

Housing

A policy programme for overcoming the housing crisis – building beautiful homes, new towns, homes suited for older people and a new direction for helping first time-buyers

The next government should...

1. Incentivise developers to build beautiful homes and places by objectively defining what is meant by 'good design' in the National Planning Policy Framework and giving preferential treatment in the planning system to schemes that best fulfil the criteria
2. Make downsizing a more worthwhile and attractive option for baby boomers by increasing the number of homes purpose-built for older people
3. Support the redevelopment of 'big box' brownfield industrial land into new neighbourhoods in town and city centres
4. Announce a strategic review of government support for first time buyers with the purpose of replacing the Help to Buy scheme in the next few years
5. Establish a Department for Growth with responsibility for delivering 15 beautiful new towns on the edge of London

The housing market has changed significantly in the past decade. Since the financial crash, rates of home ownership have declined and the proportion of people privately renting has increased. These trends are pronounced for younger households – the rate of home ownership for 25- to 34-year-olds has dropped from 55 per cent in 2006 to 39 per cent in 2016, while the proportion of 25- to 34-year-olds privately renting increased from 25 per cent to 42 per cent. Many more young families now privately rent and many more young people are living at home with their parents.

Changes to the housing market matter because privately renting your home tends to be a very different experience to owning it. You have less security of tenure and little opportunity to make it your own or lay down roots. Renters, for example, say they are less satisfied with the liveability and cost of their home than homeowners. They are also much less likely than homeowners to say they are happy or proud of their home. Some people will rent by choice but home ownership remains the ambition of the large majority of people. Unless someone can draw down from the 'Bank of Mum and Dad', it now takes much longer to save for a mortgage deposit than in decades gone by.

As housing tenure was one of the strongest indicators of how people voted in the 2017 General Election, it is no surprise that housing has become a political priority. It is a priority in terms of supporting younger generations to enjoy the same benefits of home ownership as older generations. And it is a priority in terms of giving everyone the chance to live in a home

that they cherish and think is beautiful, whatever their income or circumstance. Any party hoping to govern will need a policy programme that can make the housing market fairer.

We believe a fairer housing market is one with more choice where people can live in the home they dream of and in the place they want to be. To achieve this, more new homes of the sort people want to live in should be built where they are needed. It is as simple as that. The ills of the housing market will not be solved by new supply alone, but building more and better homes that consumers and communities think are beautiful must be a central part of the next Prime Minister's agenda. This necessitates addressing three issues, each of which are linked: the cost and availability of developable land; the over-reaching planning system; and the fact that most new homes are built by a small number of companies operating near-identical business models.

A much higher ambition is needed for the built environment. Policy Exchange research shows that the public really care about beautiful buildings and places in their area – both the preservation of old ones and the construction of new ones – but they are rarely afforded a say on what is built around them. There is an opportunity for the next government to capture the public mood on this issue, both by promising more beautiful residential and commercial development; and by raising the quality of the public realm in all parts of the country, from city centres to high streets to village greens.

Building beautiful homes and places

Addressing 'Nimbyism' by building beautiful homes and places

Policy: The next government should incentivise developers to build beautiful homes and places by objectively defining what is meant by 'good design' in the National Planning Policy Framework.

Evidence shows that one of the drivers of 'Nimbyism' – when people oppose new homes being built in their local area – is the perception that what will be built will be poorly designed and ugly. The public generally take a dim view of new developments. They are often described as "soulless", "cheaply built" and "little boxes". Just as policymakers require developers to make Section 106 and Community Infrastructure Levy contributions to address people's concerns about the impact of new development on local infrastructure, they should also incentivise better and more beautiful development. That is what the public wants.

Extensive public polling commissioned by Policy Exchange, summarised in the box below, reveals what their preferences for the built environment are.

Polling: the homes and places wanted by the public...

- People want more of a say in what new homes look like in their area – 3 per cent believe local communities have the most say in how new homes are designed and built compared to 41 per cent who believe they *should* have the most say

- Across all socioeconomic groups, a large majority of people (74 per cent) agree that newly built homes and properties should fit in with their surroundings – with support among DEs reaching 79 per cent
- 49 percent think poor quality environments are the norm in Britain and just 17 percent disagree – 58 percent of social renters think poor quality environments are normal
- Traditional terraces with tree-lined streets are the most popular option for the design and style of new homes (supported by 48 per cent) compared to housing developments or estates in a modern style (supported by 28 per cent). The more ‘Nimby’ a person is, the more likely they are to want new homes built as traditional terraces with tree-lined streets and the less likely they are to want new homes built in a modern style.
- The public want better quality and better designed buildings and public spaces – 84 per cent believe they improve people’s quality of life and happiness

Polling conducted online by Deltapoll and answered by 5,013 respondents from London and the South East

Better and more beautiful building makes sense for a number of reasons. First, addressing public distrust of new building will make development easier and less risky for all types and sizes of developers – a key factor if enough homes are to be built to reduce the country’s housing shortage which is thought to be around 4.7 million homes. Second, the built environment has a significant impact on people’s happiness and health. Whether the place someone lives is built recently or not, everyone should be able to live somewhere that raises their spirits.

As the Building Better, Building Beautiful Commission reports to the Government over the coming months, now is the ideal time for the next Prime Minister to support the building of more beautiful homes and places up and down the country for everyone. It is not enough to focus on ‘quality design’, as the Royal Institute of British Architects has recommended to the Government’s Commission. More ambition is needed. The next government should be confident both in talking about why beautiful buildings and places are important to people and in demanding that new development is more in line with the sort of environment in which the public wants to live.

As recommended in *Building Beautiful Places* (forthcoming), to engender more beautiful development, the Government should define what is meant by ‘good design’ in the National Planning Policy Framework.

- Objective criteria should be introduced that proposed development schemes must meet to achieve planning consent. Local authorities should be obliged to define local standards based on local land values and consultation with the local public.

- Planners should give preferential treatment to schemes that best fulfil the criteria, not least when allocating land for development. This will incentivise an industry of ‘place makers’ rather than just house builders.

Nicholas Boys Smith, Interim Chair of the Building Better, Building Beautiful Commission and Director of Create Streets writing in a contribution to Policy Exchange's [Building Beautiful](#) essay collection (January 2019)



In 1987 a young psychologist was conducting an experiment into how repeated exposure to an image changed perceptions of it. A group of volunteer students were shown photographs of unfamiliar people and buildings. They were asked to rate them in terms of attractiveness. Some of the volunteers were architects and some were not. And as the experiment was ongoing a fascinating finding became clear. While everyone had similar views on which people were attractive, the architecture and non-architecture students had diametrically opposed views on what was or was not an attractive building. Correlations were “low or non-significant”. The architecture students’ favourite building was everyone else’s least favourite and vice versa. The disconnect also got worse with experience. The longer architecture students had been studying, the more they disagreed with the general public on what is an attractive building.

The young psychologist was David Halpern and he is now a highly influential man. He runs the British Cabinet Office Behavioural Insights team (often called the ‘Nudge Unit’). Two decades on, he is very clear that “architecture and planning does not have an empirical, evidence-based tradition in the sense that ... sciences would understand. There are very few studies that ever go back to look at whether one type of dwelling or another, or one type of office or another, has a systematic impact on how people behave, or feel, or interact with one another.”

If he is right, then the process of a professionally (not popularly) derived borough plan, of planning consent and of expert design review, is the very worst way imaginable to build our towns and cities. The very act which confers value on a site (the granting of planning permission) is a process whose key players are, empirically, the very worst judges available of what people want or like in the built environment.

Greater housing choice for older people

Supporting baby boomers to live happier and healthier lives by making downsizing a worthwhile and attractive option

Policy: The next government should aim for a significant increase in the number of new homes that are purpose-built for older people each year..

There is a shortage of homes suitable for the health and living requirements of the baby boomer generation, which is increasingly retiring from work. Unlike younger ones, older households rarely move home as their circumstances change – despite the fact that survey evidence shows a significant proportion of older people would like to move home. Data from the Bank of England shows this is largely due to a lack of suitable properties. Much greater choice is therefore needed in the housing market for older people, particularly suited to the aspirations and expectations of the baby boomer generation.

As well as supporting baby boomers to live healthily and happily for longer, this policy would free up more family homes to younger aspiring homeowners. The aim should be bringing about a societal change in attitude towards downsizing.

As recommended in Policy Exchange's report [Building for the Baby Boomers](#), the Government should aim for a significant increase in the number of new homes that are purpose-built for older people each year.

- The Government should remove the 2 per cent stamp duty band – which is levied on those buying homes between £125,000 and £250,000 – for older homeowners looking to move home.
- The Government should bring forward a legal and regulatory platform that enables new models of retirement housing, a new tier of innovative providers to emerge and an intermediate market to develop (one that better serves older people who cannot afford the higher end of the housing market and who are ineligible for social housing).
- Local authorities should be flexible in requiring Affordable Housing when schemes provide a suitable amount of homes for the intermediate retirement market.

Lord Best OBE Co-Chair, All Party Parliamentary Group on Housing and Care for Older People, writing the foreword to [Building for the Baby Boomers](#)



Policy Exchange's report, [Building for the Baby Boomers](#), underlines the importance of far more homes being built that will attract people of my generation to downsize – to “right size”. But it also highlights the barriers to this happening and suggests ways forward. There are so many gains from a programme of new housing specifically aimed at those of us now in our “extended middle age”. Manageable, accessible, warm homes with low running costs and less risk of falls and accidents, means sustaining our independence, seeing our income go further, and keeping out of hospital or residential care.

For many older people, purpose-built accommodation also brings a social life that protects against isolation and loneliness. And, for some, it also means releasing capital to make life

easier in retirement. Meanwhile, the building of new homes for the older generation means tens of thousands of family properties, mostly with gardens, becoming available to buy or rent, for the younger generation.

But despite the statistics reported by Policy Exchange demonstrating huge demand for tailor-made, high quality, "age-friendly" homes, the supply is just not there. As their work makes clear, it is the lack of suitable properties that is the biggest obstacle to older people moving home. It is clear that the major house-builders are not going to shift from their lucrative business model of volume construction of flats and small houses for younger households, subsidised by the Help to Buy scheme – which is not available to downsizers. Their market also benefits from relief from Stamp Duty for first-time buyers – but not for last-time buyers. (The APPG on Housing and Care for Older People is keen to see a Stamp Duty exemption for those over pension age: this would remove one barrier to downsizing and, surprisingly would bring in extra revenue for HM Treasury from the chain of transactions that follow when one older person makes a move.)

In increasing the supply of new homes – and helping government toward its target of 300,000 homes p.a. – the housing associations could do a lot more for this age group. However, it is clear we also need new players – specialist developers, institutional investors, SMEs and entrepreneurs – who can see the scale of the opportunity. These may also bring imaginative ideas for using modern methods of construction and for deploying new technologies to enhance our connectedness in older age. I congratulate Policy Exchange's important contribution: I hope it will help the UK toward the tipping point when all of us baby boomers see downsizing as a positive, natural progression in life.

Building on 'boxland'

Turning 'big box' industrial land into new mixed-use neighbourhoods

Policy: The next government should support the redevelopment of 'big box' brownfield industrial land into new neighbourhoods in town and city centres.

There are too many plots of land in UK cities which are dominated by industrial and retail uses in the shape of 'big box', single storey sheds. Policy Exchange has dubbed this 'Boxland'. In London there are 1,220 relevant sites with a total area of 6,122 hectares on which there are single storey big box 'sheds' accommodating a range of commercial uses.

These sorts of sites could be redeveloped as mixed use, retaining all existing commercial uses (and perhaps adding more) whilst accommodating between 250,000 to 300,000 new homes, forming an urban pattern of largely medium-rise 'London-like neighbourhoods'.

As recommended in [Better Brownfield](#), Boxland should be used more efficiently by combining commercial and residential uses in a more efficient manner in traditional street patterns.

- City-region and local government should be encouraged to champion the redevelopment of Boxland sites.

Richard Blakeway, Chief Adviser to Policy Exchange's Housing and Urban Regeneration Unit, former Deputy Mayor for Housing, Land and Property at the Greater London Authority and former special adviser in the Prime Minister's policy unit



In all UK cities, it will be necessary for local planning authorities to look again at how land in their area is used. Trends in the economy, lifestyles and employment mean that demands on the built environment are changing quite rapidly. Local land use policies should support that, not get in the way.

For instance as Policy Exchange has argued in [Better Brownfield](#), London boroughs need to review whether certain plots of employment land are being used productively. Too much space in the capital is wasted on sites currently occupied by single-storey big-box retail, surface car-parking and industrial sheds. Each of these sites could be rebuilt as mixed-use traditional style neighbourhoods, delivering beautiful and high-density housing while retaining or expanding employment space. The report focuses on London but is relevant to all urban areas where demand for housing is high.

More profoundly, the changing demands on the built environment mean that we need to look again at how urban growth is managed by policymakers. In London for instance, city planners work to administrative boundaries that were set in 1963 and only tinkered with since, despite the fact that the capital has changed quite significantly since then. Its labour market, for instance, goes well beyond the city's outer boundary – and yet local authorities on the edge of London barely interact with the Greater London Authority.

This example focuses on the capital and its commuter belt, but the question of how the state can best support urban growth is pertinent to all parts of the country: a root and branch review of planning policy and practice is needed that better supports people of all circumstances, the provision of good jobs, greater flexibility in how buildings are used; and, a healthier built and natural environment.

Replacing Help to Buy

A strategic review of how the Government supports first time buyers

Policy: The next government should announce a strategic review of government support for first time buyers with the purpose of replacing the Help to Buy scheme in the next few years

Successive governments have intervened in the housing market to support home ownership, usually by creating a product for first-time buyers to use. Government funding for the most significant variant of this in recent years, the Help to Buy Equity Loan scheme, is set to end in 2023. The scheme has helped a great many first-time buyers to purchase their home sooner than would have been otherwise possible. With the overwhelming majority using the scheme to buy new build homes, it has also supported supply.

However Help to Buy has not been without problems or complications. For instance, it is thought that the scheme has inflated prices in the new build housing market. There are also concerns about the dependence of house builders on selling homes to consumers who use a scheme which is reliant on state support. Both of these concerns are especially important after the widespread public anger over the £75 million bonus that was paid to the former Chief Executive of a house builder who sold around 60 per cent of its private homes using the scheme last year and made £66,265 per home sold (which had an average value of £216,000).

As Help to Buy draws to a close, the next government should urgently look again at how it helps first-time buyers and consider a new programme of assistance that goes beyond mortgage financing.

The next government should announce a strategic review of how it supports first-time buyers

- This review should consider all aspects of housing policy, not least policy tools related to land, planning and government funding.
- The strategic review should explore new forms of capital products, for instance models that use Peer-to-Peer lending platforms.

Sir Robin Wales, Senior Adviser at Policy Exchange on Local Government, Skills and Housing and former Mayor of Newham



There is a crisis in housing affordability. Its epicentre is London, but it also extends into the South East and to regional city centres. We think of this crisis as a consumer issue, with many people believing they are spending too much of their income on housing. We also tend to think of it as a political issue, with political parties of all stripes promising to 'solve the housing crisis'. But it is also an issue for businesses, with survey after survey showing that they are increasingly concerned about the impact of the housing market on their capacity to operate.

The CBI, for instance, has recently warned that a lack of affordable homes is hitting productivity by undermining businesses' ability to recruit and retain staff. A Grant Thornton survey also found that 84 per cent of businesses in London believe the capital's high housing

costs and housing shortage pose a risk to the capital's economic growth. Some businesses have gone as far as warning that they might need to relocate their business to cope with these pressures.

For public sector workers, the state as an employer has attempted to directly address their housing issues through schemes such as 'Key Worker Housing'. In the early 2000s the Government began an initiative that targeted affordable housing allocations towards particular workers, for instance nurses and teachers. Although there were questions around the definition of a 'Key Worker' and the stock of homes reserved for them is today relatively low, the initiative spurred some public sector employers like NHS Trusts to develop homes for their staff themselves.

For private sector employees, however, there is precious little support to deal with escalating housing costs. There are examples of companies helping staff with financial support such as commuting costs or tenancy deposit schemes. Starbucks, for instance, provide Tenancy Deposit Loan Schemes to their employees. A very limited number of companies are providing housing themselves, Deloitte being the most notable. Yet these examples are few and far between: private employers rarely intervene in the housing market.

Historically this hasn't always been the case. Examples abound of companies directly intervening in the local housing market to support their employees. Largely driven by the religious impulse of individual company owners, Bournville, Port Sunlight and Saltaire stand as testament to private companies taking their fiduciary relationship seriously.

In an age where more and more people can work remotely, company housing provided along Victorian lines is unlikely to be suitable to a modern economy and society. The labour market is too fluid and flexible. Businesses mostly provide services rather than goods, so people tend to work in offices rather than factories.

Yet as workers struggle with the challenges of rising housing costs and not enough affordable homes are built where they are needed by traditional house builders, new solutions are needed. The next government must ask: who are the private sector companies prepared to build 21st Century company housing, and how can we support them?

A modern generation of beautiful new towns

Building 15 new places in the areas where the housing shortage is most acute

Policy: The next government should establish a Department for Growth with responsibility for delivering 15 beautiful new towns on the edge of London.

The system by which new homes are planned for in and around the capital has failed to deliver enough homes. London is the epicentre of the UK's housing shortage. This is likely to continue because the Mayor of London's draft new London Plan struggles to identify enough land for enough new homes to be built on and accommodate the other growth needs of London, while new 'Garden Communities' supported by the Government are too far from London. Many of them might not be built at all. Furthermore, local planning policy barely functions in local authorities on the edge of London. Very few have up-to-date or legally-compliant local plans.

As recommended in Policy Exchange's report [Tomorrow's Places](#), the Government should establish a Department for Growth with responsibility for delivering 15 beautiful new towns on the edge of London.

- 15 new towns should be built along the major transport routes extending out of London.
- Development Corporations should be established where appropriate, to lead the delivery of each new town, with responsibility for land assembly, local planning and securing partnerships with the private sector.
- It is essential that each new town is beautiful with quality controlled through the development's masterplan and design code.
- The level of and access to Green Belt land can be protected when swapping land uses in the local area.

The Lord Wolfson of Aspley Guise, Chief Executive of Next and founder of the Wolfson Prize, writing the foreword to [Tomorrow's Places](#)



The 2014 Wolfson Economics Prize asked how a new Garden City could be delivered that is visionary, economically viable and popular. We received an astonishing 279 ideas, of which we shortlisted five finalists. The winner, an idea by the urban designer David Rudlin to double the size of 40 towns and cities, was quite brilliant. I felt sure we had unearthed policy proposals that could begin to address this country's longstanding undersupply of new homes, of the sort that are popular with the public and in the places where they want to live.

It was a heartfelt disappointment to me that within hours of the winning entry being announced, the then Department for Communities and Local Government had rejected our ideas. The proposals were labelled as "urban sprawl", from which the country would be protected – this is despite the same government promising a couple of years earlier to "think big" on garden cities.

It was no coincidence that a general election was taking place nine months later, in May 2015. This narrow-minded approach to dealing with the country's housing crisis is depressing

and unfortunately all too familiar. Although some progress has been made by this Government in developing garden communities, these developments are currently too small and their number too few to have a significant impact on housing numbers. The Government's garden communities programme supports 23 places to deliver around 200,000 homes by 2050.

In contrast, David Rudlin's winning entry from 2014 set out plans to provide homes for 150,000 extra people in each of the 40 towns and cities. London's strategy for dealing with the lack of homes is equally deficient. It sets a target of building 66,000 new homes per year but does not identify enough land for them to be built on: too many of the sites where people actually want live have been closed off. I fear that London's plight reflects an all too common theme – the homes we need sacrificed at the altar of short-term political gain. It is another chapter in the tragedy of British home building; our planning system is simply not delivering enough homes and our leaders dare not change the status quo.

Despite the abundant rhetoric nothing changes, inertia slowly robs the next generation of the homes it deserves. Much greater ambition is needed by all levels of government in dealing with the undersupply of homes in London and the South East – and Policy Exchange has provided a plan for doing that. It builds on the vision and principles the Wolfson Economics Prize promoted in 2014 and outlines a strategy that can be supported by central government and the Mayor of London.

Political leaders who want to win the support of young millennial renters should read Policy Exchange report, [Tomorrow's Places](#), and act on it.