, at the expense of more productive uses.

If housing is less accessible to the public, it undermines people's ability to live in a given area. As a result, employers would find it more difficult to retain and recruit workers to operate in that area, which would reduce economic productivity and growth. In addition, less accessible housing renders accommodation arrangements more precarious, risking an aggravation of the homelessness and temporary accommodation crisis. Various studies[5] demonstrate that homeless individuals or those in temporary accommodation find it more difficult to access employment, which in turn harms productivity and economic growth. Moreover, if housing becomes more expensive, it risks crowding out investment in other, more productive economic sectors. Meanwhile, more expensive housing means that households would devote more of their savings and income to it, at the expense of more productive uses.[6]

While there is evidence to support this framework, studies have not quantified the extent to which the housing crisis undermined London's economic growth. This served as the objective of a recent study the GLA commissioned in partnership with London Councils, Trust for London and the G15.

An empirical estimate of the impact of the housing crisis on productivity and growth

To arrive at a quantitative estimate, NERA Economic Consulting was commissioned to collect and conduct the analysis. Scoping for the econometric methodology used was done jointly with representatives of the commissioning organisations, including myself. Using data on local authorities in London and the Greater Southeast Region (142 local authorities) covering the period 2002–2021, an Instrumental Variables (IV) two-stage least squares regression was run to estimate by how much would a 1% reduction in the house price-to-income ratio of a given area (i.e., that would make housing more accessible) increases productivity and total income.

The data reveals a clear and positive correlation between house prices and economic productivity (measured as gross value added (GVA) divided by number of employees in a given local authority). However, the challenge is that the relationship is bi-directional: in other words, an area with higher house prices is likely to be more productive, and a more productive region is likely to induce a demand-driven increase in prices. Utilising a two-stage least squares regression with an instrumental variable where housing costs are instrumented using the share of greenbelt land allows us to circumvent this problem and measure the impact from housing to productivity, since housing costs increase faster in areas with a higher share of greenbelt land due to supply constraints.[7]

The regression results show that a 1% reduction in the price-to-income ratio in London and the Greater Southeast Region would increase productivity by 0.14%. This inverse relationship indicates that the negative economic effects of costly housing (via the four mechanisms alluded to in the above theoretical framework) are significant. To put this in currency terms, a 1% decrease in the price-to-income ratio would increase London's total income by £7.3 billion over a ten-year period. Equally interesting is the fact that some of that increase (8% to be specific) would accrue to UK regions outside of London (with the remaining 92% accruing to London). In other words, the economic benefits of less costly housing in a given region are *national* as well as regional.

Since the publication of this study, there has been considerable interest from key parties (including central government) to extend the analysis to the national level. What is incontrovertible, however, is the considerably harmful effect that costly housing has on our economy and standard of living.

The need for more social housing in perspective

In addition to harming productivity and economic growth, the housing crisis fuels greater wealth and intergenerational inequality, lowers business investment and expansion, increases unemployment and economic inactivity, lowers educational attainment for children, exacerbates health outcomes for low-income households, and undermines the public finances on which our welfare state rests.

This novel study reinforces the urgent call for the provision of more social housing to mitigate rental and home ownership costs in London and the rest of the UK. The Mayor of London, for example, has committed to increasing the supply of low-rent accommodation (including social rented housing) to meet the existing London Plan target of 520,000 homes over a 10-year period.[8] This is a central component of the Affordable Homes Programme.

Meanwhile, central government set a target of 1.5 million homes to be delivered over five years. Nonetheless, it is essential to ensure that these homes are financially accessible to those facing difficult socioeconomic circumstances, provide adequate shelter to meet the needs of households, are energy-efficient and support the government's environmental sustainability mission.

To conclude, the need to provide more housing (especially social housing) to address the ongoing crisis is well-known, but the latest study is novel in the sense that it puts a number to the regional and national economic impacts of not providing such housing. The consequences are also social, with the provision and access to the key public services used by everyone (especially society's most disadvantaged) at risk. Given the severity of the housing crisis and the abject performance in delivering the required units so far, the case for more social housing has rarely been more crucial and urgent.

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THE ROLE OF THE PROPERTY SECTOR IN IMPROVING HEALTH

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Access to quality, affordable, and secure housing is a foundation that everybody needs to lead a healthy life, yet the UK faces a chronic shortage that worsens health inequalities and strains the healthcare system, other services, and the economy.

> **Addressing the crisis will incur costs, but these are necessary investments in the infrastructure vital for the nation's health and economic stability.**

The housing crisis not only harms health and exacerbates poverty but also strains public resources, with the housing benefit bill expected to exceed £36.5 billion by 2028/29 and an additional £1.7 billion spent on temporary accommodation. This spending matches levels from the 1970s, yet there is minimal new construction of social rental homes.[1] Addressing the crisis will incur costs, but these are necessary investments in the infrastructure vital for the nation's health and economic stability.

The failure of housing supply to keep up with demand has resulted in a distorted housing market characterised by the widespread presence of unaffordable homes and deteriorating quality, which fails to support good health. However,building poor-quality homes in the hopes of fixing supply quickly may harm health in the short-term and store up problems for the future.

The following essay is based upon relevant extracts from the Institute of Health Equity report Building Health Equity: The Role of the Property Sector in Improving Health.[2]

Housing supply

Supply and health

- Housing supply has not kept up with demand, resulting in a housing market that does not support health. However, this cannot be fixed by increasing supply at all costs. Buildings have long lifespans, and building the wrong type of homes may harm health in the short-term and store up problems for the future.
- A lack of adequate supply of appropriate housing can be detrimental to health, leading to insecurity, unaffordability, overcrowding and financial strain, and contributing to homelessness and rough sleeping.

Homelessness

- Homelessness is increasing in England up 12.3 percent in 2023–24 from the previous year, leading to more people living in temporary accommodations or sleeping rough.[3]

- People experiencing homelessness have a mortality rate six times higher that of comparison groups, and temporary accommodation is often poor quality and overcrowded, which adversely affects health.[4, 5, 6]

Overcrowding

- Overcrowding is associated with negative physical and mental health outcomes and disproportionately impacts ethnic minority households and those in the social rented sector.[7, 8, 9]

Housing accessibility

- Much of the UK's housing stock is inaccessible for people with disabilities and older adults, with a majority living in homes inadequate to their needs.

- A wheelchair user joining a local authority waiting list could be required to wait up to 47 years to be offered a suitable new-build property.[10]

Housing delivery

- There are not enough homes being built where they are needed most, resulting in people being separated from their wider families, their communities and employment opportunities. When key workers cannot find appropriate housing, there are damaging effects on essential services and the local economy as well as on families and communities.

- Adaptive reuse of non-residential buildings into housing can increase housing supply, but reforms are needed to ensure these homes meet standards of quality, affordability, and local need, unlike many developments under Permitted Development Rights.[11, 12, 13]

- Meeting the need for housing delivery will also require an increase in public sector, small and medium enterprise, community and self-build housebuilding. This will have the additional benefit of reducing structural dependence on a few large developers.

The property sector and housing supply

- It is essential that the supply of good quality, affordable housing is increased for health and wellbeing as well as for the economy, community resilience, and social cohesion.

- The largest housebuilders have a business model that does not always prioritise housing delivery, slowing new home releases to avoid reducing local market prices, maximising profit at the expense of delivery.[14]

- Small and medium enterprises (SMEs) could boost housing supply if given clearer local plans and a predictable approval process.

- SMEs provided only 10 percent of new homes in 2020, down from 39 percent in 1988, and the number of SME housebuilders has approximately halved since 2007.[15]

- In many communities, there is a mismatch between the housing needed and what and where it is being supplied. In particular, there is a shortage of affordable family homes, and one or two bed units are being built in order to meet development targets.[16]

- Further incentivisation from local and national government could support the property sector to redevelop deprived and 'left-behind' areas. Transforming these areas not only addresses regional social, economic and health inequalities, but can also create significant long-term commercial opportunities.

> **In many communities, there is a mismatch between the housing needed and what and where it is being supplied.**

Affordability

Affordability and health

- Affordable housing is a critical social determinant of health because it directly impacts individuals' and families' ability to secure decent quality, secure housing and meet other basic needs for health and wellbeing, leading to poor health and, at worst, homelessness and poverty.

- In the UK, 11 million people are in poverty before housing costs in 2021–22, rising to 14.4 million after housing costs, including 2.9 million children before housing costs and 4.2 million after.[17]

- Rental costs are at an all-time high, with up to 20 percent of renters reporting mental health impacts from their housing situation, and nearly 40 percent experiencing stress and anxiety over housing concerns[18, 19]

- England's 4.2 million social rented homes provide at least £77.7 billion annually to the national economy in savings for the NHS, councils, police and government, and in the economic opportunities created for residents.[20]

Availability of affordable housing

- England faces a shortage of affordable housing across all types, with housing affordability worsening in every Local Authority between 1997 and 2023.[21] The proportion that is social housing, the most affordable form of housing, has fallen to only 15 percent of new 'affordable' homes for social rent in 2022/23, compared with 65 percent in 2011/12.[22]

- Not all forms of 'affordable housing' are truly affordable and in 2020, the Affordable Housing Commission confirmed that the majority are in fact unaffordable to those on middle to low incomes.[23]

- Homeownership is becoming increasingly unaffordable for first-time buyers. Only households in the top 10 percent of income can afford an average home with fewer than five years of income.[24]

- Housing Associations are also not always seeing affordable homes on the market that they want to buy, resulting in some affordable homes being approved or built but not being purchased, leaving developments paused as developers are unable to meet their affordable housing commitments.[25, 26, 27]

- Lack of affordable housing can lead to the fracturing of communities, weakening of support networks, and skill and job shortages.

The property sector and housing affordability

- Since the 1970s, the withdrawal of local and national governments from housebuilding has made affordable housing supply increasingly reliant on a few large volume developers.

- The property sector have a key role in the provision of affordable housing, through negotiated planning obligations, as well as the emerging build-to-rent sector and other housing models. Unfortunately, private sector housebuilding has fallen short of the demand for affordable homes.

- While half of affordable homes in England come from Section 106 contributions, developers often use financial viability assessments (FVAs) to reduce or avoid these commitments.[28]

- The estimated total value of developer contributions in 2018/19 was £7 billion, including £4.7 billion in the form of affordable housing. There is significant regional disparity within this figure: London accounted for 28 percent of the total, the North East only 3 percent.[29]

- While financial viability is crucial for development, examples of avoidance, non-compliance, and an overall lack of trust in the process from the public and other partners highlight the need for greater accountability and transparency.

The wider system and reform

To ensure sufficient healthy housing is built, the planning process needs to be simplified, balanced with the necessary legislation and regulation to ensure that the right homes are built in the right places, which will support health into the future.

The planning system

- The UK planning system has failed to support sufficient affordable, healthy development.[30]

- In our roundtable and interviews, stakeholders cited the planning system as a major barrier to housing supply, pointing to delays in planning permission, under-resourced Local Planning Authorities (LPAs), and a lengthy, contested process that often spans years from site identification to housing production.[31]

- Planning departments have faced significant cuts, losing over a third of their budgets since 2010.[32] While the government plans to hire 300 new planning officers in England, this falls short of addressing the full deficit.

- Local plans are currently not being used to their full potential and many are out of date, with most being over five years old.[33]
- Increased funding is needed for planning departments to create binding plans that specify housing needs and align with government building mandates.
- Properly resourced LPAs will be able negotiate effectively with developers, providing clarity and consistency while also being able to challenge when necessary.
- With good local plans in place, developers should have the confidence that if they propose developments within the plan, they will receive approval rapidly and without additional costs.
- LPAs should retain the ability to purchase land compulsorily from developers who do not meet their planning obligations in exceptional cases.[34]

Health in planning

- The NPPF mandates that local plans address health needs and promote wellbeing, yet only 36.4 percent identify local health needs, 29.2 percent link to local health strategies, 37.5 percent include a health policy, and just 38 percent require Health Impact Assessments (HIAs) for developments.[35] The NPPF does not mention health equity.[36]
- A healthy planning system requires health and health equity to be integrated at every stage of planning and development, with a focus on the social determinants of health.
- Public health departments can bring expertise in local health needs and the social determinants, as well as in community engagement and links to the local voluntary sector, aiding in community co-production of plans.

Planning and infrastructure funding

- Some UK areas have used other forms of land value capture to fund specific infrastructure projects.[37] There have also been proposals for national schemes, including forms of land value tax.
- Land banking is a symptom of a planning system that is not functioning optimally.[38, 39, 40] This problem is best solved by a planning system that reduces uncertainty for developments and that supports health and health equity.
- Negotiable S106 planning obligations can increase regional inequality, as areas with higher housing demand and land values are able to negotiate greater contributions; a national tariff or redistribution mechanism may help reduce these inequities.[41]

National strategy

- A housing strategy that connects up the health, industrial and skills agendas can improve health, housing and support jobs in green construction and retrofitting.
- Local authorities also need to be empowered and properly funded to build social housing themselves.
- Enforcement of safety and quality regulations needs to be properly funded and supported nationally and locally.
- In the context of housing, proportionate universalism means a plan for housing for all, with resources focussed on where the housing need is greatest.

Conclusion

Good housing is essential for health and health equity, as well as the sustainability of the NHS and national prosperity. And yet, the current system is not leading to the creation of sufficiently affordable, good quality, accessible and sustainable housing and places, harming health and health equity.

The Institute of Health Equity has set out a route forward to deliver new healthy homes and places, in partnership with the property sector, to solve our housing crisis and to improve health. Central to this, in line with Shelter's Invest in Social Housing campaign, the public sector must fund and build social housing itself, transitioning from a model of individual subsidy via housing benefit, toward a new generation of social house building. We will only end the inseparable housing and health crises when government invests in good quality social rent homes.

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THE CROWDING-IN EFFECTS OF SOCIAL HOUSING

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There are range of good arguments for greatly enhancing the level of new investment in social rented housing within the Government's strategy to increase overall housebuilding in England. The case for this in terms of existing and prospective need and achieving a good range of housing and social outcomes, as well as economic growth, has been set out in my widely-cited analyses of housing requirements in England and GB.[1, 2]

> **...the more social housing is being built in a locality and time period, the more private housing completions will be delivered as well...**

A possible objection which may be made to this is that prioritising social rented housing may be at the expense of somehow reducing the amount of new market housing provided by the private sector. I would strongly refute this allegation or assumption, on the basis of consistent evidence. I have been modelling the housebuilding process statistically down to the local level over many years and iterations, and one conclusion continues to come through strongly: the more social housing is being built in a locality and time period, the more private housing completions will be delivered as well, controlling of other relevant determinants (see for example Bramley & Watkins 2016[3], or more recently Bramley 2023[4]). In other words, social housing does not crowd out or displace private housing, but rather crowds it in.

This link reflects a number of factors and processes. Firstly, and increasingly since 1997, the UK planning system has seen the normalisation of the role of Section 106 planning obligations to require affordable and social housing to be included as part of most significant developments. That leads to a general practice of planning and designing schemes in that way. Secondly, the motivation and sentiment of local authority decision makers, in many, probably most, local authorities is that they (like their local residents) are more supportive of housing development which will benefit local residents, including younger households and those with modest incomes, to obtain housing. Further, in current circumstances, the pressures and costs of homelessness reinforce those motivations.

Another aspect of this is the role of development partnerships and the potential for risk sharing and sharing of infrastructure and planning costs. Larger scale developments generally work best with the involvement of several housebuilding organisations, who tend to cater to different market segments including the intermediate affordable and social housing sectors. This spreads the cost of the infrastructure needed, increases overall output by catering to more segments, and by enabling smaller/medium sized housebuilders to contribute. It also potentially de-risks the investment for the larger private developer. If sales slow down or dry up in their segment of the market, they can contribute more for a period to the other segments, including affordable and social, so keeping their construction pipeline going. Since future market sales uncertainty is perhaps the critical risk factor for private housebuilding development, this can be a significant benefit which should also be reflected in a lower target rate of return requirement.

I would also underline that it remains critical to maintain and strengthen planning powers and guidance around s.106.

I would also underline that it remains critical to maintain and strengthen planning powers and guidance around s.106. This will be needed to reinforce the virtuous circle described above. At the same time, the fiscal pressures on the government are really overwhelming, and it may view it to be unrealistic to spend the levels of direct capital subsidy that the sector needs, especially given the perilous international situation. I have shown through my research published a year ago that, on a medium term perspective, through rigorous application of the s.106 logic backed by public interest based viability assessment, the levels of social renting provision which we all agree are necessary could be delivered with only a moderate increase (and refocusing) of direct public subsidy.[5]

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REFURBISHMENT: CUTTING THE COST OF SOCIAL HOUSING?

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Housing in Crisis?

Housing is always in the news, and always a problem. Street homeless and rough sleepers are the most obvious and tragic witnesses to this acute housing problem. The typical rough sleeper dies around 30 years earlier than the general population. There is also chronic overcrowding among many families on the lowest incomes; exorbitantly high rents among private tenants in high demand areas like London and the South East, and around regional capitals such as Edinburgh, Cardiff, and Belfast, and Manchester and Birmingham. According to Shelter's statistics, 164,040 children are homeless in temporary accommodation – up by 15% in a year.[1] Meanwhile, owner occupation is too often unattainable unless people inherit housing wealth. We are a crowded island, with little readily available land and high levels of immigration. So, finding more space for more housing is not easy.

Drivers of shortages

The drivers of our housing problems go far beyond simple shortages. The scale of underoccupation is staggering and growing. There are over 45 million spare bedrooms[2] in a stock of around 27 million homes.[3] Among owner occupiers, where underoccupation is most common, there are on average two spare bedrooms per home. Alongside this, there is a chronic shortage of suitable, well located, smaller homes for people to downsize to. An aging population and smaller families make this problem more pressing, accentuated the wider growth in single person households.

The housing shortage is seriously affected by the increase in second homes, many of which are owned as holiday homes or rented as short lets through the ubiquitous Airbnb. Many parts of Cornwall, North Wales, the Lake and Peak Districts, are almost impossible for locals to find a home in. In rural areas, particularly around the national parks, areas of natural beauty, and in historic 'visitor' cities like York, Bath, and Edinburgh, a lot of property, previously rented to locals, has been converted to short-term tourist lets, making it more difficult, and sometimes impossible, for locals to find anywhere to live. Popular European cities, like Barcelona and Venice are threatened with local depopulation as a result of what is now called "over-tourism".

The housing crisis has been compounded by the loss of social housing over the last forty years.

The housing crisis has been compounded by the loss of social housing over the last forty years. In 1980, there were 6.5 million council rented homes in the country.[4] Today, there are around two million,[5] driven firstly by the Right to Buy, giving sitting tenants of two to five years' standing a legal right to buy their property, with a substantial discount to help them, particularly high for flats. The discount as a percentage of the value of the property has shrunk, but sales continue, albeit more slowly. In total, two million homes have been sold.[6]

Alongside the Right to Buy policy, around two million council homes have been transferred to housing associations, taking with them the Right to Buy. So sales of socially rented homes to sitting tenants have continued in former council property.

Demand for secure, affordable, decent homes

While council stocks have shrunk by over two-thirds as a result of these two radical policies, demand for council housing has remained high, through lack of workable alternatives, including the high cost and poor condition of private renting, and through the inaccessibility of owner-occupation. Social housing is genuinely affordable and provides security of tenure. Therefore, building more social homes makes sense. Homelessness itself puts pressure on council housing departments, and they respond most often by housing homeless households in private "temporary accommodation", often former right to buy property, now let out for private rent. New social homes are required to replace the homes that have been lost, and existing social homes need to be brought up to decent quality, in order to provide stable, affordable, safe homes for those that need them.

What's wrong with demolishing and replacing run-down homes?

One way in which the loss of social rented homes has been greatly accelerated is through planned demolition. Many social landlords have seen demolition as the easiest way to get rid of unpopular estates and gain free land to build new homes. Often, this is justified as a way of increasing density, providing higher quality homes, and creating more balanced communities, alongside "getting rid of", i.e. displacing, social problems.

As a result, the number of newly built social rented homes rarely replaces those that have been demolished.

There are many flaws in this logic. Firstly, government grant funding for new homes has shrunk drastically and the new build replacement housing has to be funded largely by building for private sale. As a result, the number of newly built social rented homes rarely replaces those that have been demolished. Secondly, rehousing existing residents in order to free the site for demolition is not easy. By definition, the new replacement homes are not yet built, so people have to be persuaded to accept rehousing out of the immediate area, into an existing property, losing their links with familiar faces and places. Often, they are promised the right to move back once the demolition areas is rebuilt – but in most cases this does not happen, as it can take five or more years to demolish and rebuild, by which time people have put down new roots, and children's schooling, and jobs, have evolved. Thirdly, a living community is broken up and valuable social networks are disrupted. Many older council estates have built up social and family links over decades. On the large Aylesbury Estate in Southwark, over 70% of the residents had relatives living on the estate when it was declared for demolition – a major cause of opposition. It is impractical to move extended family groups together into existing occupied areas. There simply isn't the available space. So decanting and rehousing in advance of demolition is slow and costly, offering limited choice.

What happens in high-poverty areas?

There are wider social problems feeding the "demolition logic" and making difficult housing problems even more intractable. Those with the lowest incomes tend to become concentrated in the least desirable areas, particularly in large, run down council estates. This drives the emergence and entrenchment of "deprived" neighbourhoods in our towns and cities. Due to discrimination and compound disadvantages, including lower incomes, ethnic minority households are disproportionately concentrated in these areas that have been deprived of investment. Ethnic minority communities are often blamed for the poor conditions which led to them being housed there in the first place, thereby reinforcing a vicious circle of decline. This intensifies the stigma attached to such areas.

Due to discrimination and compound disadvantages, including lower incomes, ethnic minority households are disproportionately concentrated in these areas that have been deprived of investment.

These areas are often targeted for demolition due to their unpopularity with decision makers and poor condition. The Aylesbury Estate, mentioned earlier, was partly targeted for demolition for these reasons. Yet, when residents are asked if they want to leave areas proposed for demolition, there is often strong opposition and a majority invariably want to stay put in their homes and in their neighbourhoods. The alternative – older, dispersed property, often far from established social networks – is unappealing.

Crude shortages of affordable housing have created significant intergenerational housing inequalities. People over a lifetime often upgrade into owner occupation, helped by inheritance and life-time savings. Many current owners bought when properties were more affordable, or became secure tenants when more council housing was available. Most of their offspring enjoy few such advantages. Many young er households have to put up with insecure, high cost, poor quality private renting, or continue to live at home. The challenges for the younger generation are made far worse by the loss of social housing.

What's wrong with council housing?

There are some key problems with council housing: shrinking supply; wear and tear over decades; need for modernisation; poor management; concentration of poverty and challenges in low-income areas; increasing pressure for rehousing homeless households; lack of suitable, affordable alternatives for low-income households.

This interwoven set of problems is intensified by the all-too-ready solution of demolition. If councils and housing associations can get rid of the most unpopular, least desirable stock through demolition, and build new homes on the vacant land, they believe they will end up with higher quality homes and less disadvantaged communities, particularly if they build a share of the new property for sale to pay for the lower cost, more subsidised rental property. This approach is flawed, with many social, economic, and environmental consequences. It excludes many people in need of low-cost housing; it destroys generally sound, albeit run down, homes; it damages the wider social infrastructure of schools, businesses, and services; it blights targeted areas over many years, and damages often viable surroundings beyond the demolition area itself – plus the noise, dirt, and disruption of the actual demolition and rebuilding. It is a heavy price to pay.

Socially, environmentally, economically sound policy

There are other ways forward that are more socially fair, more environmentally sustainable, and actually save money. The key starting point in discussing alternatives to demolition is whether difficult estates in bad condition are reclaimable. We have done several evaluations of complex retrofit programmes to restore very difficult estates, and the answer is clearly, "yes – with care". It is not a cheap solution, but it is emphatically far cheaper than demolition and replacement. Wilmcote House in Portsmouth, illustrates how it can work – a thirteen-storey, concrete, high rise in three adjoining blocks, with family-sized accommodation, 15 homes per tower.[7] There were structural faults in the concrete blocks, and the maisonettes were damp and cold. The Council wanted to knock them down, but residents wanted to stay put. The Head of Finance in Portsmouth Council, the landlord, calculated that it would cost more than double to rehouse, demolish, and rebuild than to renovate to the highest energy efficiency standard, with the tenants staying put during the works, at a cost of £100,000 per home. The works externally insulated the concrete towers, enclosed the outdoor balconies, extended the living rooms, replaced existing kitchens, added energy efficient electric heating, secured communal entrances and even managed to add seven new one-bed flats at the base of the blocks.

We interviewed a sample of residents before, during, and after the works on three years.[8] Before, the residents were overwhelmingly positive; during the works they faced many problems; after it was finished they were delighted with the result. And their annual energy bills were up to £700 a year cheaper, with warmer, more comfortable homes, and an intact community. One key to success was the appointment of a full time Tenant Liaison Officer who brokered and worked out problems with the contractor. Wilmcote House serves as a model of social, environmental, and economic sense.

Not every estate can be rescued and retrofitted so generously. But with half the amount (£50,000), most homes can be preserved, made more energy efficient, and upgraded to a decent standard. Having worked on, and turned around, some of the most difficult estates in the country, I know from first hand that even the most difficult and poorly designed estates can be saved and improved to liveable standards.

Local Housing Management

Fundamental to rescuing rented estates, alongside any necessary investment, is locally based housing staff. Rented housing does not run itself. The landlord must be present on the ground to deal with problems as they arise. Tenants often do not have the power or the resources to do this. With a locally based team of housing managers, caretakers, repairs workers, and support staff, with rent income providing a local budget, residents know where to go and who to contact when problems do arise.

Local management hugely reduces the stigma attached to unpopular estates, making them more integrated and more cared for. One big gain is care for neighbourhood environments; litter and rubbish dumping are huge blights on communal areas, inviting vandalism, graffiti, and abuse. Tenants name local environmental problems as a real blight. With a local team, this problem can be solved.

What next?

There are no easy answers to housing problems. We need more social rented homes of good quality, and government investment in social rented homes, of good quality, in the right locations. To make housing work, we also require local, on-the-ground management of all rented housing, with caretaking and on-site repairs for all multi-storey rented or leasehold blocks, as happens in Spain and Italy. We should calculate the real long-term value of rescuing and upgrading rundown rented housing estates, compared with the alternative of demolition and rebuilding. We must then demonstrate how this investment in "housing rescue" can be funded, given that it pays for itself over a relatively short period. Thirdly, we need to incentivise downsizing and organise concrete help for older people to actually achieve it. Updating Council Tax so that it reflects the size and value of property would help – though politicians are terrified to contemplate it. There should also be double Council Tax liable on all second homes. The new build ambitions of the government should prioritise infill development to facilitate downsizing, thereby freeing up larger existing property for families.

Preventing demolition is a housing gain. And we should densify existing built-up areas to support public transport, local services, and protect the environment. There are huge environmental penalties to sprawl. All development should prioritise low-cost, affordable housing, with a significant boost to social landlords. This way, our housing "crisis" would begin to be solved.

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INVESTING IN SOCIAL HOMES: THE ECONOMIC AND FISCAL CASE FOR GOVERNMENT ACTION

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Introduction

The government has come to power in a time of economic stagnation. After over a decade of austerity measures – now widely discredited by experts – and over relying on monetary policy, essential services strain under the pressure of heightened need and reduced capacity while our economy falters. In no aspect of our country does this apply more than social housing.

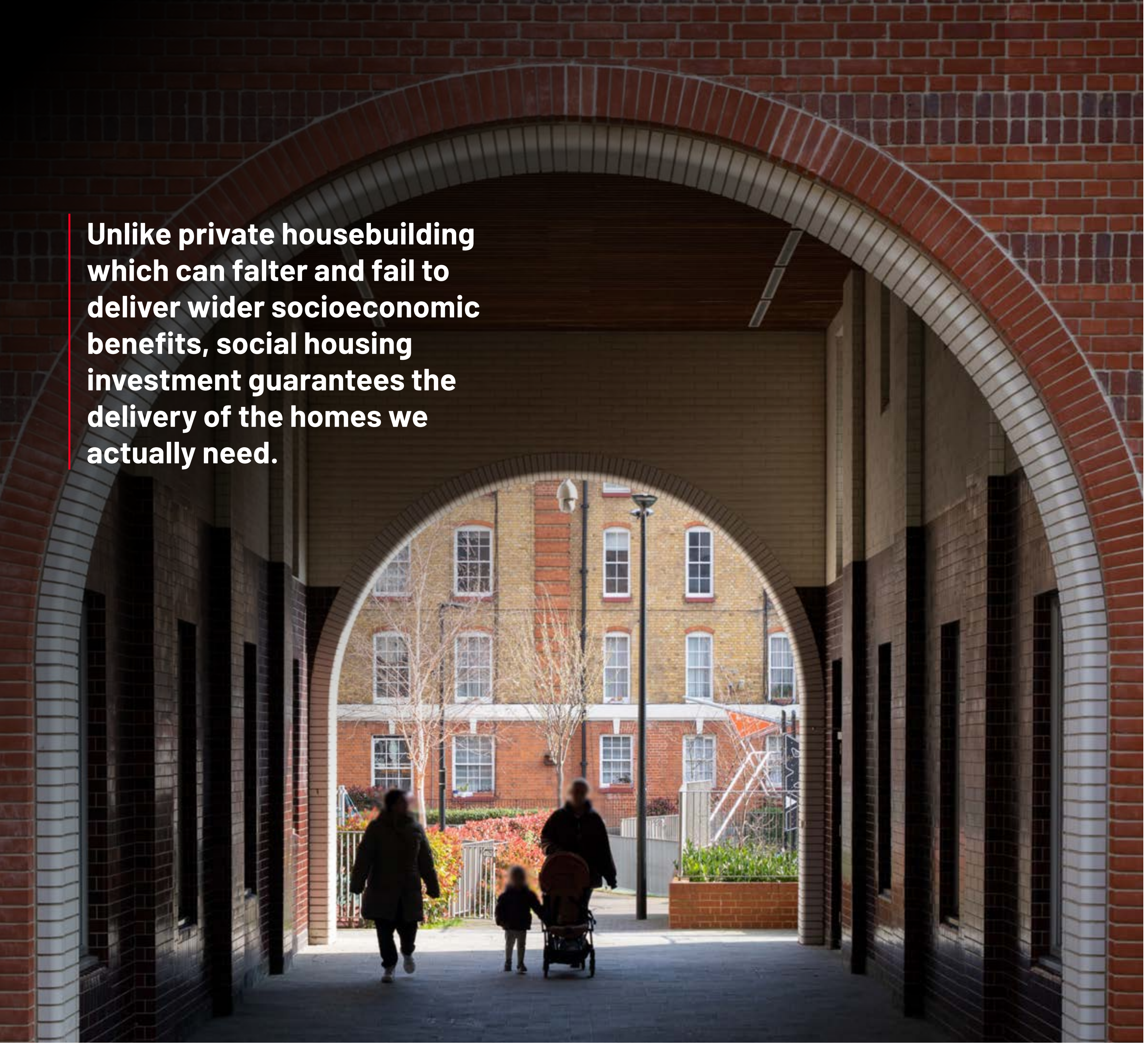
Chronic underinvestment in social rent homes has created the most pronounced housing crisis since the Second World War. Since 1980, England's social housing stock has nearly halved as a proportion of all households and in the last 10 years alone we've seen a net loss of more than 200,000 social rent homes.[1] As private rents continue to rise, over 164,000 children are growing up homeless in temporary accommodation (TA) while 1.3 million households are stuck on the social housing waiting list.[2,3,4]

The new government rightly decry this housing emergency and recognise social rent homes as a crucial part of the solution. It has set a clear ambition to boost growth and – as part of that mission – deliver 1.5m homes over the course of the parliament.

Ultimately, governments care about this because they want people to live happier, more productive lives and a stable, fair society – and they want people to vote for them again. But for growth to mean anything it must be shared, not hoarded. The electorate won't care if the profits of private developers are boosted while homes they can't afford are sold overseas. If they're still forced to choose between feeding their families and paying their rent, it matters nothing if an abstract target is hit. High streets stagnate if local families and workers can't afford to live there anymore. This is why social housing should be the cornerstone of any economic strategy: because it allows people to experience the benefits of growth directly.

Social housing investment delivers growth in sectors that are of real economic value (supporting low carbon initiatives), more money in people's pockets, better employment prospects, savings to our NHS and local councils, reductions in welfare costs, and of course an end to homelessness.[5]

Investment in social homes is not just essential to tackling England's housing emergency, it is crucial to build back a thriving, inclusive, sustainable economy. Self-imposed, debt-based limits to fiscal expansion are largely arbitrary and create an underinvestment bias that damages our housing



Unlike private housebuilding which can falter and fail to deliver wider socioeconomic benefits, social housing investment guarantees the delivery of the homes we actually need.

system and economy.[6] The housing emergency demands a change in our fiscal rules. As the 6th richest country in the world,[7] we have the money to invest in social housing en masse. We can and must be bold.

The economic and fiscal benefits of social housing investment

Social housing investment strengthens our society and economy, boosts housebuilding rates, and delivers value for money for the Treasury. Unlike private housebuilding which can falter and fail to deliver wider socioeconomic benefits, social housing investment guarantees the delivery of the homes we desperately need.

Stimulating economic activity

Investing in 90,000 social rent homes would add £51.2bn to the economy over 30 years.[8] In fact, such is the pace and scale of financial return from an initial investment in 90,000 social rent homes that the Exchequer would get its money back in just 11 years. Such investment would provide a significant stimulus. One estimate indicates that for every £1 in gross value added (GVA) directly generated through construction and management, a further £1.63 is supported through indirect and induced activity, producing a total GVA multiplier of £2.63.[9] Building 90,000 social rent homes would support more than 350,000 jobs and, unlike the one-off impact of private housing construction, the economic impact from the management of social homes is recurring throughout the project's lifetime.[10]

Crucially, as Mariana Mazzucato's contribution argues, the adoption of green technologies in the social housing delivery process can further accelerate their development and mass uptake across the economy, supporting our urgently needed transition to net zero.[11, 12] These expansionary impacts on the supply side of the economy, especially alongside targeted investment to tackle pinch points like our skills shortages, also help our economy to absorb greater investment without driving inflation.[13]

Social housing investment is also crucial to hitting the government's 1.5 million homes target which equates to roughly 320–350k homes p.a. in the final years of this Parliament.[14] This has never been achieved in England without a major social housebuilding programme. We last hit more than 300k homes in 1969 when nearly half were council-built social homes.[15]

The reason the private market can't build out at these rates is the speculative development model, where large developers buy land and gamble that by building housing they can sell it at a premium to cover the high price paid for land. Despite enormous demand for low-cost homes across England's localities, there are a limited number of people in a local area who can afford to buy at this premium price (what developers call 'low demand'). Large developers only build out as fast as the local market can 'absorb' and drip feed homes onto the market to maintain prices and protect their profit margin (see Letwin and the CMA reviews).[16, 17] Ultimately, private developers exist to make profit, not deliver social value or government housing targets.

This limits the output of private housebuilding and makes it cyclical: demand for private sale (or affordable homeownership products which are heavily tied to the market) goes up and down with the wider economy in line with fluctuating house prices and interest rates rise and fall. Developers respond by slowing build out, scaling back future building and even mothballing sites, reducing demand for builders, plumbers, architects, and the broader supply chain. By definition, this model is not suited to either improving affordability or maximising supply, as the only way to boost private build-out is to increase peoples' purchasing power (access to credit) so they can afford to pay the premium price tag. As Help to Buy showed, boosting demand this way obviously inflates prices.[18, 19]

In contrast, social housing investment puts the government (and local councils and housing associations) in the driving seat of housing delivery and reinvigorating the economy. It is 'countercyclical' – demand for social rent homes is insatiable so you can always rent it out, even during recessions, and investment protects capacity in the building system and supply chain. This is especially crucial today as construction takes its biggest downturn in nearly 5 years.[20] Furthermore, as Glen Bramley shows in his contribution to this collection, social housebuilding crowds in private delivery.[21]

investment protects capacity in the building system and the supply chain.

If the government believes that both housing supply and affordability are central to growth, then the only option to achieve this is to build social housing.

Moreover, the delivery of social rent homes is different to other infrastructure investment in that social tenants' rent creates an income stream for government that contributes to the maintenance of their social homes. After the initial investment, social rent homes are self-financing - there is usually no increase in the burden on central government revenues to fund its use (and as we see below actually reduces costs). It can even generate a profit, as shown by local authorities' Housing Revenue Accounts and the financial success of New Town Development Corporations.[22, 23, 24]

Social housing investment creates savings on the benefit bill and temporary accommodation

Social rent delivery would drastically cut the government's expenditure on housing benefit. Just 90,000 new social rent homes would save it £250m a year as households in expensive private rentals move into lower-rent social homes, helping to reverse the seven-fold real terms increase in the annual housing benefit bill (£4bn in 1980 to over £32bn a year today) that has arisen from underinvestment.[25, 26]

Moreover, in the PRS, housing benefit flows from central government through tenants and onto private landlords. While this spend is critical to preventing homelessness, this money is essentially 'lost' to the public. By contrast, in the social sector, housing benefit payments (and the rents from the one thirds of social renters who claim no housing benefit) are reinvested – cash flows through tenants to social landlords. Because government also controls social rent levels, if more people that need housing benefit are in social rented homes, government can much more effectively control housing benefit spend, rather than watch it spiral out of control.[27, 28]

With record numbers of homeless households and too few social homes, local authorities are struggling with extremely constrained budgets and demands. Last year, councils spent an astronomical £2.3 billion on TA, almost double the figure five years ago.[29] Building just one set of 90,000 social homes would save councils £245m a year on homelessness services – over 10% of total spending last year – and result in £4.5bn in savings over the next 30 years – over and above the housing benefit savings.

Supporting people for a fairer society and stronger economy

> *"It is now clear that, given the extremes of inequality being reached in many rich countries and the manner in which they have been generated, greater equality and improved economic performance are complements."*
> – **Joseph Stiglitz.**[30]

Extensive evidence shows that greater inequality, alongside poverty, weakens our economy. It hinders growth and prevents its benefits being shared, it exacerbates social problems, damages social cohesion, undermines education and employment, and lowers social mobility.[31, 32, 33, 34, 35, 36, 37]

The UK is the most unequal large economy in Europe while families have seen the "worst decline" in living standards in the G7 since 2019.[38, 39, 40] The economy is also one of the worst performing.[41] The chronic shortage of social rent homes is a major driver of these trends as Adam Yousef and John Muellbauer's contributions to the collection discuss. Expanding the supply of social housing is a crucial way to address inequality and poverty and boost the economy, including through increasing productivity and business confidence in a thriving workforce and consumer base.[42]

Social rent homes, which cost on average around a third of private rents,[43] offer significant potential for alleviating financial strain on lower-income households. Real wages remain below 2008 levels in two thirds of local authority areas while low-to-middle income households spend a disproportionately large share of their income on housing compared to wealthier households.[44, 45, 46] Nearly half of low-income private tenants pay at least 40% of their income in rent – over a third higher than the OECD average.[47] Shelter's 2022 survey also found that 87% of households in temporary accommodation struggled to keep up with the associated costs.[48] As Andrew Hindmoor states, 'The tax and welfare systems redistribute money from the rich to the poor. Housing redistributes it back again.[49]

Mass scale social housing investment would reduce housing costs for hundreds of thousands of families, boosting disposable income and driving greater demand for goods and services.

Moreover, social rent homes provide the stability needed to access and retain employment, strengthening the workforce and our productivity. Recent Shelter analysis shows private rents are unaffordable in nearly half of England for a newly qualified nurse.[50] Further, the 2022 survey found 11% of temporary accommodation tenants stopped working due to the impact of their accommodation and 27% of those still in work had to reduce hours.[51] The cumulative value of this increase in productivity and employment is estimated at £8.9 billion with a further benefit of £3.8 billion to the Exchequer through increased tax revenue from the delivery of an initial 90,000 social rent homes alone.[52]

Unfit housing also harms our children by disrupting their education, which leads to lower economic contributions and a greater use of public services.[53, 54, 55, 56] Similarly, evidence repeatedly shows how housing insecurity can fracture communities and drive-up crime rates.[57] 90,000 new social homes would provide stability for our young people and greater cohesion for our communities, leading to overall savings of £2.7 billion in education and £3.1bn in lower crime.[58] In addition, the NHS would save £5.2bn due to the transfer of tenants out of private rentals and temporary accommodation, which have the highest rate of non-decency, into high quality new social homes.[59, 60]

Fiscal sustainability and bond-market confidence

> *"If I cut down my spending and pay off my debts, I may be better off and no-one else worse off in the economy. But if all households, or indeed an agent like the state which is the size of many millions of households, cuts spending, the result is likely to be a collapse in economic activity and a fall in growth rate at a much faster rate than the corresponding reduction in debt."*
> – **Mariana Mazzucato and Josh Ryan-Collins.**[61]

Cutting government expenditure can damage the economy, especially during times of stagnant growth. In contrast, government investment – including in social housing - is a highly effective, if not the most effective, way to generate economic demand and activity.[62, 63, 64, 65, 66]

The UK government should be confident in its ability to capitalise on this and invest in social housing, leveraging the economic benefits. Unlike households or businesses which rely on income or debt to fund their spending, the UK government has monetary sovereignty. This means it instructs the Bank of England (BoE) to make payments on its behalf independently of taxation or borrowing. Taxation and borrowing occur after spending.[67, 68] If there's a deficit, the government matches it with borrowing, following a voluntary 'full-funding' rule.[69, 70] While debates continue about the full implications of this distinction, this is important context when discussing government investment.[71, 72]

It means the UK government can never involuntarily default on debt in its own currency .[73, 74] As such, it ensures that interest and capital repayments owed by the government to investors are essentially guaranteed, allowing the UK government privileged access to low-cost debt with a reduced risk premium and abating the supposed disciplinary effects of the bond-market on fiscal policy.[75, 76, 77, 78, 79] Former BoE Deputy Governor of Monetary Policy Ben Broadbent has also argued that, while fiscal health is of course important to market confidence, long-term data shows increased borrowing does not necessarily lead to increased interest rates.[80, 81] For investors, gilts are among the safest assets, and their issuance is vital to the functioning of our financial markets and the economy's money supply.[82]

Even at times of rising borrowing costs, the UK has various tools to stabilise markets, mitigate interest rate rises and reduce government borrowing costs:[83, 84] the BoE's role as the 'buyer of last resort' of government debt is a proven way to tackle bond-market volatility if needed and shore up the economy.[85]

What matters most is the economy's capacity to absorb new government investment and its likely effect on wider fiscal and monetary policy (see note[86]). A larger government debt is not necessarily a central worry for investors and neither does it have to be for government, especially, as the IFS states, 'if the additional investment sufficiently expands the supply side of the economy and/or creates productive public sector assets, this could increase the government's ability to service that debt in future.'[87] This applies to social housebuilding. Mazzucato usefully highlights that 'deficit-financed fiscal expansion may well have growth enhancing impacts greater than the increase in debt'.[88, 89] Social housing is a proven investment with countercyclical benefits, and even Gilt-edged Market Makers like Lloyds Bank Corporate Markets plc are calling for increased investment in it.[90]

To a fiscal framework that supports rather than hinders social housing

Successive governments have tied their hands behind their back with self-imposed rules on their ability to spend. Despite clear benefits, fiscal rules create a persistent investment bias against social housing (and investment more generally) by prioritising short-term penny pinching over long-term shared prosperity.[91, 92, 93]

> **Successive governments have tied their hands behind their back with self-imposed rules on their ability to spend.**

There are major challenges with the government's continued use of a debt rule.[94, 95] It treats government finances like that of a household when in fact, for the UK government, there is no optimum level of debt or timeframe by which to see debt fall.[96] It is the health of the economy and how public investment impacts this that really matters, rather than just the level of debt.[97]

In addition, while the new measure of debt, PSNFL, is a broader measure of the government's balance sheet, it still only considers the liability of investing in a social home, ignoring the asset created. As Martin Wolf stated in 2020, 'focusing on just one side of the balance sheet, as the UK Treasury does, is ridiculous'.[98, 99] Failing to value the creation of an asset is particularly illogical for social housing given that it appreciates in value over time unlike other revenue-generating infrastructure like toll roads that depreciate, making it especially favourable to measures of net worth. Moreover, under PSNFL, the BoE's monetary policy is reducing the government's spending capacity.[100, 101] Quantitative Tightening is not only increasing government borrowing costs, it could also require the Treasury to pay the BoE £130bn over five years - enough to fund over half a million social homes.[102, 103, 104] The New Economics Foundation outlines ways to reduce this burden.[105, 106]

Ultimately, debt rules mislead the public by creating the illusion of good economic policy even as councils face bankruptcy and the economy stagnates. As Simon-Wren Lewis suspects, the debt rule 'has nothing to do with good macroeconomics, and everything to do with public perceptions about government debt.'[107]

A new path

The pain and hardship felt by the millions of people suffering the housing emergency demands a fiscal framework that supports social rent investment. Fiscal rules are of course useful to prevent politicians seeking public popularity through profligate fiscal policy in their own Parliament with little regard to the future. A new system could ensure this prudence while charting a new course.

While others are far better placed to spell out the specifics of such changes, we must move away from entirely focusing on the debt to GDP ratio. Instead, it is crucial our approach considers the actual health of the economy and supports shared prosperity, packaged within a credible and measured approach that fosters price and interest rate stability.

The government must ensure it has capacity at the Spending Review in June to fund social housing investment on a mass-scale. Independent of whether the Chancellor sticks with or changes her two fiscal rules,[108] one simple way to enable this investment would be to change the definition of debt to exclude revenue-generating housing and infrastructure investment from the debt rule, especially given that it largely funds itself after an initial investment.

> **The government should also move to a more holistic measure of the growth, productivity and relative value of investments that greater captures the benefits of social housing.**

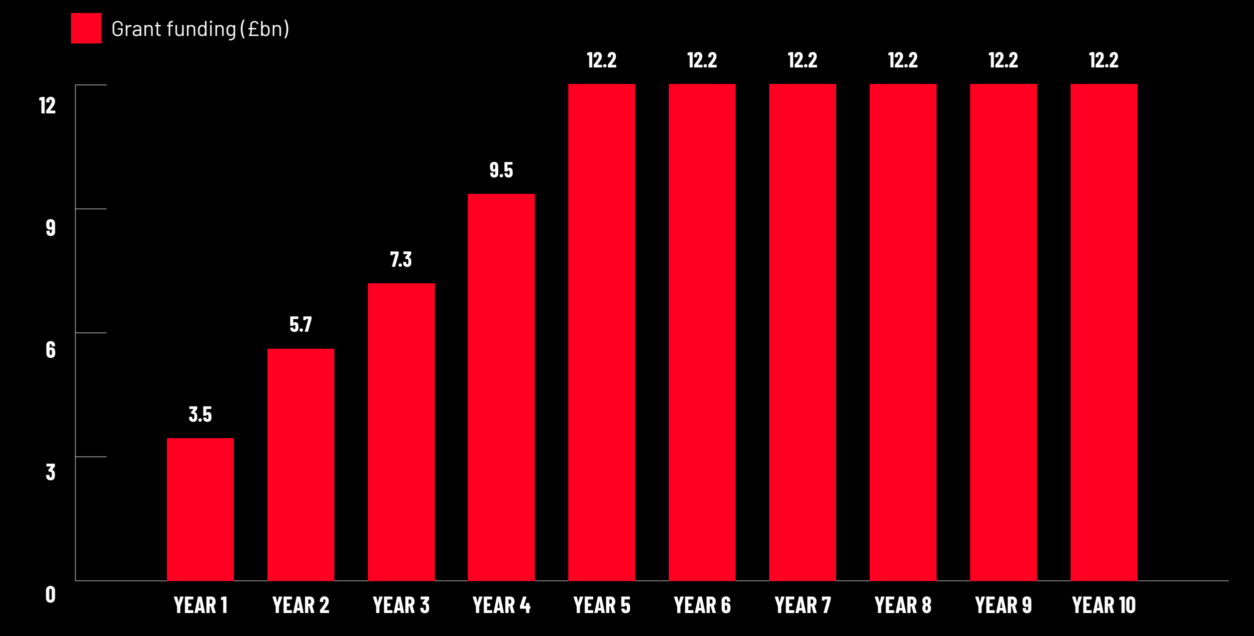
The government should also move to a more holistic measure of the growth, productivity and relative value of public investments that greater captures the benefits of social housing. Currently, increasing land values are used as a proxy for measuring growth in the benefit cost ratio measurement (BCR) of the Treasury Green Book net benefit guidance.[109] By design, social housing investment should result in lower land values than a private development, so this comparative measure makes little sense.[110]

Making this vision a reality

There is a compelling case for government to invest in mass scale social rent delivery at the Spending Review in June. The most direct and effective lever the government can use is grant funding in a successor to the Affordable Homes Programme. To be effective, the programme must be a long-term commitment – 10 years.[111] It must provide sustainable funding and have the delivery of social rent homes at its centre.

Shelter analysis shows that the first five years of a new 10-year Affordable Homes Programme, must ramp up to 90,000 social homes a year, by year 5. To do this, the government must invest a minimum of £30bn – £38.2bn for the first five years, specifically earmarked for social rent delivery. 'The range of investment is also closely aligned to other modelling and representations throughout the sector of the levels of funding that are needed. This includes 2025 Spending Review Representation submissions from the National Housing Federation and the Chartered Institute for Housing.'[112]

FIGURE 1: GRANT FUNDING REQUIRED TO DELIVER SHELTER'S 10-YEAR TRAJECTORY RAMPING UP TO 90,000 SOCIAL RENT HOMES PER YEAR.



Source: Shelter analysis of Cebr report (2024)

Conclusion

Mass-scale social housing investment has the power to transform both society and the economy. Private housebuilding alone will not achieve these outcomes or meet the government's 1.5 million housing target. To fulfil its ambitions, the government can and must prioritise social housing investment – it is not just necessary but essential to their success.

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102 *Treasury to hand Bank of England £130bn in next five years in stealth subsidy to bankers*, (2025), New Economics Foundation. Available at: https://neweconomics.org/2025/02/treasury-to-hand-bank-of-england-130bn-in-next-five-years-in-stealth-subsidy-to-bankers#:~:text=The%20Treasury%20will%20be%20handing,New%20Economics%20Foundation%20has%20warned.; Shelter analysis using Cebr report. Cebr. (2024) *The Economic Impact of Social Housebuilding: A Cebr Report for Shelter and the National Housing Federation,*. Shelter. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/economic_impact_social_housing

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104 This sum is the aggregate of 1) 'valuation losses' between the purchase price and sale price of gilts, and 2) an imbalance between the BoE's interest rate payments on bonds and reserves. Both are being driven by the pace and scale at which the BoE is shrinking its balance sheet.

105 *Government could save £55bn over next five years by limiting Bank of England's interest payments to commercial banks*, New Economics Foundation. Available at: https://neweconomics.org/2023/11/government-could-save-55bn-over-next-five-years-by-limiting-bank-of-englands-interest-payments-to-commercial-banks

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108 Helpful explanation by the IFS of the Chancellor's fiscal 'headroom': "In the oft-used parlance, she left herself just £9.9 billion of 'headroom' against her promise to run a current budget surplus – i.e. to borrow only for investment – in 2029–30 under the OBR's central forecast, and £15.7 billion of 'headroom' against her promise to have public sector net financial liabilities (PSNFL) falling as a share of national income in the same year. When we consider that the government expects to spend more than £1,500 billion in 2029–30, we can see that these are very small numbers indeed." Boileau, B., Emmerson, C., Oulton, M., Stockton, I., Zaranko, B. (2025) *'A look ahead to the 2025 Spring Forecast'*. IFS. Available from: https://ifs.org.uk/articles/look-ahead-2025-spring-forecast

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111 Galarza, V., Rich, H., Trew, C., Bloomer, S., Berry, C., Matthews, W. Shelter. (2024) *'Brick by Brick: A Plan to Deliver the Social Homes We Need'*, pp. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/brick_by_brick

112 The lower range of this level of funding would deliver 180k social rent homes, over a 5 period, and at £6bn a year on average. The higher grant levels estimated would deliver 188k and would cost an estimate of £7.6bn on average a year. The estimates are based on differing assumptions around grant rates. The lower estimate assumes an average grant rate of £160k whilst the upper estimate assumes average rate of £202k. The range is also closely aligned to other modelling and representations throughout the sector of the levels of funding that are needed. As submitted in Galarza, V and Rich H. (2025). *Shelter's Spending Review Representation Response 2025.* https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library

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