

Solving the Housing Crisis

A plan to make homes more affordable in every postcode

October 2026

Prosper UK

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Foreword



My interest in housing policy dates back to my first job as a desk officer in the Conservative Research Department. Between July 2016 and June 2017, I served as Housing Minister in Theresa May's first Government, working with the then Secretary of State for Communities & Local Government Saj Javid to produce the Housing White Paper *Fixing Our Broken Housing Marke*t. The reforms we drove through significantly increased annual net additions to housing stock, getting us close to the holy grail of 300,000 homes a year.

And then COVID-19 struck and in the wake of it the Sunak Government was pressured to water down planning policy by NIMBY Conservative MPs who objected to what they saw as too much housebuilding in their constituencies.

We now have a Government that wants to build more homes. It has made some welcome changes to the planning system, reversing the Sunak Government's watering down of the planning system, and has increased funding for affordable housing.

And yet it is falling far short of its ambition to build 1.5 million homes in five years. The latest figures, particularly in London, are little short of catastrophic.

What is going wrong? This report, produced by a diverse group of industry experts, identifies two crucial things.

First, a lack of consumer confidence is holding back demand. If housebuilders can't sell or rent out the meagre number of homes they are currently building, we should hardly be surprised if they don't build more.

And second, many schemes with planning permission are currently unviable. It is much more expensive to build a home than it was five years ago - partly because of general inflation, but also because of Government policies like the Future Homes Standard, nutrient net neutrality and biodiversity net gain as well as increases in employers' National Insurance Contributions - but house prices have barely increased, wiping out developers' margins. If housebuilders can't make money from building schemes, we should hardly be surprised if those schemes don't get built.

The report identifies solutions to these two problems. Some of them won't be popular, but if these twin issues are not addressed the housing crisis is only going to get worse. It also identifies other

things the Government could do once it has cracked these two problems to increase supply and hence make housing more affordable.

Anyone looking for simple or quick answers will be disappointed. Our housing crisis has been building for nearly 50 years - if there were a silver bullet, someone would have found it by now. And even if the Government does everything we recommend, it will take time for supply to increase and affordability to gradually improve (even if it were possible to go faster, flooding the market with supply and so crashing house prices, it would not be in the national interest to do so because it would plunge large numbers of people into deep negative equity).

But the fact that there are no simple or quick answers is not an excuse for inaction. The victims of our housing crisis are all around us. A few - fellow citizens reduced to sleeping rough on the streets - are visible, but most are hidden: families stuck in temporary accommodation, millions of young people denied the opportunity to follow in their parents' footsteps in owning their own home. It is past time we took the tough decisions necessary to help them before things get even worse.

Postscript

Between this report being signed off and its publication, the Government has happily implemented one of its recommendations (a shared equity scheme for first-time buyers buying a new build home) and the Conservatives have said they would implement another (reform of Section 106). That is gratifying, but our recommendations are not 'Pick N Mix' - boosting demand without increasing supply will help a few people at the expense of everyone else; tackling the viability problem without tackling the demand problem will make little difference. The solution to the crisis requires attacking the problem from every angle.

Gavin Barwell

Croydon

7 October 2026



Recommendations

Measures to address viability

The Cumulative Cost of Regulation

- Apply two tests to every existing planning and regulatory obligation on new housing: whether the cost belongs on new homes, and whether it is proportionate.
- Accordingly, make the statutory objective biodiversity neutrality rather than net gain (improving biodiversity should be a societal cost); treat nutrient neutrality as a societal cost rather than a charge on new homes; and amend the Future Homes Standard.
- Freeze new regulatory burdens on residential development for at least three years.

Restoring Section 106 to its Proper Mitigation Function

- Commence section 106ZA without delay.
- Narrow section 106 to genuine, site-specific mitigation and restrict its use as a general funding mechanism for affordable housing, schools, healthcare or public services.
- Introduce a mandatory standard form of planning obligation and section 278 agreement, and allow obligations to be reviewed immediately as conditions can be under section 73.

Capturing Land Value

- Pilot community land auctions in willing authorities, using the power Parliament created in 2023.
- Adopt the Letwin approach of large-site designation of national and regional importance with compulsory purchase at a capped multiple of existing use value.

Measures to address lack of demand

Support for First-Time Buyers

- Introduce a strictly targeted, time-limited and tapered shared equity scheme for first-time buyers of new, energy-efficient homes.
- Cap it at site level, and fund it through an industry access fee with no developer equity stake.
- Any such scheme must be accompanied by supply-side measures.

Other measures to increase supply

Speeding up the planning system and making it more predictable: a National Planning Service

- Impose enforceable statutory deadlines on statutory consultees as an immediate first step.
- Establish a National Planning Service to assess all applications for major developments against locally agreed policies and a wider set of applications in those areas where councils are failing to grant planning permission for sufficient homes or taking far too long to take decisions.
- Or, if that is too radical, strengthen and properly resource the Planning Inspectorate, and load a greater share of appeal costs onto authorities that refuse policy-compliant schemes.



More Homes, Less Land

- Set higher default densities, and zone areas around transport nodes for higher-density development.
- Develop and test City Centre Home Zones, and incentivise homes over high streets through targeted VAT and leasing reforms.
- Permit gentle density in designated suburban areas under local design codes, and enlarge permitted development rights for back-garden homes.
- Commission a comparative analysis of building costs between London and other English cities and regions.

Reviewing the Green Belt

- Commission a national review of the Green Belt, carried out at a strategic scale against the five purposes set out in national policy.
- Keep and protect land that serves those purposes, and release land that does not.

Delivering at Scale through Development Corporations

- Make development corporations the default vehicle for new towns and the largest sites.
- Commence the locally-led development corporation provisions of the Levelling-up & Regeneration Act 2023 without further delay.
- Allow mayors to establish and extend mayoral development corporations without a separate order in each case, subject to local consultation and scrutiny.



Getting the local politics right: infrastructure and design

Infrastructure

- Demonstrate a more explicit and publicly advertised link between housing delivery and infrastructure investment, so that communities can see how their areas will benefit from new homes.
- Resource Homes England to deploy the National Housing Delivery Fund quickly, and clarify its role.
- Give strategic mayors combined powers over transport, jobs and housing through fiscal devolution.

Design

- Design codes should be prepared in collaboration with local residents at the plan-making stage, so that the character of new development is settled before an application is made.
- Community engagement on design codes should be required for strategic sites and for areas allocated for higher density. Where a scheme complies with an adopted code, design should cease to be a ground for refusal.

Release of public land and use of Compulsory Purchase

- Release surplus public land at nominal existing use value for discounted first-time-buyer homes with a retained government equity share, and for grant-funded social rent, with market housing funding the infrastructure
- Undertake a comprehensive audit of public land holdings to identify areas suitable for residential development.
- Use compulsory purchase at a capped multiple of existing use value to assemble privately owned land for urban extensions and new towns, acknowledging that this still needs to provide an incentive for landowners to bring land through the development system.

Measures to Encourage SME Developers

- Introduce a biodiversity net gain holiday, or reduced fixed cost, for sites of fewer than 100 units.
- Front-load the Affordable Homes Programme, and resource the National Housing Bank to offer competitive finance to smaller builders.

Rightsizing

- Implement the Law Commission's 2017 recommendations on event fees without further delay.
- Ensure leasehold reform accommodates housing with care.
- Remove the residence nil-rate band and raise the general nil-rate band in its place.
- Require local plans to assess and provide for older people's housing.
- Fund independent advice for those considering a move.

Replacing Stamp Duty

- Give serious consideration to replacing stamp duty with an annual national property tax which, to avoid people paying twice, would apply only to people who buy in future.
- If not, consider also a 0.5% stamp duty applying to all property transactions, and a new top rate of 20% for properties over £1.5 million, both to fund a reduction in the troublesome 5% band that stretches from £250,001 to £925,000.



A Bigger and Better Private Rented Sector

- Standardise Build to Rent section 106 agreements on a national template.
- Reinstate Multiple Dwellings Relief and return the Additional Homes Surcharge to 3% on Build to Rent developments, extend empty-rates relief and the Structures and Buildings Allowance, and licence per building rather than per home.
- Rule out rent controls through a statutory exclusion and a ten-year agreement on rent indexation.
- Amend the Renters' Rights Act.

More social housing via a Public Build to Rent

- Establish a Public Build to Rent programme delivering social rent through an expanded recyclable Homes England fund, with completed homes sold to institutional investors.
- Support it with a central advisory team, a national training programme and a renewed New Homes Bonus.



Introduction

In March 2026, Prosper UK established an expert Commission to examine the causes of the housing crisis and to develop a series of proposals to improve the supply and hence the affordability of homes in England. The Commission was chaired by Lord Barwell, formerly Minister of State for Housing & Planning and Downing Street Chief of Staff, and drew its membership from across the housing sector, including planners, house builders, investors, housing association executives, land agents and economists. This report sets out its conclusions.

The underlying diagnosis of the UK's housing crisis has now been widely accepted. We haven't built enough homes to match household growth for over 40 years, and the cumulative shortfall now expresses itself in prices and rents that bear no sensible relationship to earnings. Successive governments have committed to building more and in some cases have made sensible reforms to the planning system, but have found that delivery falls short of ambition. The present Government has set a target of 1.5 million homes over the course of this Parliament and has amended the National Planning Policy Framework, passed the Planning & Infrastructure Act 2025 and increased funding for affordable housing, but the Office for Budget Responsibility and pretty much every respected market analyst believes it will not hit its target.[1]

Why has this Government failed to deliver results given its clear ambition?

The populist right has a simplistic analysis. They argue that the cause of the housing crisis is years of high net migration. It is undeniable that high net migration has led to higher demand for housing than would have otherwise been the case, but it does not explain why we build fewer homes today than we did in the 1960s. And their solution - the deportation of millions of people, many of whom currently have a legal right to be in this country, would have a devastating impact on our economy, our society and the construction workforce (around 15% of the construction workforce was born abroad).[2]

We have identified three evidence-based reasons.

First, the lack of demand. When they came to office, Keir Starmer and Rachel Reeves spent their first few months telling everyone that things were going to get worse before they got better. That inevitably had an impact on consumer confidence. So too did the months of speculation about tax increases in the run-up to last November's Budget. And so too has the volatile geopolitical situation for which the Government is not to blame. If housebuilders can't sell or rent out the homes they are currently building, we should hardly be surprised if they don't build more.

1 Office for Budget Responsibility, Economic and Fiscal Outlook – November 2025 (November 2025). The OBR forecast around 1.3 million net additional dwellings across the United Kingdom over the five years to 2029-30 and did not endorse the 1.5 million target for England; the forecast is United Kingdom-wide and the OBR does not publish a nation-by-nation breakdown.

2 Migration Observatory, University of Oxford, Migration, vacancies and labour market skills (February 2026).

Second, viability. Like every other sector, housebuilding was hit by the spike in inflation caused by restarting the global economy after the pandemic and Putin's weaponisation of Russian energy exports. But that cost inflation has been compounded by policy inflation, whether that be biodiversity net gain to protect nature, the Building Safety Levy to fund cladding remediation, nutrient neutrality to protect rivers, and second staircases to protect residents from fire. Each of these requirements is defensible in itself, but taken together they and other policy changes have had a significant impact on the cost of building a home. And while the cost of building a home has risen sharply, house prices have not. The result is that many schemes that have planning permission are currently unviable.

A third theme emerged in the course of our work, which is that successive governments have legislated for meaningful reform but have not brought these measures into force. Section 106ZA



of the Town and Country Planning Act 1990, which would give applicants a proportionate remedy against unreasonable planning obligations, was inserted by the Housing & Planning Act 2016 and has never been commenced. Part 5 of the Levelling-up & Regeneration Act 2023 provides for community land auction pilots, but no pilot has ever been run. The Law Commission's recommendations on event fees in retirement properties, which would unlock a market in which we are a conspicuous international outlier, were accepted by the Government in 2019 and remain unimplemented today. The report begins by describing the state of the housing market in terms of supply, the affordability of homes and the development viability that underlies both. It then turns to viability directly - the accumulated cost of regulation, the misuse of planning obligations and the land value capture that reform of planning obligations would require. It proceeds to address the weakness of demand, and the support for first-time buyers that the present market requires. It concludes with the other measures needed to increase supply – reform of the planning system, how we allocate infrastructure funding, how we use public land, the density at which we build, support for smaller builders, the fuller use of the homes we already have, and how to attract more institutional investment in the private rented sector.

The State of the Housing Market

Supply



England delivered 208,600 net additional dwellings in 2024-25. This represents a fall of six per cent on the previous year, the third consecutive annual decline. It is well below the recent peak of 248,590 in 2019-20 at the end of the May Government[3], even further short of the 300,000 a year that would be required to reach 1.5 million over a five-year Parliament and further still from the roughly 370,000 homes a year requirement implied by the standard method for assessing local housing need.

The figures for planning permissions are worse still. In the year to September 2025, permission was granted for 209,781 homes in England, the lowest twelve-month total since 2013 and around 38 per cent below the peak recorded in early 2022.[4] Since permissions precede completions by several years, a collapse in permitted homes today will result in a collapse in the delivery of new homes at the end of the decade. The number of sites entering the system is now the binding constraint on what can be built in 2028 and 2029, whatever successive governments may do in the meantime.

The position in London, where the housing shortage is felt most acutely, is worse still. In the first nine months of 2025, Molior reported just 3,248 private housing starts.[5] Social and affordable housing starts in London fell to 4,522 in 2024-25, from 26,386 two years earlier.[6] In March 2026 the Government and the Mayor confirmed an emergency package for the capital, including a fast-track planning route for schemes delivering at least twenty per cent affordable housing, temporary relief

3 MHCLG, Housing supply: net additional dwellings, England 2024-25.
4 Home Builders Federation, Housing Pipeline Report: Q3 2025.
5 Molior, Residential Development in London (Q3 2025).
6 Greater London Authority figures cited in Ministry of Housing, Communities and Local Government, Emergency action to kickstart London housebuilding (MHCLG, March 2026).

from the Community Infrastructure Levy and changes to density guidance.[7] That such a package was thought necessary is itself an indication of how far viability has deteriorated, but there are concerns that the package has made little difference (because allowing developers to deliver less affordable housing and more market housing doesn't help if they are already struggling to sell existing levels of market housing).



Affordability

In 2025 the median home in England cost £300,000, or 7.6 times the median annual earnings of a full-time employee.[8] The ratio has improved a little since its peak in 2021 because earnings have risen faster than prices (since 2021, median house prices have increased by five per cent while median earnings have increased by twenty-five per cent[9]), but the very limited growth in house prices is the result of weak demand due to economic uncertainty rather than an increase in supply. And the ratio is still far above the level of five times earnings conventionally treated as affordable.

There is also considerable variation behind these national averages. In London the ratio stands at 10.6. In Kensington & Chelsea it is 25.2. In Hyndburn and Kingston upon Hull it is 4.1.[10] A housing policy that treats England as a single market will therefore impose costs that low-value areas cannot absorb, while doing too little in the places where the shortage is most severe. This point recurs throughout the report.

7 ibid.
8 Office for National Statistics, Housing affordability in England and Wales: 2025 (ONS, March 2026).
9 ibid.
10 ibid.

Viability

Underlying both the supply and affordability challenges is a decline in the viability of housing developments due to a combination of cost inflation, policy inflation and lack of house price inflation. A development is viable where it generates a return sufficient to compensate the investor for the risk taken. Where it does not, capital is deployed elsewhere and the homes are not built.

The scale of the change can be seen most clearly in the Build to Rent sector. Construction starts in the sector fell to around 6,114 homes in the first nine months of 2025, against approximately 26,000 in 2022, a fall of 77 per cent.[11] Construction costs have surged in the last ten years. An investment appraisal of a 300-home scheme that was viable in 2020, with a projected profit of £8 million, would today show a loss of £6 million, the change being accounted for by construction cost inflation, an increase in interest rates, the abolition of Multiple Dwellings Relief, the increase in corporation tax, building safety costs and delay.[12]

Consequences

The consequences are most visible in the temporary accommodation figures. At the end of December 2025 there were 134,210 households living in temporary accommodation in England, including 176,130 children.[13] The number of children was the highest since records began, the twelfth consecutive quarter to set a new record. These figures represent children whose schooling, health and stability are being damaged by the failure of housing policy, as well as local authorities whose finances are being consumed by nightly-paid accommodation that would be far better spent on prevention.

The Government's Response

We wish to acknowledge the steps the Government has already taken to improve housing delivery. The National Planning Policy Framework was revised in December 2024, reversing the previous Government's December 2023 changes and restoring mandatory housing targets. The August 2026 revision of the Framework has gone even further and is a genuinely radical and very welcome step forward. The Planning and Infrastructure Act 2025 has reformed decision-making and strategic planning. A ten-year Social & Affordable Homes Programme worth up to £39 billion opened for bidding in February 2026, with at least 60% of the homes it funds to be for social rent. The Building Safety Regulator has been reconstituted as a standalone body with additional staff and a new fast-track process. The New Homes Accelerator has been extended. The National Housing Bank has since been established to provide low-cost finance and guarantees at scale. These are welcome measures, and several of them respond directly to concerns the industry has raised.

11 British Property Federation, Boosting Development Viability (BPF, October 2025).
12 BPF, Boosting Development Viability.
13 MHCLG, Statutory homelessness in England: October to December 2025.

Yet, simultaneously, the trajectory on viability has worsened. The Building Safety Levy takes effect on 1 October 2026 and is intended to raise £3.4 billion over ten years, at rates ranging from around £12 to £100 per square metre depending on location, which the Home Builders Federation estimates at an average of around £3,000 per home. Landfill tax rates rose sharply in April 2026. Biodiversity net gain obligations, nutrient neutrality requirements and second staircase rules each add further cost. Measures to speed up the planning system are therefore being introduced at the same time as measures which add to the cost of building, and at present the latter are having the greater effect.

There is an urgent need to resolve this tension, and the chapters that follow set out a way forward. They deal first with the reasons that homes are not built, and then with the reasons that the homes which are built cannot be afforded, with a series of proposals to address the problems that have contributed most acutely to the UK's housing crisis.



Measures to Address Viability

This section is concerned with viability. Over the last five years the cost of building has risen sharply, and scheme after scheme that would once have been built now shows a loss. The measures set out here are directed at making these schemes viable again. They begin with the accumulated cost of regulation, turn to the misuse of planning obligations under section 106, and then address land value capture.

Reducing the Cumulative Cost of Regulation

Recommendations

Fix and publish the cost of planning and regulatory requirements, and freeze new regulatory burdens on residential development for at least three years. Apply two tests to every planning and regulatory obligation on new housing – whether the cost should be borne by those buying new homes or society as a whole; and if the former, whether it is proportionate given the problem it is trying to address. Make the statutory objective biodiversity neutrality rather than net gain and treat nutrient neutrality as a societal cost rather than a housing one. Amend the Future Homes Standard and prioritise raising the environmental performance of existing homes over marginal but expensive improvements on the requirements for new homes.

The one word that is used more than any other in the context of the UK housing market in 2026 is viability. Over the last five years the cost of building new housing has increased dramatically, and over the same period residential values have either stalled entirely or increased at a much lower rate than the increases in cost.

The Home Builders Federation estimates that the cost of building a new home has increased by some £76,000 since 2020, and the cost of building a high-rise apartment that falls under the Building Safety Regulator by £98,000.[14] Of the £76,000, approximately £37,000 is attributable to material and labour inflation, about which policy can do very little. The remaining £38,030 relates to regulation, policy and tax: the Future Homes Standard at £10,200; building regulations at £7,770; nutrient neutrality at £7,000; biodiversity net gain at £5,700; landfill tax at £2,000; the Residential Property Developer

14 Home Builders Federation, The Viability Crunch.

Tax and National Insurance increases at £2,055; section 106 contributions at £985; and the Building Safety Levy at £2,320.[15] This has rendered many new developments unviable and hence has led to a dramatic reduction in build-out rates and numbers.

Calculating the Cost of Regulation

Future Homes Standard	**£10,200**
Building Regulations	**£7,770**
Nutrient Neutrality	**£7,000**
Biodiversity Net Gain	**£5,700**
Landfill Tax	**£2,000**
Taxes (Residential Property Developer Tax + NI Increases)	**£2,055**
Section 106 contributions	**£985**
Building Safety Levy	**£2,320**
Total	**£38,030**

A public policy case can be made for all these policies, taxes and regulations. The challenge is that cumulatively they are placing a huge drag on, and in many cases a barrier to, new development, which has significant social and financial consequences for the country. The position has become circular. We are taxing development to raise much needed income for environmental and social considerations that we all agree are important, and as a result then having to subsidise the sector to deliver the homes we need. There is also a fairness point here: when a burden is placed on new homes it is only paid for by the purchasers of new homes.

The Government should apply two tests to every existing and proposed planning and regulatory obligation on new housing.

The first test is whether it is reasonable to impose the cost on new housing at all, or whether these are things the taxpayer more generally should be funding. Nutrient neutrality is the clearest failure of this test. The problem has nothing to do with housing. It is the product of the underfunding of the water network over many years and of the use of chemicals in farming, and it is profoundly wrong to put that burden on those who buy new homes because it is a societal issue. Biodiversity net gain fails a milder version of the same test. There is an argument for saying that new development should not result in the loss of biodiversity, but there is no justification system for saying that the cost of repairing the damage done to biodiversity over centuries should be borne by those buying new homes. The Government should therefore make the statutory objective biodiversity neutrality

15 ibid.

rather than net gain. If it wants to take action to improve biodiversity - which we would support - that should be funded out of general taxation.

The second test is whether the requirement is proportionate given the benefit it would deliver. England has some 30 million existing homes, many of them extremely energy inefficient, and adds around 200,000 new ones each year. Loading further energy efficiency requirements onto the newest and best-performing part of the stock delivers very little in terms of aggregate emissions (although to be fair, it does reduce the ongoing running costs of the property) while making marginal schemes unviable. Worse, if a home that would have been built is not built, its potential occupants will continue living in an older and worse-performing property instead. The Future Homes Standard should therefore be reviewed and amended to ensure the requirements are proportionate and far greater focus relating to energy efficiency should be directed towards the existing stock, where both the environmental impact and therefore the environmental gains from action are far greater.

Where requirements are both reasonable and proportionate, they should be as simple as possible. A great deal of the damage done by current requirements arises from their unpredictability. A developer who knows what a requirement will cost can price it into the land. Where the cost is unknown, the developer has to price-in risk instead, which is more expensive. The Government should fix and publish the cost of requirements wherever it can. Biodiversity net gain in particular should be a known and fixed sum.

The cost of unpredictability: a 50-unit site

On a 50-home scheme currently in negotiation, the education contribution sought at first instance was equivalent to £30,000 per home. On the same site, biodiversity net gain credits were assessed at approximately £500,000, of which some £250,000 arose because a parcel of grazing land on a brownfield site was reclassified by the ecological assessor into a higher category.

Neither figure was apparent to the developer when the land was acquired, and both were determined after the commitment to purchase had been made. In each case the difficulty for the developer lay in the fact that the cost could not be established in advance.

Finally, the Government should commit publicly that no further regulation changes or burdens will be added to residential development for a defined period of at least three years. The purpose of this is to restore the confidence needed to commit capital, rather than to prevent all future change. What investors need is a predictable environment, and a credible freeze would have a more immediate effect on investment decisions than most measures which cost money.

Restoring Section 106 to its Proper Mitigation Function

Recommendations

Narrow section 106 to genuine, site-specific mitigation and restrict its use as a general funding mechanism for affordable housing, schools, healthcare or public services. Commence section 106ZA without delay, introduce a mandatory standard form of planning obligation and section 278 agreement, and allow obligations to be reviewed immediately as conditions already can be under section 73.

Section 106 obligations on residential development should be substantially narrowed. They should be used only where an obligation is necessary to make a particular development acceptable in planning terms and addresses a direct, site-specific impact of that development. They should not be used as a general funding mechanism for affordable housing, school places, healthcare, public transport services, community facilities, public realm or other public goods that should ordinarily be funded through the Community Infrastructure Levy or the general tax base.

The legal and policy objectives behind section 106 rests on the principle that the obligations should be necessary, directly related to the development, and fairly and reasonably related in scale and kind. In practice, the system has moved beyond that principle. Section 106 has become part mitigation tool, part affordable housing mechanism, part infrastructure levy and part substitute for public expenditure. That produces a system which is complex, slow, uncertain and difficult to justify in principle - the National Audit Office has identified concerns about complexity, negotiation, local authority capacity, transparency and the efficiency of the developer contributions system.[16] If the objective is to increase housing delivery, it is counterproductive to load new homes with obligations that go beyond genuine mitigation.

Section 106 obligations are often defended on the basis that they are paid by developers or landowners. That is sometimes true, and in theory predictable obligations should be reflected in the land price. However, that answer is incomplete. Obligations are rarely known with certainty at the point of land acquisition. They are often negotiated late, contested through viability assessments and affected by changing local requirements, all of which increases risk, delay and cost. Even where the burden is partly passed back to the landowner, the mechanism still taxes the production of new homes rather than the general population or the wider property-owning class. To the extent that the cost is passed forward, it falls on the purchasers and occupiers of new homes, who are concentrated in younger age groups, while household wealth is heavily concentrated among older households and existing owner-occupiers.

16 National Audit Office, Improving local areas through developer funding (2025).

The application of this principle to education illustrates the problem precisely. New homes do not create children. They accommodate existing households. A development may change the location of demand for school places, and very large strategic sites may require land for a new school or other integral facilities, but ordinary residential development should not automatically be treated as causing the full cost of additional school places. One can buy a five-bedroom home from an elderly widow and move in a large young family without contributing to the additional school places needed as a consequence, whereas a young couple, or a retired person, with no school-age children buying a new home must bear the burden of increasing school capacity. This is regressive and unfair, as well as damaging to delivery.

What should remain within section 106 is direct access, highway safety, junction, pedestrian and cycling works required by the development; directly related public transport infrastructure such as bus stops, shelters and access works where genuinely required; drainage, flood-risk, contamination, ecological and environmental mitigation; site-specific open space, phasing, occupation controls and management obligations necessary for the scheme itself; and land or facilities on major strategic sites where they are physically integral to the new community.

What should be removed or sharply curtailed is affordable housing obligations; general education, healthcare and community facility contributions not tied to a specific and evidenced site impact; ongoing public transport service subsidies; public realm or open-space maintenance charges that replace ordinary local authority responsibilities; and obligations designed to remedy historic infrastructure deficits or broad pooled contributions only loosely connected to the development. Management and maintenance obligations must not be allowed to create private estate charges for public open space, public realm, roads, landscaping or other facilities that would elsewhere be maintained by the local authority. That is effectively double taxation – residents pay council tax while also paying a private management charge for public infrastructure.



Section 106 Expansion: two current examples

Bury St Edmunds.

On a 485-home scheme in West Suffolk, the county council, among other things, sought contributions towards additional swimming lanes at existing local authority swimming pools and 98 "fitness stations". On appeal the county council confirmed to the inspector that there was spare capacity at the local swimming pool in Bury St Edmunds but that there was a need for four additional lanes elsewhere in the District. The county council also told the inspector that 98 fitness stations was the total need across the District rather than the need generated by the development. While the inspector rejected the requests, they are examples of the unreasonable demands placed on new development by local authorities who know that developers have no choice but to accede to them unless they are willing to appeal.

A student scheme in London.

In a current negotiation on a purpose-built student accommodation scheme, the planning authority requires the applicant to commit that it will deliver to every student bedroom utility connections, including gas. Putting aside the fact that the scheme does not propose to use gas and the fact that even if there were to be gas it is odd to want a gas connection in each student bedroom, the bigger question is whether it is really the role of the planning system to tell a developer of student accommodation that it must provide services to each room. When challenged, the authority indicated that the requirement is their standard wording and must remain.

As the second example demonstrates, the idea that planning obligations are fit for purpose is fanciful. Local planning authorities have no incentive to negotiate. Their natural tendency to risk-aversion and their lack of resource incentivise rigidly sticking to standard wording even where that wording is inappropriate. They know that an applicant is highly unlikely to be willing to mount a risky and costly appeal simply to get a sensible planning obligation package, and they therefore have developers over a barrel. As the first example demonstrates, this position also incentivises local planning authorities to seek obligations that go beyond the statutory tests, safe in the knowledge that a developer will almost always have no choice but to roll over and open the chequebook.

Parliament recognised this a decade ago and legislated for it. Section 106ZA of the Town & Country Planning Act 1990, inserted by the Housing & Planning Act 2016, provides a mechanism by which an applicant can obtain a quick determination of a disputed obligation without putting the whole permission at risk.[17] It has never been commenced. It is difficult to understand why, more than a decade later, a provision sitting there on the statute book has not been brought into effect. It should be commenced without delay, and in advance of the wider reforms discussed in this chapter, to bring

17 Housing and Planning Act 2016.

some semblance of reasonableness to what is sought through section 106 even within the current system.

Three other changes would help.

A mandatory standard form of obligation, and of section 278 agreement, would speed up negotiations and improve the quality of agreements while limiting local authority overreach. The negotiations over trigger points and detail that currently occupy months are quite often irrelevant and unworkable, and are there for no reason other than that the authority used the same wording last time.

Section 73 allows for an immediate review of conditions after the grant of planning permission, which is useful where authorities are unreasonable, as it allows the principle of development to be banked and the conditions to be challenged rather than risking everything on appeal. The lack of a formal right to review a planning obligation for five years under section 106A is hard to reconcile with this, and should be amended to apply immediately as section 73 does.[18]

In London, section 30 of the Greater London Authority Act 1999 should also be considered, given its potential to allow the imposition of obligations that do not satisfy the legal tests for section 106.[19]

Some will no doubt object to this proposal by arguing that the Government needs section 106 contributions to fund infrastructure and affordable housing. However, pressure on the public finances does not justify attributing general public costs to the people who buy new homes. We absolutely need more social housing, but that should be funded through general taxation not those who buy new homes. Others will argue that removing obligations would simply increase land values or developer profits. The former should be addressed through transition and, where appropriate, through transparent land value capture (see below); our response to the latter is that profit is not a dirty word – if we stop people making profit from building homes, we should not be surprised when people don't build them.



18 Town and Country Planning Act 1990.
19 Greater London Authority Act 1999, s 30.

Capturing Land Value

Recommendations

Pilot community land auctions in willing authorities, for which Parliament legislated in 2023, and adopt the Letwin approach of large-site designation of national and regional importance with compulsory purchase at a capped multiple of existing use value. Neither measure requires new primary legislation.

The reforms proposed above would remove a substantial cost from development, but they immediately raise a question: if these obligations are removed, where does the value go? Unless something is done, it goes into land prices, so that the principal beneficiaries of a reform intended to produce more homes would be the owners of land. That outcome would not be in the public interest.

We have never resolved the question of who should benefit from the uplift in value when land is designated as suitable for development. The planning system was conceptually designed to work alongside land value capture, but the capture element was progressively abandoned while the planning element remained. Section 106 filled the resulting vacuum, which is how a mitigation power became a general revenue instrument. If the policy objective is to capture part of the uplift created by planning permission, that should be done openly as land value capture, and not through opaque, site-by-site section 106 negotiations.

Two mechanisms already exist in developed form to achieve this aim, with neither option requiring further primary legislation.

The Letwin approach

Sir Oliver Letwin's 2018 review of build-out rates remains the most rigorous public analysis of the problem.[20] Letwin found that the median build-out period on the large sites he examined was 15.5 years, equivalent to 6.5% of the site each year, and that the median annual build-out rate for London sites of over 1,000 homes was 3.2%.[21] His diagnosis was that homogeneity of product limits the rate at which the market can absorb new homes, and that diversity of type and tenure is therefore the key to faster delivery.

He recommended that local authorities be able to designate sites in their local plans as developable only as single large sites subject to stringent diversity requirements, with compulsory purchase powers available at the resulting value, and that the Secretary of State guide authorities towards

20 Sir Oliver Letwin, Independent Review of Build Out: Final Report (Cm 9720, 2018).
21 ibid.

levels of diversity that cap residual land values at around ten times existing use value, rather than the far larger multiples that currently apply.[22] For agricultural land he illustrated this at roughly £100,000 an acre, perhaps 5% of unconstrained residual development value.[23]

There needs to be an incentive for landowners. They should be able to get some of the uplift but not all of it, and the question is where the multiplier of land value should sit. In this regard, Letwin proposed a capped multiple, set at a level sufficient to bring land forward without allowing the entire uplift to accrue to whoever happens to own the field. Acquisition at bare existing use value would remove any incentive to bring land forward and would generate sustained resistance to allocation, particularly from institutional owners under no pressure to sell.



Community land auctions

The second mechanism is the community land auction developed by Tim Leunig.[24] A local authority invites landowners to name the price at which they would be willing to sell, which gives the authority an option over the land. It then allocates the site and grants permission, re-auctions it with permission attached, and retains the difference for local infrastructure. The advantage of this mechanism is that the landowner discloses the reservation price, which the authority would otherwise have to assess, and that the community has a direct financial interest in permission being granted.

Part 5 of the Levelling-up & Regeneration Act 2023 provides for community land auction pilots, including arrangements for the application of receipts, an infrastructure delivery strategy and parliamentary scrutiny.[25] The Government consulted on the operating model in 2023. No pilot has been run, and the power is time-limited.

The Government should therefore pilot community land auctions in a small number of willing authorities without further delay, and should adopt the Letwin approach to designation and compulsory purchase for large sites. Neither of these requires Parliament to legislate again, and together they would allow the reform of section 106 proposed above to proceed without handing a windfall to landowners.

22 ibid.
23 ibid.
24 Tim Leunig, In My Back Yard: Unlocking the planning system (CentreForum 2007); Tim Leunig, Community Land Auctions: Working towards implementation (CentreForum 2011).
25 Levelling-up & Regeneration Act 2023.

Measures to Address Lack of Demand

Support for First-Time Buyers

Recommendations

Introduce a strictly targeted, time-limited and tapered shared equity scheme for first-time buyers of new, energy-efficient homes, with national income caps, regional value caps, a site-level cap of around a fifth of sales, an industry access fee and no developer equity stake. It must have a defined time limit and must not be allowed to become a permanent feature of the market.

This is the recommendation that we agonised the most over. All of us believe that most of the solution to our housing crisis lies on the supply side. None of us wants to see a repeat of Help to Buy in its previous guise given some of the market distortions which resulted. Nonetheless, we have reluctantly concluded that the housing market is currently being held back by weak demand. Elevated mortgage rates, tighter affordability tests and wider global instability are suppressing buyer confidence. For house builders, weak demand translates directly into slower sales rates, reduced outlet expansion - or even contraction - and lower overall delivery, even where planning permission exists. This is now a binding constraint on supply, and without intervention it risks slowing build-out rates and pushing the 1.5 million homes target further out of reach.

In terms of the structural barriers facing first-time buyers, most now require at least a 10% deposit, and a median-earning first-time buyer would need more than seven years to save it, and in London close to two decades. Standard income multiples mean that many buyers cannot borrow enough, even after saving a deposit. Higher interest rates have sharply increased housing costs. As a result, in most regions average earners can no longer afford an average first-time buyer home, and home ownership among the under-30s is increasingly limited to the highest earners or to those with parental support.

Shared equity is simple, well understood and effective. Unlike other interventions, it directly addresses all three barriers to home ownership: deposits, mortgage affordability assessments and monthly repayments. It unlocks high loan-to-value lending at scale with a modest buyer deposit. It allows lenders to assess affordability on a significantly lower effective loan-to-value. And it reduces monthly repayments, combining lower mortgage rates with an interest-free equity loan in the early years. By focusing exclusively on new, energy-efficient homes, it also delivers wider public benefits:

lower energy bills, no retrofit costs, build warranties and higher construction standards. Most importantly, when shared equity is restricted to new build and partnered with planning reform, it directly stimulates supply.

The scheme should be strictly targeted. It should be available only to first-time buyers, restricted to new homes meeting a high energy efficiency standard, and subject to household income caps set nationally with a higher figure for London. There is a danger of subsidising the purchase of larger homes in other parts of the country, and eligibility should therefore be confined to smaller property types and to regional value caps. Those caps must be reviewed regularly. The principal design failure of the previous Help to Buy scheme was that its regional constraints became too rigid towards the end - because of higher values in a city centre such as Manchester, a purchaser could buy only a one-bedroom apartment, while the same cap would buy a four-bedroom house a few miles away.

It should be structured as a partnership rather than a subsidy. Participating house builders should pay an access fee to take part, tiered by company size or volume so that smaller builders are not excluded. There should be no developer equity stake, with the Government retaining the whole of the equity loan. The loan should be interest-free for an initial period and thereafter charged at a modest, inflation-linked rate, or repaid if the house is sold before that period expires.

It should be capped at site level. Each site should be restricted to a defined maximum proportion of sales, so that price distortion and price inflation are avoided. At the peak of the previous scheme, supported sales were driving 50 to 70% of volumes on some sites. A cap in the region of a fifth of sales would preserve the stimulus while limiting distortion. And it must be time-limited and tapered. The scheme must have a defined end, and it must taper rather than stop, to avoid a cliff edge that would itself destabilise the market.

The strongest objection to a measure of this kind is that demand-side support in a supply-constrained market raises prices rather than volumes of housing, and that the economically correct response is to concentrate on supply alone. There are two answers to this. The planning changes introduced since the election mean that supply is more elastic and better able to respond, which limits the risk of an inflationary effect. And in the short term the realistic alternative is a market in which build-out rates continue to fall. That justifies a temporary and capped intervention.

The fiscal treatment is also a relevant factor. Because the loans are recoverable, backed by property assets and supported by upfront industry contributions, the fiscal cost is very different from that of a grant. Recent changes to the measure of public sector net liabilities allow the Government to account for the future value as well as the initial outlay. This should properly be understood as an investment rather than as expenditure, and the Government would also be using its balance sheet to redistribute access to cheaper borrowing, supporting first-time buyers without access to family wealth and easing pressure on the private rented sector.

If the scheme proceeds, the existing shared ownership programme should be reviewed alongside it. Shared ownership currently accounts for a substantial share of Affordable Housing Programme volume and cost. If a shared equity route delivers outright ownership with a retained public stake more efficiently, that funding would be better focused on social and affordable rented products.

Other Measures to Increase Supply



Improving viability and stimulating demand will bring stalled schemes forward, but on its own it will not produce an increase in supply of the order the country needs. This section of the report sets out the further measures required: speeding up the planning system and making it more predictable, higher densities in the places that can absorb them, a review of the Green Belt, development corporations capable of delivering housing at scale, infrastructure investment and design codes that reconcile communities to new housing, the release of surplus public land, stronger support for smaller builders, better use of the homes we already have, an end to stamp duty, more support for the Build to Rent sector and measures to increase the supply of social housing.

But before we set out our detailed recommendations, there is an overarching point we want to make. Some people argue that the focus should just be on 'affordable', or subsidised, housing. They are wrong. Building more homes of any kind, including at the top of the market, tends to improve affordability across the whole of it, as households move up and vacate cheaper homes for others.

There are multiple international studies that show this. There is strong evidence that new construction in the high-end segments improves affordability by more in all segments of the housing market compared to new construction in bottom-end segments.[26] Switzerland has shown that new housing units attract predominantly high-income households, but that the triggered moving chains also enable lower-income households to move as affordable units get vacated.[27] Studies from the United States have estimated that building 100 new market-rate units leads between 45 and 70 people to move out of below-median income tracts, and between 17 and 39 out of bottom-quintile tracts, with almost all of the effect occurring within five years.[28] Data from Helsinki has been used to show that market-rate supply is likely to improve affordability outside the sub-markets where new construction occurs and to benefit low-income people.[29] What we need is more homes of every kind.

26 Boaz Abramson and Tim Landvoigt, 'Curbing Rising Housing Costs: A Model-Based Policy Comparison' (2025) 39(3) Journal of Economic Perspectives.
27 Lukas Hauck and Frederic Kluser, Country-wide effects of new housing supply: Evidence from moving chains (University of Bern 2024).
28 Evan Mast, The Effect of New Market-Rate Housing Construction on the Low-Income Housing Market (Upjohn Institute 2019).
29 Cristina Bratu, Oskari Harjunen and Tuukka Saarimaa, 'City-wide effects of new housing supply: Evidence from moving chains' (2023) 133 Journal of Urban Economics.

Speeding up the planning system and making it more predictable: a National Planning Service

Recommendations

Establish a National Planning Service that assesses all applications for large developments - and a wider set of applications in those parts of the country where councils are failing to grant planning permission for sufficient homes or taking far too long to take decisions – against locally agreed policies. Or if that is too radical, introduce enforceable statutory deadlines for statutory consultees and a strengthened Planning Inspectorate that loads a materially greater share of costs onto authorities that lose appeals against policy-compliant schemes.

Developers report two principal problems with local planning authorities. The first is that some planning authorities are anti-development, and even if you force them to produce a local plan that releases sufficient land to meet housing need, they can still make life very difficult for developers – by choosing to under-resource their planning departments, or by applying political pressure on officers to recommend schemes for refusal even where those schemes are consistent with local planning policies. The second is that even in those planning authorities that are pro-development, planning departments are often under-resourced, and it therefore takes a lot longer than it should to get schemes approved.

The Johnson Government tried to solve the first of these problems by cutting local politicians out of decision-making in those areas designated as suitable for significant development. That was never going to be politically acceptable, and it was wrong in principle. Councillors should be able to set local planning policies within certain national constraints, and they should be able to determine applications, but they should not be able to under-resource the system nor to put pressure on officers to refuse applications that are consistent with local policies.

The Government should therefore establish a National Planning Service, which would assess all planning applications for large developments – and a wider set of applications in those parts of the country where councils are failing to grant planning permission for sufficient homes or taking far too long to take decisions. Local councillors would continue to set local planning policies within certain national constraints. Officers of the National Planning Service would determine applications against those policies.

There would be several advantages to such an approach. Local councillors would no longer be able to put pressure on officers to recommend politically difficult applications for refusal where those applications were consistent with local planning policy. It would significantly strengthen the incentive

for the local authorities concerned to have an up-to-date plan, since in the absence of one the Service's officers would apply the presumption in favour of development unless the relevant site had national planning policy protection. The Chancellor and his successors would be able to ensure that the planning service in those areas is properly resourced in a way that they cannot do at the moment, with the Government deciding how quickly it wanted different types of application determined and the Chief Planner advising on the number of officers required to meet those timescales. And a National Planning Service would create a better career structure and give a much-needed boost to the profile of a profession many of whose ablest members currently leave for the private sector.

To summarise in a single sentence, a National Planning Service would mean that the Government had control of the speed of the planning system, but local councillors would still set local policies and take local decisions.

There are legitimate concerns about such an approach. A national service must not place every contested decision on a minister's desk. Local knowledge is vital to effective development control, and a national service would need safeguards to ensure this knowledge informs its decision making.

If the Government considers it too radical, there are other things it could do that would help. First, and immediately, take action with regard to statutory consultees. The Environment Agency, Natural England and the other statutory consultees frequently fail to respond within their deadlines, and the resulting delay falls on applicants who have no remedy. The Government should impose enforceable statutory deadlines, with a default position where a consultee fails to respond, and should co-ordinate the four or five bodies responsible for the overwhelming majority of consultations so that applicants receive a single co-ordinated response rather than a sequence of uncoordinated ones. This is the most straightforward measure in this chapter and it should not wait for the others.

Second, a strengthened Planning Inspectorate with real cost consequences. The Inspectorate should be properly resourced, and authorities whose refusal of a policy-compliant scheme is overturned on appeal should bear a materially greater share of the costs. This would sharpen the incentive on authorities to reach a defensible decision, without altering who takes it.



More Homes, Less Land

Recommendations

Develop and test City Centre Home Zones, incentivise homes over high streets through targeted VAT and leasing reforms, permit gentle density in designated suburban areas under local design codes, enlarge permitted development rights for back-garden homes, and commission a comparative analysis of building costs between London and other English cities and regions.

Before we release any greenfield land for housing, our starting point should be to make maximum use of the land we already have.

Housing density in British cities is low compared with many international comparators. Centre for Cities, comparing residential densities in British cities with similar cities in France and Japan, finds a density gap equivalent to some 2.3 million homes, concentrated in the urban cores of the largest cities and attributable above all to a shortage of mid-rise housing.[30] The causes include a strong preference for detached or semi-detached homes rather than mid-sized blocks of apartments; planning constraints which have limited the ability to build homes where demand is highest; lower rates of urban demolition and redevelopment than comparable nations; and fierce resistance to higher-density redevelopment in settled areas.

Existing cities would benefit from being able to house more people within the reach of existing infrastructure and services, especially transport. Regeneration schemes which increase the density of housing would bring more people into rundown areas, helping local businesses. New developments, and particularly new settlements, would benefit financially if housing densities were by default set higher than at present, because more dwellings per hectare improves the viability of sites and could help unlock some currently mothballed. Density is the one intervention that costs the Exchequer nothing and improves viability directly.

The Government has embraced the idea of zoning areas around some transport nodes for higher-density development, with minimum densities around rail and Underground stations, a presumption in favour of development, reduced parking minimums and fast-track approvals. These are good principles on the whole, and they could be applied elsewhere.

City Centre Home Zones

City Centre Home Zones could kickstart the regeneration of town centre high streets by increasing the development capacity, providing a presumption in favour of development, and providing a clear

30 Centre for Cities, Flat Britain: The urban density gap and how to close it (Centre for Cities 2025).

design code to enable mid-sized development. This might mean five or six storey buildings rather than twenty storey towers, but it would still double the amount of accommodation in most cases. The challenge here is the fragmentation of ownership, so a developer would need to find a way for local landlords to profit from vesting their asset in the overall scheme. The Government should develop and test this model.

Homes over high streets

An alternative approach would be to incentivise the market to retrofit existing town centre buildings, creating homes over our high streets. Most high street shops have a second or third floor, which may have offices or in some cases homes, but tens of thousands are either empty or underused. These buildings could provide thousands of homes right in the heart of our towns and cities.

Many of them are owned by individual landlords or small property companies seeking a yield and, if lucky, a capital gain in due course. Their focus is usually on securing a commercial tenant for the ground floor, and because commercial buildings are let as a whole, with the tenant responsible for repairs and building insurance, there is very little incentive to split the building into two uses. Landlords consulted in preparing this proposal cited four changes that would encourage them to act: designating the areas within each town eligible for support, often the side streets around the main high street; ending the default full repairing and insuring terms on renewing a lease, so that ground floor tenants can opt out of paying for the upper floors, leaving the landlord with responsibility for that space; reducing VAT on conversions from 5% to zero for a ten-year period, applied to materials and fabric and to contractors' and professional fees; and providing a housing management service, through the local council or a housing association, for the landlord if requested. This combination of policies could help nudge thousands of small landlords to convert unused or underused space into town centre homes.

Suburbia and gentle density

Redevelopment of suburban areas has been considered in many reports, most notably HTA Design's Supurbia.[31] All have good ideas, but none fully addresses how to overcome local resistance, which is the central question. There are two broad options: reducing the ability of a community to oppose by removing planning and other legal routes for opposing or delaying schemes; or providing substantial incentives for a community not to oppose.

There is a middle course. Residential roads need protection against out-of-character developments: a clear national policy permitting, for example, an increase from two storeys to four in designated areas, for example in district centres and along main roads subject to a local design code, would give certainty to applicants while providing protection to other areas. That is a narrower proposition than a general right to build up to four or five storeys, and correspondingly more likely to survive contact with local politics.

31 HTA Design, Supurbia (HTA 2015).

There is also a case for enlarging permitted development rights for homes in back gardens, currently limited to 30 square metres and effectively prohibited from having both a kitchen and a bathroom. Raising the threshold to 45 square metres, so long as 45 square metres of back garden remains, permitting both kitchen and bathroom, and applying a flat additional council tax payment per unit would produce a meaningful number of small homes quickly. Councils and social landlords could use the same power to offer an existing tenant somewhere more manageable, freeing up a family house for far less than the cost of building a conventional social home.

On new development, the principle of gentle density, meaning mid-rise buildings of three to seven storeys, is right for new settlements and urban extensions. Two practical questions need answers before it can be delivered at scale. The first is how the second staircase regulations affect buildings of six and seven storeys, which is a significant constraint on precisely the typology being encouraged. The second is whether this typology, being leasehold or commonhold apartments without their own gardens, will sell in sufficient volume outside the largest cities.

One further matter should be investigated. It is markedly cheaper to build a high-rise building in Manchester than in London, by an order of some 25%, and the London Plan is roughly three times the length of its Manchester equivalent. Some of that difference reflects genuine differences in land and labour costs, but some of it reflects regulatory divergence that nobody has ever justified. The Government should commission a comparative analysis of building costs between London and other English cities and regions with a view to removing requirements that cannot be defended.

Reviewing the Green Belt

Recommendations

Clarify that the Green Belt exists to stop towns and cities sprawling and merging, not as an environmental policy. Commission a national review of the Green Belt, carried out at a strategic scale against the five purposes set out in national policy. Keep land that serves those purposes and protect it on its current footing, but release land that does not.

The Green Belt is the best-known part of the English planning system and yet remains amongst the most commonly misunderstood. It is often assumed to be an environmental designation that protects wildlife, landscape and green space. However, this has never been the intended purpose of the Green Belt.

The Green Belt is in fact a policy to prevent urban sprawl. The 1955 circular extending it beyond London asked planning authorities to use green belts to monitor the further growth of large built-

up areas, thus preventing neighbouring towns from merging and preserving the special character of those towns.[32] The National Planning Policy Framework still describes its fundamental aim as preventing urban sprawl by keeping land permanently open, with its five purposes continuing to relate to containing the growth of towns and cities.[33] Some 65% of the Green Belt is in agricultural use and 6.8% is already developed.[34] Conversely, land considered to be of real environmental value continues to be protected by other provisions, such as National Parks, National Landscapes, Sites of Special Scientific Interest and Areas of Outstanding Natural Beauty.

The Green Belt's original purpose remains important, as Natural England and CPRE concluded in 2010 that the policy was highly effective in preventing urban sprawl.[35] There is no suggestion here that land which meets the objectives set out in the NPPF should have its designation changed.

The problem is that the Green Belt has barely changed in decades. In some places land has been Green Belt for more than 50 years, with national policy having done little to update these boundaries, which themselves can normally be altered only through plan-making where exceptional circumstances are fully evidenced.[36] In the year to March 2025 just six councils changed their boundaries, removing a net 650 hectares from a Green Belt of 1,633,220 hectares, around 12.5% of England.[37]

The Government has already accepted that not all Green Belt land is correctly designated. Since December 2024, national policy has enabled development in certain circumstances on "grey belt" land, denoting previously developed land or land that does not strongly contribute to urban sprawl. The August 2026 NPPF has eased the rules further when the developments take place near well-connected stations.[38] These are welcome changes, but grey belt is still Green Belt, and outside a local plan review the designation of each site must be contested through applications and appeals. The House of Lords Built Environment Committee suggested in 2025 that grey belt may be "largely redundant", eclipsed by other changes to national policy,[39] and the planning barrister Zack Simons KC said in September 2026 that unclear wording in grey belt policy had generated unnecessary litigation and appeals.[40] This yields further uncertainty for developers and adds to the cost of building.

The Government should therefore commission a national review of the Green Belt, carried out at scale by strategic planning authorities, including the Mayor of London, where they exist, and by groups of councils elsewhere. Using the method now set out in Annex E of the Framework, it should ask one question of all existing Green Belt land, namely: does this land serve the purposes for which the Green Belt exists? Land that does should remain in the Green Belt and be protected as firmly as it is today. Land that does not should be released for development.

32 London Assembly Research Unit, London's Green Belt (GLA, February 2026).
33 Ministry of Housing, Communities and Local Government, National Planning Policy Framework (MHCLG, August 2026); House of Commons Library, Green Belt (September 2026).
34 House of Commons Library, Green Belt s 2.3, citing Land use in England, 2022.
35 Natural England and CPRE, Green Belts: A Greener Future (2010) 90, cited in House of Commons Library, Green Belt s 3.3.
36 House of Commons Library, Green Belt.
37 MHCLG, Local authority green belt: England 2024-25.
38 National Planning Policy Framework (December 2024); House of Commons Library, Green Belt.
39 House of Commons Library, Green Belt s 3.2.
40 Planning Resource, 'An awful lot of further clarity needed on grey belt' says planning silk (9 September 2026), cited in House of Commons Library, Green Belt s 4.1.

When Green Belt boundaries are drawn, national policy already dictates that they should include only land which it is necessary to keep permanently open.[41] A national review would build on the assessments councils have already begun to undertake with the help of £9.31 million of government funding, awarded to 133 local authorities in February 2025,[42] and would answer the call for a review of the Green Belt's purpose made by the Commons housing select committee in 2021 and again in 2023.[43]

Of course, it will be contested that any such review is the first step towards building over the countryside, and that brownfield land should come first. We agree that it should, which is why the report argues for higher densities in existing towns and cities. But the Government has itself acknowledged that there are not enough sites on brownfield land registers to deliver the homes the country needs.[44] This must therefore be supplemented by the release of Green Belt land which no longer conforms to its intended purpose.

Delivering at Scale through Development Corporations

Recommendations

Make development corporations the default delivery vehicle for new towns and the largest development sites. Commence the provisions for locally-led development corporations which Parliament passed in 2023. Allow mayors to establish and extend mayoral development corporations without the need for a separate order in each case, subject to local consultation and scrutiny.

Development corporations are public bodies set up to deliver development on a scale which the ordinary planning system has struggled to achieve. They can assemble land, prepare a masterplan, act as the planning authority, raise finance and put in infrastructure before new homes arrive. It was development corporations that built the post-war new towns, now home to around 2.8 million people, and the New Towns Taskforce concluded last year that they should be the preferred means of delivering the next generation.[45]

Sir Oliver Letwin's review of build-out rates reached much the same conclusion, finding that the largest sites were dominated by the major housebuilders, and that development corporations could buy land at its value without the scheme and offer serviced plots to large and small housebuilders,

41 National Planning Policy Framework (August 2026).
42 Ministry of Housing, Communities and Local Government, Funding to support local authorities with the costs of Green Belt reviews: successful local authorities (MHCLG, February 2025), cited in London Assembly Research Unit, London's Green Belt 16.
43 Housing, Communities and Local Government Committee, The future of the planning system in England (HC 38, 2021-22); Levelling Up, Housing and Communities Committee, Reforms to national planning policy (HC 1122, 2022-23).
44 Matthew Pennycook MP, Building the homes we need (Written Ministerial Statement, HCWS308, 12 December 2024).
45 New Towns Taskforce, New Towns Taskforce: Report to government (Ministry of Housing, Communities and Local Government, September 2025).

Build to Rent investors, housing associations and self-builders alike. Such a mix of homes was, in his view, the key to faster build-out, and he therefore recommended that more be created. However, he also noted that councils outside mayoral areas had no such vehicle without the special permission of the Housing Secretary.[46]

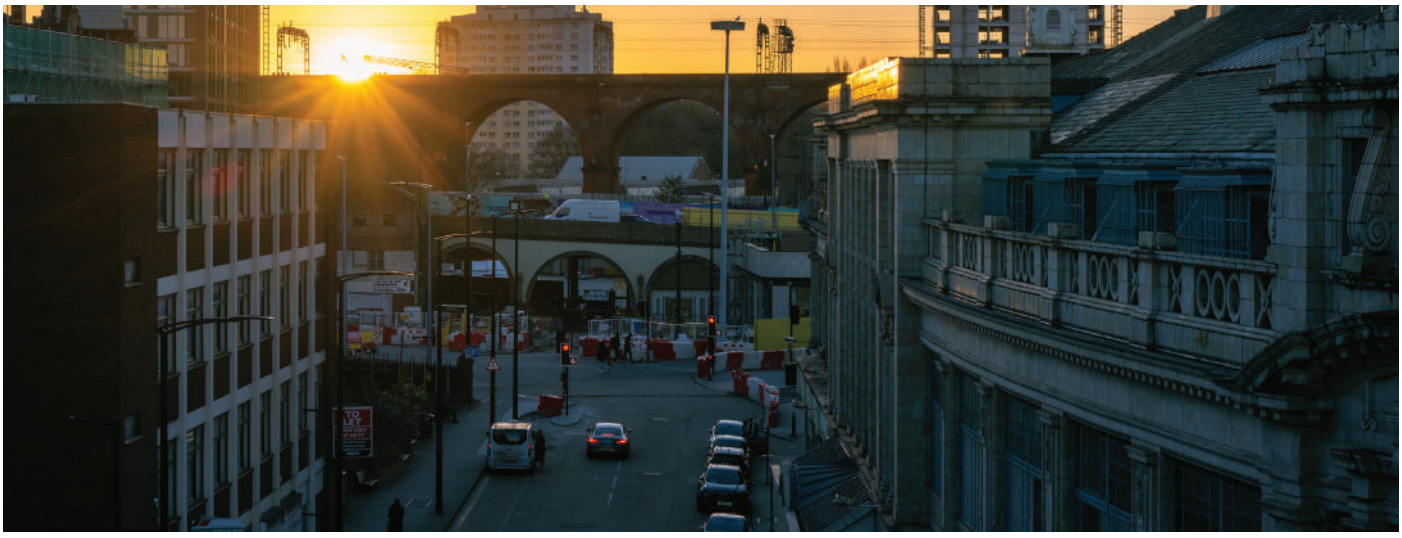


The Government has since moved in this direction. Since February 2026, any development corporation in England has been able to deliver new settlements and urban extensions on both greenfield and brownfield land, whilst reforms to their planning powers and borrowing limits came into force in April.[47] A development corporation is being established for Greater Cambridge, and the Government has confirmed that new corporations will be set up to help deliver the proposed new towns.[48]

Yet the provisions which would close the gap Letwin identified have still not been brought into force. The Levelling-up & Regeneration Act 2023 created locally-led urban development corporations, overseen by the councils themselves rather than by the Secretary of State, and the Government committed at the time to establishing all locally-led corporations through the simpler procedure already used for mayoral development corporations.[49] Nearly three years on, these provisions are still not in force. As with the other uncommenced reforms set out in this report, the Government should bring them into force without further delay.

Mayors have made the greatest use of the model, with ten mayoral development corporations now set up in England, and the English Devolution & Community Empowerment Act 2026 extending the power to create them to every regional mayor. However, once a mayor has designated a development corporation, it must still be formally approved by the Secretary of State through secondary legislation.[50] As Stockport has shown, even extending an existing corporation has required the approval of Parliament and goes so far as to require the abolition of the old corporation to facilitate the establishment of a new extended one.

46 Letwin.
47 Planning and Infrastructure Act 2025, s 100; Levelling-up and Regeneration Act 2023, ss 174-179, in force from 14 April 2026.
48 Ministry of Housing, Communities and Local Government, Greater Cambridge gets regeneration body to accelerate growth (June 2026); Ministry of Housing, Communities and Local Government, Seven new towns proposed to kickstart housebuilding push (March 2026).
49 Levelling-up and Regeneration Act 2023, ss 171-173, of which only s 171(7) has been brought into force; Department for Levelling Up, Housing and Communities, Development corporation reform: technical consultation response (August 2022).
50 Institute for Government, Mayoral development corporations (June 2026).



Stockport Mayoral Development Corporation

Stockport Mayoral Development Corporation was established in 2019 by Andy Burnham, then Mayor of Greater Manchester. It has since helped to deliver the Stockport Interchange, the conversion of the historic Weir Mill into new homes and the Stockport Exchange business district. In February 2026, Parliament approved an extension of the corporation's boundary from 130 acres to 410 acres, so that it now covers the entire town centre, with 8,000 new homes planned by 2040.[51]

The Government's forthcoming devolution white paper should therefore remove this requirement. A mayor should be able to designate, extend or wind up a development corporation by a decision of the strategic authority, following the consultation with councils and MPs which the 2026 Act already requires, with the Secretary of State retaining a power to intervene. This would sit alongside the combined devolved powers over transport, jobs and housing which we propose for mayors.

Development corporations are vital to the effectiveness of other measures proposed in this report. For example, a Green Belt review which releases land on a large scale would benefit from a development corporation that allows it to be planned as a whole rather than on a site by site basis. Where land has to be acquired compulsorily, it could be bought at a capped multiple of existing use value, so that more of the uplift created by development is available for infrastructure and affordable homes. Indeed, the serviced plots Letwin described would give smaller builders a route into the largest sites.

Nonetheless, development corporations are not without risk and should be required to publish their business plans and the terms of any joint ventures, whilst remaining subject to adequate scrutiny. With these safeguards in place, development corporations should become the default vehicle for delivering new towns and the largest development sites.

51 Stockport Council, Parliament approves Stockport MDC expansion, unlocking next phase of regeneration (February 2026).

Getting the local politics right: infrastructure and design

Infrastructure

Recommendations

Demonstrate a more explicit and publicly advertised link between housing delivery and infrastructure investment, so that communities can see how their areas will benefit from new homes. Homes England should deploy the National Housing Delivery Fund quickly, clarify its remit, and administer infrastructure funding alongside the housing programme rather than within it. Give mayors greater powers over transport, jobs and housing through fiscal devolution.

One of the main barriers to delivering the homes we need is local politics. The people who would gain from new homes may not yet live in the area, whereas those who will be inconvenienced - either in the short term through noise and disruption or in the long term through more pressure on infrastructure - are on the electoral roll. In the short term, building new homes is therefore a political loser - even if councillors want to do the right thing, the politics are often stacked against them. The task is to give those councillors who want to do the right thing some visible gains to point to, and infrastructure is the most powerful of them.

Transport infrastructure can play a big role in increasing housebuilding and not only through making the politics easier. It can improve access to land which makes it suitable for development as well as persuading existing residents that their area is benefiting from more development. The second of these is at least as important as the first, and it is consistently underweighted in housing policy.

The Housing Infrastructure Fund, launched in 2017 with an initial £2.3 billion and later increased to approximately £4.2 billion, was intended to unlock the delivery of up to 650,000 new homes by funding the up-front infrastructure that developers might otherwise find unviable. By early 2024, more than two thirds of the fund remained unspent. In February 2024 the Government withdrew £538.8 million from sixteen projects deemed undeliverable, and the delivery target was lowered from 340,000 homes to 270,000. The fund closed to new projects in 2024.[52]

Its successor, the National Housing Delivery Fund, provides £5 billion in capital grant funding for infrastructure and land from 2026 to 2030. It is managed by Homes England, which has the autonomy to make rapid investment decisions through a continuous market engagement approach rather than fixed bidding windows, and it works alongside up to £16 billion of investment from the

52 National Audit Office, Housing Infrastructure Fund (NAO 2024).

National Housing Bank.[53] The design of the new fund is an improvement on its predecessor. The question is one of execution, since what went wrong with the Housing Infrastructure Fund was its administration rather than its underlying concept.

The Government should therefore make the link between housing delivery and infrastructure investment more explicit and public, so that residents can see what their area gains by accepting development. Local politics is skewed against development, and aligning infrastructure funding with housing allocations would at least provide some political wins. Homes England must have the resource, in both quality and quantity, to deploy the National Housing Delivery Fund quickly, and its role requires clarification after numerous changes of leadership and of purpose. And the administration of infrastructure funding should sit alongside the housing agenda rather than within it, dovetailed with a common goal, so that transport schemes are assessed on whether they can actually be delivered.

There is also an opportunity here for greater devolution. Mayors of strategic authorities are the natural holders of a combined power over transport, job creation and housing, and the case for fiscal devolution to support it is strong. A mayor who can offer a genuine transport improvement in exchange for housing growth has a bargain to strike that no local planning authority can strike alone.

Design, Character and Local Support

Recommendations

Design codes should be prepared in collaboration with local residents at the plan-making stage, so that the character of new development is settled before an application is made and thus reduces the likelihood of being contested afterwards. Community engagement on design codes should be required for strategic sites and for areas allocated for higher density. Where a scheme complies with an adopted code, design should cease to be a ground for refusal.

Alongside the pressure that new homes place on local infrastructure, the other principal reason communities object to development is the nature and character of the development itself. Housing which appears out of keeping with its surroundings, or which is thought to diminish the character of an area, gives local residents an easy way to object to new homes.

The international evidence that the appearance of new housing drives opposition has strengthened considerably. A study in the United States, published in January 2026, tested the design of a proposed

53 HM Treasury, Spending Review 2025 (CP 1336, 2025); Homes England, National Housing Delivery Fund investment prospectus (2026).

building against the other reasons people give for objecting. Varying its design quality changed support by more than any other factor examined, including the identity of the future residents and the use of the additional tax revenue. Of the fourteen objections tested, distaste for the appearance of new flats was the strongest single predictor of opposition, ahead of traffic, rents and crime.[54]

The position in this country appears similar. Indeed, in February 2026 the London Assembly's Planning & Regeneration Committee wrote to the Mayor about the gap between the buildings Londoners say they want and those being delivered, citing surveys in which between 70 and 80% favoured buildings at a human scale in keeping with local character.[55] Nor is the industry well placed to argue that the concern is without foundation. An audit of 142 large developments built in England since 2007 found three quarters of them mediocre or poor.[56]

In light of this, the previous Government attempted to improve the character of new developments. Following the Building Better, Building Beautiful Commission's report in 2020[57] and the National Model Design Code in 2021,[58] then Secretary of State for Levelling Up, Housing & Communities, Michael Gove established the Office for Place in July 2023 to help councils adopt design codes.[59] That December he revised the Framework so that its design chapter became "Achieving well-designed and beautiful places", telling Parliament that building beautifully had been central to the Government's planning reforms.[60] Very little of this survived the change of government. The Office for Place was closed in November 2024, with the references to beauty subsequently removed from the Framework the following month on the basis that the word meant different things to different people.[61]

These questions should be settled earlier, prior to planning permission being granted, and in collaboration with the people who live in the area. For example, in Lichfield, a code developed with residents over two years produced a settled preference for mid-rise development in the deep red brick of the city's historic centre.

A code adopted before applications come forward therefore sets out clearly what a community considers appropriate for its own area, giving developers the opportunity to present a more considerate proposal that will bring the community with them.

Such community engagement must be properly resourced and representative, since a consultation which depends solely on those who choose to attend planning meetings records the views of those most motivated to object. Two safeguards are also needed. Compliance with an adopted code should be determinative, so as to provide certainty to residents that the grounds on which they agree to any housebuilding will be respected. It is also vital that any such code sets out positive criteria for proposals that would be accepted by the local community as means to enhance their areas, rather

54 David E Broockman, Christopher S Elmendorf and Joshua L Kalla, How Sociotropic Aesthetic Judgments Drive Opposition to Dense Housing Development (12 January 2026).
55 London Assembly Planning and Regeneration Committee, Better design for London: letter to the Mayor of London (27 February 2026).
56 Place Alliance and CPRE, A Housing Design Audit for England (University College London 2020).
57 Building Better, Building Beautiful Commission, Living with Beauty (January 2020).
58 Ministry of Housing, Communities and Local Government, National Model Design Code (20 July 2021).
59 Department for Levelling Up, Housing and Communities, Office for Place (July 2023).
60 Department for Levelling Up, Housing and Communities, National Planning Policy Framework (December 2023); Michael Gove MP, The Next Stage in Our Long Term Plan for Housing (Written Ministerial Statement, HCWS161, 19 December 2023).
61 Ministry of Housing, Communities and Local Government, National Planning Policy Framework (December 2024); Francesca Specter, 'Who should decide what makes a building beautiful?', Financial Times (10 October 2025).

than simply allowing character to become another reason for refusing the density the plan has already allocated.[62]

Release of public land and use of Compulsory Purchase

Recommendations

Release surplus public land at nominal existing use value for homes sold to first-time buyers at around 70 per cent of market value, with the Government retaining an equity share, and for grant-funded social rent, with the market housing on the remainder funding the infrastructure. Undertake a comprehensive audit of public land holdings to identify areas suitable for residential development. Use compulsory purchase at a capped multiple of existing use value, on the Letwin model, to assemble privately owned land for urban extensions and new towns, acknowledging that this still needs to provide an incentive for landowners to bring land through the development system.

First-time buyers make up approximately 33% of all transactions in the UK. The average age of a first-time buyer is now 34, and the average deposit required is some £60,000, making it unaffordable for middle-income earners and key workers to access the housing ladder and trapping them in private rent. As the volume of first-time buyers has decreased, so has home ownership, dropping from a peak of 71% in 2003 to 65% now. For young people the drop is more dramatic, from 59% of those aged 25 to 34 in 2003-04 to 41% in 2019-20.[63] Current government stimulus for home ownership operates through Lifetime ISAs, or through shared ownership delivered via section 106 or the affordable homes programme, where starts have fallen very sharply.

Meanwhile the Government, through Homes England and the Ministry of Defence, has access to deliverable residential land for over 100,000 new homes in the next five years, and including local authority, Greater London Authority and other departmental holdings that figure would be expected to double.[64] The current strategy is for each department to bring its land forward looking for best consideration, generally meaning maximum price, and to sell it to the private sector to deliver homes as the market need is met.

This land should instead be used to create a new home ownership product that allows access to first-time buyers at approximately 70% of market sale in perpetuity, or until the Government wants

62 Ministry of Housing, Communities and Local Government, National Planning Policy Framework (August 2026).
63 Ministry of Housing, Communities and Local Government, English Housing Survey 2023-24: headline findings on demographics and household resilience (2024); House of Lords Built Environment Committee, Meeting housing demand (2022).
64 Ministry of Defence, Defence Housing Strategy: A £9bn 'generational renewal' for forces family housing and 100,000 new homes on MOD land to drive growth (November 2025).



to release its equity share. On a site capable of 1,000 homes the model would work as follows: around 30% of the land would be sold for a nominal sum to a private developer, registered provider or institution to build subsidised first-time buyer homes, sold to people with restrictions on age and income; a further 20% would be sold for a nominal sum to develop grant-funded social rent, with no intermediate housing required; the remaining land would be sold for maximum consideration for private housing, where the consideration is used to provide the infrastructure for the site, including the subsidy for the affordable elements.

The retained equity is the important feature, and it is what distinguishes this from the Right to Buy. 30% of the equity would be owned by the Government, and if in the future the homes were sold after thirty years, they could become fully marketable with a Treasury take. This is unlike the Right to Buy programme, where the value was given away. The model can be extended. The Government can identify significant development opportunities linked to delivering homes at scale using existing land holdings, including the Crown Estate, in support of new towns and urban extensions. This land is currently valued at existing or agricultural use value, with significant uplift to come once planning permission is granted. At present the identification and the holdings are fragmented in ownership and in many cases simply unknown, and a comprehensive audit is a necessary first step that has never properly been undertaken.

Where the public sector does not own the land, the Government could intervene and buy land identified for urban extensions or for an ambitious greenfield new towns programme by using compulsory purchase powers ahead of allocation. Acquisition should be at a capped multiple of existing use value, on the Letwin model set out earlier, which leaves the owner with a substantial gain while leaving enough value in the scheme to fund the infrastructure, the discounted homes and the social rent. This is how the model funds itself.

There is one further consequence. If this route were established at scale, the shared ownership programme could be discontinued as a product, focusing the Affordable Housing Programme on affordable and social rent. Shared ownership currently accounts for a substantial share of affordable housing programme volume and cost, and it is not obviously the best use of subsidy relative to a product that delivers outright ownership with a retained public stake.

Measures to Encourage SME Developers

Recommendations

Introduce a biodiversity net gain holiday, or reduced fixed cost, for sites of fewer than 100 units. Front-load the Affordable Homes Programme, and resource the National Housing Bank to offer competitive finance to smaller builders.

Small and medium-sized builders once delivered a large share of the country's homes. Their sites tend to come forward more quickly than the large strategic sites on which delivery depends most heavily, and a greater number of outlets building at once is, as Letwin found, among the surest ways to raise the rate at which homes are absorbed and built. Two constraints bear particularly heavily on smaller builders - the fixed costs of regulation, which fall hardest on the smallest schemes, and access to finance.

The first, relating to costs of regulation, is that biodiversity net gain should be a known and fixed sum, as recommended above, and should carry a holiday, or a reduced fixed cost, for sites of fewer than 100 units. A charge that a large scheme can absorb can make a small one unviable, and relief of this kind would do as much as any single measure to bring small sites, and the smaller builders who bring them forward, back into the market.

Finance is the second constraint, with two principal considerations. The Affordable Homes Programme funding is currently back-loaded, with the larger sums arriving late in the ten-year period; it needs to be brought forward, to improve build-out rates in the short term. And it is critical that the National Housing Bank is properly resourced and structured to remove bureaucracy and offer access to competitive finance, on which smaller builders depend most. If it becomes another slow-moving institution requiring lengthy application processes, it will not act as the catalyst for development that is intended.



Rightsizing

Recommendations

Implement the Law Commission's 2017 recommendations on event fees. Ensure leasehold reform accommodates housing with care, remove the residence nil-rate band and raise the general nil-rate band in its place. Consider replacing stamp duty with a proportionate property tax, or a conditional downsizing relief. Require local plans to assess and provide for older people's housing, fund independent advice for those considering a move, and examine deferred-payment models with the sector.



At the 2021 Census, over 3.8 million households in England and Wales headed by someone aged 65 or over had two or more spare bedrooms. That is 53% of all over-65 households, rising to 64% of those who own outright.[65] Under-occupation among owner occupiers in England has risen steadily for fifteen years and continues to rise.

65 Savills, The Downsizing and Rightsizing Challenge (2026).

Under Occupation Among Owner Occupiers (England)

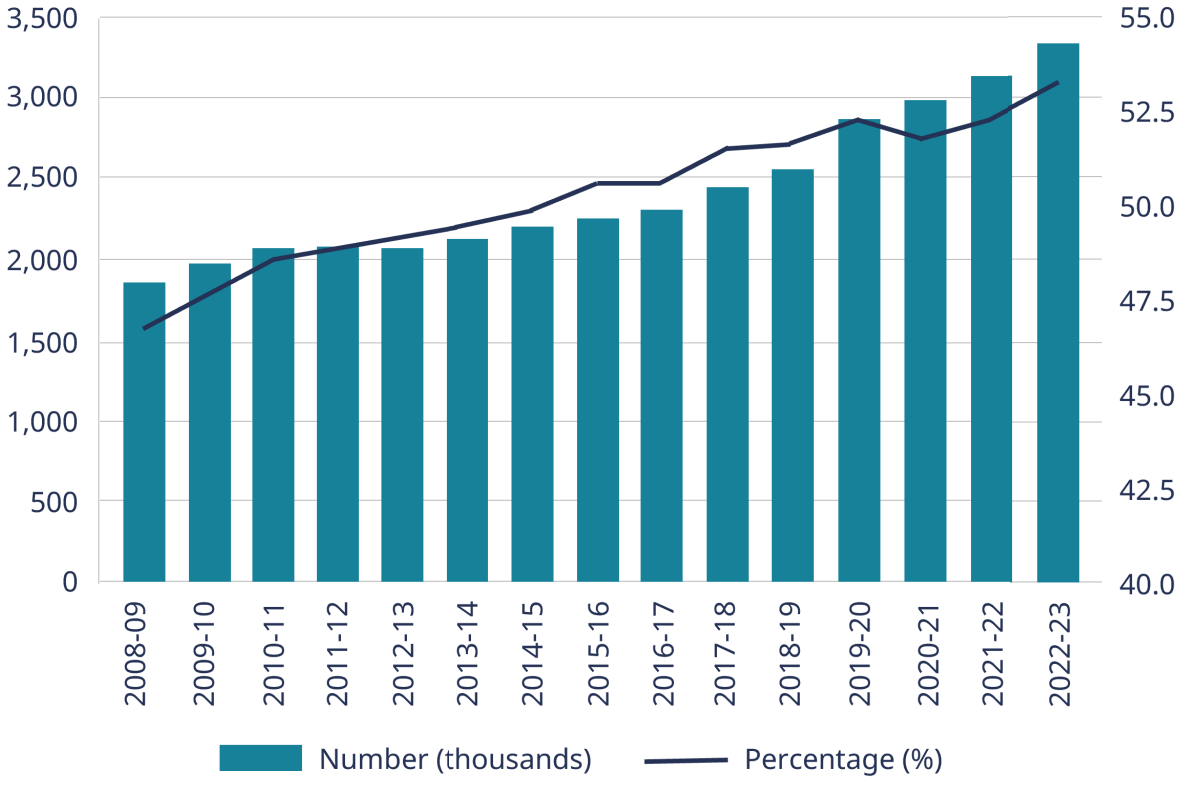


Figure 1: Under-occupation among owner-occupiers in England has risen steadily for more than a decade. Reproduced from Savills, *The Downsizing and Rightsizing Challenge* (analysis of the English Housing Survey)

Set against this, rates of moving among older households are very low. Some 3.7% of those aged 50 to 54 bought a home in the past twelve months, and by 75 and over the figure is 1.4%.[66] Age UK finds that around half of people in this age bracket are open to moving in later life.[67] The gap between what people say they would consider and what they actually do is huge, and it points to barriers rather than preferences being the problem.



66 Savills analysis of HM Revenue and Customs data, 2024-25.
67 Age UK, cited in Savills, The Downsizing and Rightsizing Challenge (Savills 2026).

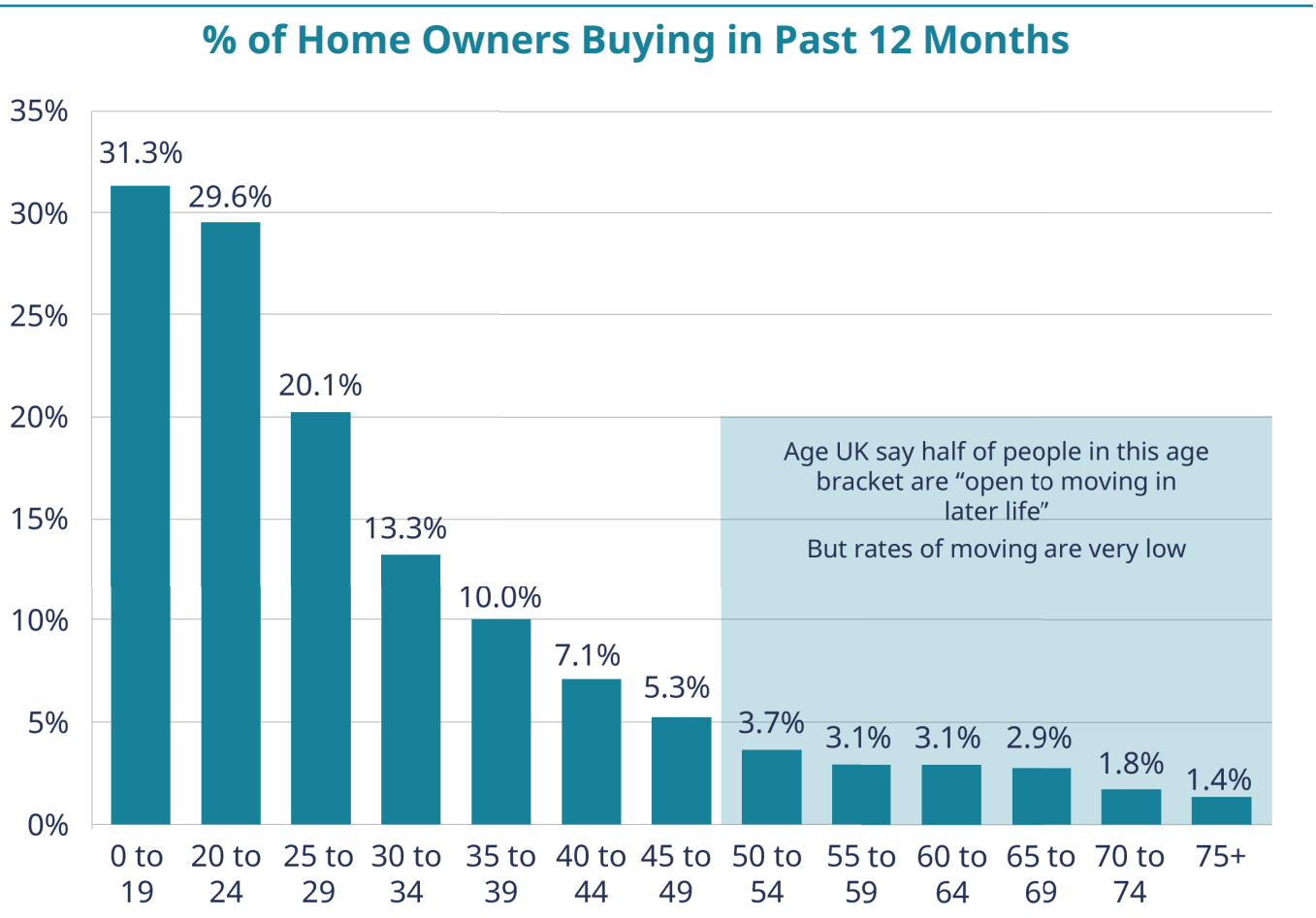


Figure 2: The proportion of home owners buying in the past twelve months falls sharply with age. Reproduced from Savills, *The Downsizing and Rightsizing Challenge* (analysis of HM Revenue and Customs data).

Clearly, people who have lived in a family home for decades have good reasons for staying, including memories, space for children and grandchildren to visit, and a strong sense that giving it up is a form of surrender. It is not the business of government to tell people when to leave their home. The argument here is about making it easier and more attractive for those who want to move.

The benefits of doing so are substantial. They include more efficient use of the housing stock we do have, which reduces unmet housing need without building anything; a more liquid housing market, supporting greater labour mobility among younger households; improved quality of life in later life, resulting in less pressure on health and social care services; the release of a very large amount of untapped equity presently tied up in older persons' housing, which could help fund retirement or be recycled in the housing market to help first-time buyers; and additional new housing delivery bringing greater diversity, with the potential to improve sale rates and viability, which is the effect Letwin identified.[68]

68 Letwin.

Why people do not move

The barriers to downsizing are a combination of practical, financial and emotional considerations. The strong emotional attachment to the family home is one of the key ones, and as a result many leave it to the last minute before they absolutely have to move, at which point the move is a response to a crisis rather than a plan. Moving house is a complex business that is difficult to navigate in later years. Many talk about a lack of suitable alternative options when considering a move. The estimated need is for 30,000 to 50,000 later living homes a year, compared with current provision of around 7,000.[69] The tax system does not encourage downsizing, most notably through stamp duty charges and the structure of inheritance tax reliefs. And the planning system is not well set up to address the need for retirement housing.

There is also a problem of confidence amongst the elderly population to move. This is not helped by the financial losses incurred on the resale of some later living developments. Because every buyer enters at a similar age, the community ages together and becomes progressively less attractive to the incoming seventy-year-old, and depreciation follows – a ten-year-old flat with an identical floor plan to a new one in the same development may be worth around two thirds of the price being asked for the new one. Any policy in this area has to reckon with the number of families who have lost significant sums in exactly this way.

The wider point is that this is anything but one size fits all. Older people's housing runs from general housing stock built to be adaptable and accessible, through age-restricted and downsizer housing, retirement living and sheltered housing, and housing with care or assisted living, to residential and nursing care. There is currently no identifiable assessment of national and regional older persons' housing need by reference to the level of care required or to household affluence. Until there is, the planning system cannot sensibly provide for it.

International Comparisons

The United Kingdom is a significant international outlier. Approximately 0.6% of over-65s here have the opportunity to live in an integrated retirement community, against at least 5 to 6% in New Zealand, Australia and the United States.[70]

The success of other international models can be seen to turn on how the product is paid for. In Australia and New Zealand, the resident typically pays a deferred premium: they occupy the home at or near market value, and the operator takes an agreed percentage of the value when the resident leaves or dies. Because the premium is charged at the end rather than the beginning, the resident does not have to fund a new-build premium out of the proceeds of the family home, and the product is therefore affordable to a far wider group. New Zealand has operated this model under the Retirement Villages Act 2003, with occupation right agreements, statutory supervisors, a registration and disclosure regime and substantial protections for residents on operator insolvency.[71]

69 Savills, The Downsizing and Rightsizing Challenge.
70 Associated Retirement Community Operators, Key Sector Facts (ARCO 2025).
71 Retirement Villages Act 2003 (NZ).

The framework is continually being strengthened, with reforms agreed in December 2025 requiring operators to repay net termination proceeds within twelve months with interest after six, and stopping weekly fees and deferred management fee accrual when a resident vacates.[72]

Australia supplements this with two fiscal measures. A downsizer superannuation contribution allows those aged 55 and over to contribute up to A$300,000 each, or A$600,000 for a couple, from the proceeds of selling a home owned for ten years or more, outside the normal contribution caps and without any work test.[73] The Age Pension assets test also exempts proceeds intended for a new principal home for up to 24 months, extendable to 36, with the money deemed at a lower rate, a change made explicitly so that the pension system would stop penalising people who move.[74]

One feature of the Australian scheme should not be copied. The downsizer contribution does not actually require anybody to downsize: a person can buy a larger home, rent, or move in with family and still claim it. It is a superannuation measure wearing a housing label, and any British equivalent must be conditional on an identifiable trade down.

The obstacle in English law

The deferred payment model is not unlawful in England and Wales. The difficulty is that the legal status of the fee is uncertain, which makes the model effectively uninvestable. Following an Office of Fair Trading investigation in 2013 which found that transfer or event fees charged in retirement property leases might be unfair, the then Department for Communities & Local Government asked the Law Commission to investigate and to make recommendations for change. The Commission reported in March 2017 and expressly declined to recommend that event fees be abolished, on the ground that they can make specialist housing affordable to consumers by deferring part of the purchase price. It recommended instead that event fees be regulated through a new code of practice approved by the Secretary of State, supported by an amendment to the Consumer Rights Act 2015 so that it could be enforced by consumers, with the effect that in most cases a fee charged in breach of the code would not be payable.[75] The Commission recorded that stakeholders expected these reforms to unlock some £3.2 billion of private investment over the following decade and to expand the supply of specialist retirement housing significantly.[76]

The previous Government issued an interim response in November 2017 and a final response in March 2019 agreeing to implement the majority of the recommendations. The Older People's Housing Taskforce recommended their implementation again in November 2024.[77]

As at the Lord Chancellor's most recent report to Parliament on the implementation of Law Commission recommendations, the position is that the Government is giving the matter careful consideration.[78]

72 New Zealand Ministry of Housing and Urban Development, Review of the Retirement Villages Act 2003: legislative reform proposals (2025).
73 Australian Taxation Office, Downsizer super contributions (2026).
74 Social Security Act 1991; Services Australia, Real estate assets (2026).
75 Law Commission, Event Fees in Retirement Properties (2017).
76 ibid.
77 Older People's Housing Taskforce, Our Future Homes: Housing that promotes wellbeing and community for an ageing population (MHCLG and Department of Health and Social Care, November 2024).
78 Ministry of Justice, Report on the implementation of Law Commission recommendations (2026).

That is nine years after the report was published and seven after the Government agreed to act on it. This is the single most important measure available for older people's housing in this country. It requires no new policy and it has now been outstanding for the better part of a decade.

Recommendations for Government

The Government should implement the Law Commission's 2017 recommendations on event fees without further delay. This is the enabling reform, and the other measures in this chapter will not operate at scale until it is in place.

It should also ensure that leasehold reform accommodates housing with care. The deferred payment model depends on leasehold. If the sale of new leasehold flats is banned without provision for housing with care, this sector cannot grow at all because integrated retirement communities require long-term managerial control which is incompatible with commonhold as currently framed. The Government should engage with operators on a bespoke, tightly regulated model with enhanced consumer protections as a step towards the contractual tenure models used internationally.

The tax treatment of moving also needs reform. The residence nil-rate band for inheritance tax, introduced to spare the family home, has become an active disincentive to sell it, giving a household that would otherwise move a direct fiscal reason to stay. It should be removed and the general nil-rate band increased in its place, which would be a better policy on its own terms as well as removing the distortion. Second, as we argue below the Government should consider replacing Stamp Duty with a proportionate property tax, which would remove the obstacle to moving at every stage of life rather than only in later years. If the Government is not prepared to go that far, a targeted relief for identifiable trading down is worth having, but it must be genuinely conditional, linked to a measurable reduction in property size and to a defined age range, rather than a general exemption for older buyers that would simply subsidise moves that would have happened anyway.

Local plans should be required to assess the need for older people's housing by reference to standardised definitions and to make adequate provision for it, alongside a programme of training and guidance for planning officers. The Government should also consider exemptions from the Community Infrastructure Levy for housing with care, recognising the social value of provision and the pressure it takes off health and social care budgets. The Government should fund independent advice. The decision to move in later life is complex, the financial implications are hard to assess, and the family conversation is a difficult one. At present the main source of guidance is very often a salesperson employed by the operator. Funding to assist with the cost of obtaining independent advice, perhaps through accredited private or charitable sector partnerships, would give those considering a move somewhere impartial to turn.

Finally, the Government should examine with the sector what specific changes to law and regulation would be needed to allow Australian and New Zealand style deferred payment arrangements to operate here at scale, and whether there is a case for a British equivalent of the Australian pension assets test exemption for released equity.

Replacing Stamp Duty

Recommendations

Give serious consideration to replacing stamp duty with an annual national property tax which, to avoid people paying twice, would apply only to people who buy in future.

If not, consider also a 0.5% stamp duty applying to all property transactions, and a new top rate of 20% for properties over £1.5 million, both to fund a reduction in the troublesome 5% band that stretches from £250,001 to £925,000.

Stamp duty is, as former Institute for Fiscal Studies head Paul Johnson has remarked, the worst tax in Britain.[79] By deterring mobility, it prevents people from moving for a new job, to be near family, and so on. It makes both individuals and the nation worse off financially and in many other ways.

As an example, imagine an experienced English teacher living with their partner in a two-bedroom flat, in close proximity to their school in Acton, west London. They will earn about £50,000 a year. They see a job for a head of department in a school in Tooting, South London. It comes with a £12,500 pay rise. Their partner works in central London and can commute from either location.

It is too far to commute, and stamp duty means it is not worth moving. Selling one £600,000 flat and buying another triggers a £20,000 stamp duty liability, payable immediately. Since £12,500 gross is only £5,400 a year after pension contributions, student loan repayments, income tax and national insurance, it will take almost four years' pay rise just to cover the stamp duty. Of course there will be estate agents' fees, moving fees and so on as well – it simply isn't worth it.

Any country in which people should ignore a 25% pay rise is heading for ruin.

Above all, we need more homes, so that homes are more affordable. If flats in Acton and Tooting were £300,000, the stamp duty would be paid off in under a year.

In the short run, we need to reform stamp duty.

If government is unwilling to cut spending to pay for this tax cut it could replace stamp duty with an annual national property tax. To avoid people paying twice, this would apply only to people who buy in future.

79 Paul Johnson, former Director of the Institute for Fiscal Studies, speaking on the National Residential Landlords Association podcast Listen Up Landlords (October 2025).

Tim Leunig, writing for the Onward think tank, suggested that an annual rate of 0.54% on values over £500,000 with a 0.278% supplement on values over £1m would be revenue neutral in the medium term.[80] The Centre for British Progress argued for 0.2% per annum for properties sold for between £125k and £250k, rising progressively up to 1.1% for properties sold for over £5m.[81] Again, there are short term losses, which CBP ameliorated by having future sales being partly liable for stamp duty, and partly for the new tax. These are both good proposals, and warrant serious consideration.

If the Government is unwilling to replace stamp duty, there are two ways in which it could be reformed to make it less damaging. The first is to acknowledge that while a £20,000 tax on selling and buying a £600,000 flat is going to deter people from moving, a smaller tax would not. Thus, for example, it would be logically coherent to suggest that a 0.5% stamp duty would have dramatically lower distortive effects. If that argument is accepted, it is then coherent to argue that this level of stamp duty should apply to all property transactions. The purchaser of, say, a £100,000 flat or house in Liverpool – currently exempt from stamp duty, would now be liable to pay £500 in tax.[82] The revenue raised would then be used to reduce the scope of the troublesome 5% band that stretches from £250,001 to £925,000. These are ordinary houses in many parts of the country. Reducing the rate to 2%, as per houses costing £125,001 to £250,000 would be helpful.



The other option would be to decide that the rate for properties over £1.5 million – 12% – is so distortive that we might as well go for 20%.[83] Once we reach a level that effectively deters all sales and purchases except in the case of death or divorce, an even higher rate will not be further distortive. Again, the extra revenue could be used to reduce the rates in the middle, for relatively ordinary properties. It would be possible to combine the second and third options, to have a new lower stamp duty, and a new higher top rate, both to fund cuts in the middle.

Finally, the government should get rid of the first-time buyer exemption. It is meaningless in many parts of the country, and in others it distorts the market. You are a fool these days if you buy a small flat in the south and trade up, because you don't maximise the value of the first-time buyer discount. Better to wait until you can afford a larger property – exactly the opposite of the behaviour that should be encouraged. Again, this would raise revenue that can be used to reduce other rates.

80 Tim Leunig, A Fairer Property Tax: a practical alternative to replace stamp duty and council tax (Onward 2024).
81 Centre for British Progress, Duty Free Homes: reforming property tax for growth and revenue (CBP 2025).
82 Rightmove listings for a flat at rightmove.co.uk/properties/89618061 and a house at rightmove.co.uk/properties/91305639, both in Liverpool, consulted September 2026. The average price of a home in Liverpool was £185,000 in June 2026: Office for National Statistics and HM Land Registry, UK House Price Index (ONS 2026).
83 HMRC, Stamp Duty Land Tax: residential property rates.

A Bigger and Better Private Rented Sector

Recommendations

Standardise Build to Rent section 106 agreements on a national template, reinstate Multiple Dwellings Relief and return the Additional Homes Surcharge to 3% on Build to Rent developments, extend empty-rates relief and the Structures & Buildings Allowance, and licence per building rather than per home. Rule out rent controls in terms binding enough to restore investor confidence, through a statutory exclusion and a ten-year agreement on rent indexation, and amend the Renters' Rights Act.

The private rented sector plays a critical role in the functioning of the housing market and wider economy. It provides housing for approximately one in five households, around 5 million homes, and supports labour mobility and demographic change.[84] While the sector expanded rapidly from the early 2000s to the late 2010s, growth has since stabilised and supply is now under pressure. At the same time, the Build to Rent sub-sector has grown quickly, by over 170% in the past five years, but remains a small proportion of the overall market at just 2%.[85] A failure to maintain and expand a healthy private rented sector risks worsening affordability, constraining economic mobility and increasing pressure on public housing.

Expanding the number of Build to Rent homes has several advantages. First, it offers the most scalable route to increasing supply, because small landlords usually own older buildings which would otherwise be in the market for sale. Second, this new supply would improve the quality of homes available to rent. Third, institutional landlords bring patient capital to the sector, and usually provide longer lease terms, improving choice for tenants. Developers and investors in the sector cite three main problems: planning and regulation have become a barrier to development; too many sites have become unviable; and wider policy is undermining investor confidence.

Removing uncertainty over planning

Agreements for section 106 payments have become a significant problem for developers, with many agreements taking 18 months to two years to settle. All section 106 agreements for the Build to Rent sector should instead be based on a nationally set template, removing the need for each agreement to be negotiated separately. A standard national agreement would be quicker, would provide clarity and would substantially reduce the legal costs.

84 Ministry of Housing, Communities and Local Government, English Housing Survey 2024-25: headline findings (MHCLG 2025).
85 British Property Federation, Build to Rent Quarterly Data: Q4 2025 (BPF 2026).

Improving viability in the sector

The Government should reinstate Multiple Dwellings Relief from stamp duty land tax, which existed until 2024, and return the Additional Homes Surcharge to 3% on Build to Rent developments.[86] Assuming a block of one hundred flats costs £20 million to build, an investor or corporate landlord would pay stamp duty of anywhere between £989,000 and £3 million depending on whether it is treated as a residential or commercial transaction. The relief disproportionately supported viability in lower-value areas, including brownfield land and regeneration sites, and was regarded as a key catalyst for the sector outside London.

It should extend the application of empty business rates relief to twelve months for all Build to Rent schemes where national non-domestic rates are currently liable. A large multi-let development of scale can take one to two years to fully lease. Some schemes can get three months' relief, but the rules are unclear and add to the deterrence to build.

It should streamline licensing for Build to Rent developments. At present, each home has to be licensed, typically costing between £800 and £1,800 per unit, so between £240,000 and £540,000 for a block of 300 units. Such schemes should have one licence per building, with a senior director named as the responsible person. Licensing should be proportionate and not seek to generate maximum revenue.

And it should extend the Structures & Buildings Allowance to the whole building. At present only the non-residential elements of a Build to Rent scheme can be included. To encourage investors, this should be extended at 3% per annum on a straight line basis, offered for a set period of five to seven years at most – long enough to be practical, but short enough to encourage schemes with permission to begin.

Restoring investor confidence

Confidence in the sector will mostly be affected by the Government's overall fiscal credibility and its consistency in policy and messaging. Build to Rent depends on institutional capital which is genuinely mobile, held largely by pension funds and insurers investing to match long-term liabilities. What this capital needs is predictability over the life of the investment rather than a high rate of return, and where political risk cannot be quantified it is deployed elsewhere. Build to Rent should therefore be established as a core housing tenure - across housing, planning and fiscal policies, expressly including within plans for new settlements - alongside housing for sale and social housing.

The Government should also address concerns about rent controls. This is a classic populist policy: on the face of it, it is an attractive solution because it appears to make rents more affordable. Yet, there is now clear evidence that it does not do so, and Scotland provides a recent example.

86 Finance Act 2024.

The Scottish experience

In September 2022 the Scottish Government introduced emergency legislation freezing rents within tenancies, followed from April 2023 by a 3% cap.[87] The measures were presented as a temporary cost-of-living intervention.

The effect on new supply was immediate. Around £700 million of Build to Rent investment was paused or withdrawn, and some £2.5 billion of the Scottish pipeline was assessed as at risk. Of a pipeline of nearly 17,000 Build to Rent homes, only around 11% had been completed and let. In a survey of fourteen institutional investors holding some £15 billion of assets, not one rated Scotland as attractive for residential investment; four rated it as un-investable under the conditions then prevailing, including three who already held Scottish assets.[88]

The effect on rents was the opposite of that intended. Because the controls applied within tenancies but not between them, landlords repriced at the point of new lets. Advertised rents across Scotland rose by around 12% in the year to the fourth quarter of 2022, including 14% in Glasgow and 15% in Edinburgh, against a ten-year compound annual growth rate for those cities of 5 to 6%.[89]

The emergency measures have since been replaced by a permanent framework under the Housing (Scotland) Act 2025, in force from April 2026, permitting designated rent control areas in which increases are limited to CPI plus one percentage point to a maximum of 6%. Build to Rent and mid-market rent homes have been expressly exempted by regulation.[90] The Scottish Government's own business and regulatory impact assessment for those exemption regulations acknowledges that the intention to introduce rent control has affected Scotland's attractiveness as a place to invest in new homes for private rent.[91]

It might be argued in response that Scotland has retained rent control while exempting Build to Rent, and that this shows controls can be made to work with appropriate carve-outs. This does not follow. An exemption granted by regulation can be withdrawn by regulation, and an investor committing capital for a fifteen-year hold has no way of pricing that possibility (likewise Angela Rayner's reassurance that the Burnham Government will not introduce rent controls). The exemption accepts the economic case against controls while leaving the political risk in place.

The international evidence is consistent with the evidence from Scotland. Berlin's Mietendeckel, struck down as unconstitutional in 2021, was associated with a fall of around 50% in rental supply in the first half of 2020, while new-build properties exempt from the measure saw prices rise by 7.5% and availability increase by 18%.[92]

87 Cost of Living (Tenant Protection) (Scotland) Act 2022.
88 Rettie & Co, Assessment of the Rent Freeze (British Property Federation 2023) 14, 22 and 25.
89 ibid 9.
90 Housing (Scotland) Act 2025, pt 1; The Private Housing (Rent Control) (Exempt Property) (Scotland) Regulations 2026, SSI 2026/158.
91 Scottish Government, Business and Regulatory Impact Assessment: The Private Housing (Rent Control) (Exempt Property) (Scotland) Regulations 2026 (Scottish Government 2026).
92 Pekka Sagner and Michael Voigtländer, The supply side effect of the Berlin rent freeze (Institut der deutschen Wirtschaft 2021); ZIA analysis cited in Rettie & Co.

Closer to home, the 1% annual social rent reduction imposed from 2016[93] was followed by a 7.3% fall in expenditure on major repairs by housing associations, which illustrates how price caps translate directly into reduced investment in existing stock.[94] Finland offers the counter-example – by maintaining a strong pipeline of new supply in the Helsinki region, vacancy rates of 8 to 10% have been sustained, rents have grown at around 1% annually, and real rents have therefore fallen.[95]

The difficulty lies in making a commitment that investors can rely on. Ministers and the sector should therefore draw up a ten-year agreement on rent indexation, expressly permitting index-linked rent increases, and the exclusion of further rent controls should be placed in primary legislation. There is precedent for statutory commitments of this kind in other areas of policy which depend on long-term private investment and where the durability of the commitment is what gives it value.

Refining the Renters' Rights Act

The Renters' Rights Act 2025 should not be abolished, but it should be amended.[96] The rent review period should be extended from one year to two. Where a tenant appeals a rent increase to the First-tier Tribunal and the appeal is unsuccessful, the increase should be backdated to the date it would otherwise have taken effect, removing the present incentive to appeal merely to defer payment. And the tribunal's jurisdiction should be defined with sufficient precision that it determines an open market rent rather than becoming, in substance, a rent-setting body.

There is a difficulty with any indexation formula, which is that a cap tends to become a floor as well as a ceiling, because the market works to the cap. This requires changing the approach, and it is a further reason for the central proposition of this report, which is that the only durable route to lower rents is a larger supply of homes.



93 Welfare Reform and Work Act 2016, ss 23-27.
94 Rettie & Co.
95 British Property Federation, Rent Controls Risk Worsening the Housing Crisis (BPF 2026).
96 Renters' Rights Act 2025, amending ss 13-14 of the Housing Act 1988.

More social housing via a Public Build to Rent

Recommendations

Establish a Public Build to Rent programme in which local authorities and other public landowners develop land in partnership with Build to Rent developers for social rent, funded through an expanded recyclable fund administered by Homes England, with completed and occupied homes sold to institutional investors to return capital to the fund. Support it with a central advisory team, a national training programme and a renewed New Homes Bonus for each home delivered.

It should be recognised at the outset that, however successful we are in making homes for sale and for private rent more affordable, there will always be households who cannot afford them. Meeting this need is a proper object of public policy, also providing a counter-cyclical boost to the construction industry when as now the private market is weak. The question this section addresses is how this housing is best delivered.

Just short of 250,000 new council homes were built in 1953, when the Housing Minister Harold Macmillan permitted local authorities to build as many homes as there were applicants on the waiting list. This was achieved by allowing councils to borrow at cheap rates to build homes whose construction costs would be redeemed through rents that those on the waiting lists could afford to pay, and the programme was aided by legislation from 1947 which allowed councils to buy land at existing use value. It was hugely successful. The last year in which the current target of 300,000 homes per annum was exceeded was 1969, when 307,000 homes were completed with the help of 136,000 council houses. Arguably, we have suffered a housing crisis from the early 1970s, since when the private sector has averaged roughly 130,000 homes per year while the average combined output of local authorities and registered providers has averaged roughly 50,000.[97]

It does not follow that the answer is to recreate the solutions of the 1950s, but it does follow that if we don't increase the numbers of sub-market homes being built we are unlikely to meet the target of building 300,000 a year.

A specific programme should be developed which empowers local authorities, and other public sector landowners, to develop land in partnership with established Build to Rent developers for social or affordable rental homes, funded through a designated recyclable fund administered by Homes England and termed Public Build to Rent. The central suggestion is that local authorities should acquire, or utilise existing, land that is suitable for housing within the provision of their local plan, seek planning consent for housing on this land and then commission the delivery of new social rental

97 Ministry of Housing, Communities and Local Government, Live tables on housing supply: table 244 (MHCLG 2025).

homes. Once built and occupied, these homes would be sold to institutional investors, returning capital to the fund for redeployment. Rents would be set over ten years to create stable private investment platforms.

The model works because it separates the functions each sector performs best. Local authorities have a wide range of powers in this regard, notably planning and compulsory purchase powers, and the ability to borrow money at preferential rates through the Public Works Loan Board. Many benefit from a wide range of property assets, and councils enjoy valuable convening powers – the ability to establish creative partnerships to meet social policy objectives. The private sector builds at the pace and cost at which it builds Build to Rent, which is considerably faster than traditional models. Institutional investors provide patient long-term capital, taking completed and let assets with a known income profile rather than development risk. This is in essence the Vienna model, in which the state pays for the infrastructure and sells the rest within a masterplan, and it has domestic precedent – the trailblazer was the West Midlands, where the then Mayor, Andy Street, concluded exactly such an arrangement with a major institutional investor.

The approach would work well for those authorities who are struggling to meet their five-year housing land supply target via the conventional routes and who are willing to work creatively with the private sector. It is estimated that the public sector property estate is worth around £450 billion. Of this, only a fraction would be appropriate to be put forward for housing development; nevertheless, a good start point would be to build homes on publicly owned land in order to demonstrate the model, although the programme need not be restricted only to publicly owned land.[98] It could also entail refreshing the General Power of Competence, which empowered councils to undertake activity for the benefit of their locality provided that activity is legal and demonstrably in the public interest; identifying land owned by other parts of the public estate suitable for the programme; encouraging, through a call for sites, land owned by third parties whose owners are willing to put it forward for housing; and making opportunist purchases where suitable land comes to market.

Two supporting measures are needed. The first is a central support team sitting between the Ministry of Housing, Communities & Local Government and Homes England, with reach across Whitehall, available on request to advise and support officers on land acquisition, unlocking government land, strategic planning, design codes and development management. The second is a national training programme, funded centrally and carrying continuing professional development accreditation, running two workstreams: a technical course for planning, estates management and regeneration officers, and a course for elected members concentrating more on placemaking and vision. This proposal is careful to suggest only those measures deployable using existing powers and resources. It will need local officers to be empowered and given the confidence to use their powers, with the support of elected members.

Authorities who engage in the programme should be incentivised by a new iteration of the New Homes Bonus for each home delivered.

98 Cabinet Office, State of the Estate (Cabinet Office 2025).

Conclusion

A housing market that is equipped to build the homes this country needs is central to the mission to unlock economic growth and drive prosperity across the United Kingdom. A secure, affordable home within reach of every generation has long stood among the surest signs that the country is working as it should. That is no longer the reality for many – we build too few homes, prices and rents have drifted far beyond what ordinary earnings can support, and a generation that has done everything asked of it now finds ownership, and often even secure renting, slipping steadily out of reach.

Taken together, these proposals would get Britain building again by clearing the obstacles that hold back supply, making more use of existing land and the homes the country already has, and directing help to those who need it most – all whilst being honest about who should bear the cost. Fairness must hold across the generations as much as within them, which is why a housing market that works for those who already own while shutting out those hoping to buy their first home cannot be treated as a settled fact of national life. A country in which each generation can look forward to a home of its own, and to the security and opportunity that follow from it, is one better able to grow, to move, and to prosper.

The country also deserves honesty about the trade-offs. This is the practical centre ground that much of the housing debate has left vacant, and the one Prosper UK will continue to make the case for – a housing market that rewards effort, restores the prospect of ownership to those who have found themselves excluded, and gives every generation a fair stake in the country's success.



Prosper UK would like to thank the members of the Housing Commission for their time, expertise and invaluable contribution to this report. All members served in a personal capacity.

Lord Gavin Barwell

David Gauke

András Kárpáti

Tim Collins

Lucian Cook

Richard Cook

Trevor Ivory

James Knight

Jackie Sadek

Emma Duncan

Lord Tim Leunig

Mark Prisk



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