Executive summary

This is a summary of the key points from the *UK Housing Review 2025*.

Contemporary Issues Chapters

1. The Bank of England and housing: time for a debate
Mark Stephens

The Bank of England's responsibility for monetary policy and for 'macroprudential' regulation have big impacts on the housing market. By examining its different roles and their effects, this chapter opens a debate about how the Bank's decision-making should fit within wider housing policy.

Interest-rate decisions by the Bank's Monetary Policy Committee (MPC) have strongly affected mortgage rates, yet the MPC is not concerned about wider housing affordability, but narrowly on how mortgage payments affect disposable incomes, demand in the economy and consumer prices. Its decisions also affect house prices, and higher house values strengthen consumer confidence and expenditure.

Although now of historic interest, the debate on Britain's potential entry into the euro under the Blair government highlighted the relative volatility of the UK housing market in contrast to several other EU countries, and the risks this poses to the wider economy.

The Bank of England's response to crises, boosting the economy through 'quantitative easing' (QE), shows the significance of housing in monetary policy in two ways: the role of the mortgage market in the initial decision to undertake QE, and the impact of QE on house prices and wealth distribution. While monetary policy during crises had little impact on measured income and wealth inequality, it favoured the rich far more than the poor.

A further challenge to monetary policy came with the rise of CPI inflation after the pandemic, prompting 13 increases in the Base Rate and having a growing impact on mortgage costs as fixed-rate mortgages are refinanced at higher rates. The MPC does not have to be concerned about the impact of rising interest rates on mortgaged homeowners' cost of living as it is absent from the target measure of inflation. However, it neglects the effect on rents, which are in the targeted index.

A complex landscape of regulation has developed, with various 'tests' to protect the market and consumers from overly risky lending. While this has broadly worked, it favours lower-risk households who are moving home at the expense of first-time buyers. Extension of regulation to the buy-to-let mortgage market has evened the playing field but, fundamentally, government can meet only two of three objectives: high levels of homeownership, financial stability and tenure neutrality.

Bank of England involvement in housing, at arm's length from government but operating within its remits, frequently has spill-over effects that contradict wider policy aims. This is augmented by complex regulatory structures.

Among the policy questions raised by this analysis are (1) the way that measures to control inflation are weakened by relying on the CPI measure, which does not properly reflect housing costs (2) the distributional impacts of regulatory practices, which tend to favour better-off households (3) the unresolved issues of house-price inflation and housing-market volatility, and (4) how the reduction of risk should be balanced against the policy imperative of supporting access to homeownership.

2. Housing and economic Inequality: long-run trends in the UK
Susan J. Smith

Housing has played a mixed role in the history of economic inequality in the UK. When the wealth gap was at its widest in the early twentieth century, housing formed a relatively small part of the total, and rents were broadly manageable.

Then, the collapse of capital through two wars and a depression focussed attention on poor conditions and a looming shortage. Council housing filled the gap with below-market rents feeding into three distinctively egalitarian decades, from the 1950s to the 1970s.

During the 1980s, the UK led an OECD-wide 'U'-turn to inequality. It was marked by a sharp increase in top incomes as earnings lower in the distribution stalled. By now, owner-occupation, having expanded hand-in-hand with social renting, was the dominant tenure, and a repository of 'the people's wealth'. It needed state intervention (the subsidised sale of council housing), tax breaks, cheap credit and, often, two incomes to sustain it. Nevertheless, by the turn of the millennium owner-occupation accommodated over 70 per cent of households, for whom rising prices formed a financial buffer that took the edge off other disparities.

Before the global financial crisis, it might have been argued that the housing system as a whole helped mitigate the scale and impact of the turn to inequality. Since then however, declining affordability, growing precarity, and pressing unmet needs have challenged that narrative. Owner-occupation has retreated, housing wealth inequalities have intensified, rents are rising, housing benefits have stalled and low-income households are spending proportionately and progressively more on housing than those who are better off.

There are many good ideas about how to address the present housing emergency. All of them need a new flow of funds. Tax reforms are the best hope, but residential property tax is key. Currently these are regressive (council tax), inefficient (stamp duty), partial (exemptions for owner-occupation), ignore land values, and may or may not be reinvested into the stock or used to ease costs. There is definitely a better way.

3. Housing in rural areas – still a Cinderella?

Jo Lavis and Madhu Satsangi

Rural areas experience a shortage of affordable housing which is a consequence of four inter-related factors: limited land supply, weak planning policy, high costs of developing small schemes in rural locations and limited support for constructive community engagement. This chapter looks at how the problem has emerged in England and Scotland and measures that have been adopted to overcome these challenges.

Market housing is frequently unaffordable to lower-income households; social housing is in short supply compared with urban areas and in some locations these difficulties are intensified by high levels of second homeownership. These factors impact on the social and demographic structure of rural communities and the economic productivity of rural areas.

On access to land at a viable price for affordable housing delivery, the Scottish Government has sought to tackle this through support for community ownership. But in practice the mechanisms have been difficult to use effectively. This is true to an even greater degree in England where instead the planning system is the principal mechanism for determining land release and value.

Scotland's most recent National Policy Framework has adopted a more positive land use planning approach which recognises the role of affordable housing in rural revitalisation. This is less the case in England where support for rural affordable housing is undermined by other policies in the National Planning Policy Framework.

Mirroring this pattern, capital grant funding also differs between the two nations. Both have a national target for rural affordable housing delivery, but Scotland has dedicated funding and an action plan for rural delivery with an automatic uplift in grant in recognition of the higher costs of rural development.

Both countries also offer some support for community engagement in rural housing development, but there are no guarantees that it will continue in the longer term.

This appraisal shows that there is a somewhat disjointed approach to rural housing provision in England, with a more strategic response in Scotland. However, the future is still rather bleak. There remains a disjuncture between strategic and detailed local policies and between them and implementation. Policies at all levels often pull in different directions and there continues to be limited capacity to develop the small housing schemes needed in rural areas.

4. Towards 'futureproofed homes': the implications for UK housing of a warming world

Matthew Scott

While decarbonising the housing stock has become a policy priority, much less attention is given to the impacts of global warming for homes and residents. The chapter focuses primarily on the challenges associated with the existing stock, rather than new supply.

Evidence on how extreme climate events will affect UK homes highlights the links between climate change, health and housing. It emphasises that the risks from climate change must be seen as dependent on several factors linked to housing, such as the type and age of dwellings, the regional and urban geography of historic housing development, and the characteristics and vulnerability of occupants.

An adaptation programme is needed that integrates energy efficiency, low-carbon heating and climate resilience measures. This requires investment – speculatively labelled a 'Futureproofing Homes Fund' – which could take the form of a capital programme modelled on the broadly successful Decent Homes Programme. The main difference would be that funding through this programme could be used to upgrade homes to comply with a new 'Criterion E', whereby a home can only be classified as 'decent' if 'it is sufficiently resilient to risks associated with a hotter climate.' Similar changes would be required to standards applying in Scotland, Wales and Northern Ireland.

Doing so would require a transition in the eligibility criteria for government home upgrade programmes, away from EPC ratings and towards a more holistic definition of a safe, decent, futureproofed home. The cost of this programme would be large, but the cost of not developing it is potentially far greater.

Commentary Chapters

1. Economic prospects and public expenditure

Mark Stephens

In economic terms, 2024 was an inauspicious year for Labour to enter government. Inflation had fallen but interest rates remained stubbornly above their levels in the recent past. Economic growth continues to stall although is forecast to resume in 2025. Geopolitical uncertainties mean that there are risks even to the modest economic upturn currently predicted.

Employment remains below pre-pandemic levels and numbers of economically inactive working-age adults have risen to 9.5 million, reflected in a long-term rise in claimants receiving disability-related benefits. The new government has therefore retained strict work-capability assessments and has adopted a longer-term strategy to raise the employment rate.

The government is prioritising economic growth, undertaking various supply-side reforms and making changes to the fiscal rules which favour investment.

The Autumn Budget raised taxes, including stamp duty, but raised spending more, including additional housing investment. The consequential effects on spending allocations for Scotland, Wales and Northern Ireland meant that they could largely restore earlier cuts in housing investment.

2. Dwellings, stock condition and households

John Perry and Matthew Scott

Population growth across the UK remains dependent on net migration, which has peaked recently but is expected to fall, albeit to a still-high 340,000 annually. Although official household projections do not take the recent migration surge into account, an unofficial projection for England suggests an increase in household numbers reaching 238,000 annually.

New housing supply in England remains well below the level needed to achieve the new government's target of 1.5 million new homes within five years. A range of steps, focussing on planning reforms, are aimed at boosting supply.

Nevertheless, there remains considerable uncertainty as to whether the target can be achieved, and much depends on raising output by the social sector.

In contrast, housing supply in Scotland, Wales and Northern Ireland is at or above projected levels of need, but all face similar challenges in meeting their respective targets.

In the existing housing stock, there is flatlining progress in improving quality and energy efficiency. Policy uncertainties and significant funding gaps have resulted in limited improvements in recent years, across the UK, with private renters suffering the worst conditions.

The prevalence of disrepair, mould, damp, and condensation is unchanged from a year ago in England and Scotland, and while there is lack of survey evidence for Wales and Northern Ireland the same is likely to apply in those cases.

Slightly better yet still incremental progress has been made in improving the energy efficiency of the existing stock.

Two additional areas relating to the quality of the existing stock have been prominent in 2024. The first is building and fire safety, where progress is being made (primarily in England) while the full scale of the problem is still uncertain.

The second is accessibility, with a growing need to adapt the existing UK stock for an older population which has a greater prevalence of long-term illnesses and disabilities.

Slow progress in all of these aspects indicates that at least as much attention must be given to achieving higher standards in the existing stock as is being devoted to new housing provision.

3. Private housing

Peter Williams

As in 2023, the worst predictions about the housing market in 2024 did not come about and the market remains resilient. Rents have been rising steadily since late 2021 while house prices dipped that year and into 2023, recovering in 2024.

Evidence suggests that the private rented sector is no longer growing and may be in slight decline. In part this responds to higher mortgage costs and tax changes, as well as growing regulatory pressures, with legislation already being implemented or about to take effect across the UK. These pressures have affected the buy-to-let market, but new provision through build to rent appears to still be robust, albeit only a small yet growing element of the market. It is still weighted strongly towards London, although widening its coverage to other cities across the UK.

There is still considerable unmet demand for homeownership and for most it is a question of 'when' rather than 'whether' to buy, with the constraint being affordability, which remains poor across the UK. Numbers of first-time buyers have fallen sharply, and the proportion dependent on parental financial help has risen. More purchases are also accounted for by cash buyers. The market share of high loan-to-value mortgages is also edging upwards.

Direct assistance to first-time buyers through Help to Buy has ended in England and Scotland (but not yet in Wales), while such buyers will also be affected in 2025 by stamp duty changes. The new government is prioritising social housing, having restricted sales through right to buy, but its proposed Freedom to Buy scheme (extending the current UK-wide mortgage guarantee scheme) will provide some additional incentive.

Looking to 2025 and beyond, the outlook for the PRS remains challenging across the UK, propelling more households towards homeownership, and with supply still lagging house prices will come under pressure.

4. Housing expenditure plans

John Perry

Intense pressures on social landlords' finances across the UK continue and, national budgets for affordable housing investment have been constrained, although with some easing with the new UK government and its Autumn Budget. Nevertheless, there are shortfalls against the respective targets for affordable housing across the four nations.

This chapter both assesses progress in investment in affordable housing in each of the four nations across the past year and considers future prospects.

England under-invests in affordable housing compared with the three other countries: it produces fewer affordable homes per 10,000 population, housing has a consistently lower share of government spending in England, and it continues to be out-of-step with the rest of the UK in directing a high proportion of government support towards the private market.

England's Affordable Homes Programme (AHP) 2021-26 started in April 2021 with a public target to achieve 180,000 starts by 2026. The target has been revised down in stages to 110,000-130,000 affordable homes, of which at least 40,000 are for social rent. However, this reduced target was set before extra funding of £500 million was allocated in the Autumn Budget. The chapter examines barriers to progress as well as other sources of funding apart from grant.

The next phase of the AHP, to start in 2026, will be determined in the coming Spending Review. This decision, and other coming policy decisions, will be crucial in determining the success of the government's overall target of providing 1.5 million homes in England in the current parliament, since affordable housing investment is key to achieving it.

Scotland has an ambitious commitment to deliver 110,000 affordable homes by 2032, with at least 70 per cent being for social rent. Despite this, funding fell markedly in 2024/25, although December's Draft Scottish Budget saw an increase of 26 per cent for 2025/26 compared with the previous year. However, its aim of providing 8,000 affordable homes is still well short of the numbers needed to meet the target.

Wales's Programme for Government 2021 to 2026 aims to deliver 20,000 new low carbon homes for rent within the social sector over five years. Total output in the first three years was 8,933; but clearly, with over 11,000 more homes needed to meet the target by the end of 2025/26, output will have to increase substantially.

Following the return of the Northern Ireland Assembly, a new housing supply strategy published in December 2024 set a goal 'to deliver at least 100,000 homes and more, if needed, with one third of these being social homes'. This implies an annual target of 2,200 additions to the social housing stock. However, the budget for 2024/25 was set at a slightly lower level than for the previous year, an amount judged sufficient to build only around 1,400 homes, well below the long-term target.

5. Homelessness

Lynne McMordie

All the UK administrations have adopted measures to tackle homelessness, but during 2024 more households were affected, more were enduring long stays in temporary accommodation and more people were sleeping rough.

Although the basis of the statistics differs between administrations, across Great Britain the level of 'full-duty' homelessness acceptances has continued to rise, driven by growing numbers in England, particularly. Acceptances also increased in Northern Ireland but less than in Great Britain.

There has also been a steep rise in the use of temporary accommodation (TA) across the UK, with placements more than doubling since 2009/10, representing the highest rate ever recorded, and a 12 per cent increase in the past year alone. Wales and Northern Ireland recorded the biggest percentage increases. A concerning statistic is that use of bed and breakfast (B&B) placements is five times higher across GB than in 2009/10. It accounts for 15 per cent of TA in England, with a 44 per cent jump in the number of households with children in B&B in the past year.

Legal obligations are being breached – with Welsh local authorities unlawfully keeping waiting lists for TA. Spending on TA has reached crisis proportions, estimated to cost English local authorities £2.42 billion in 2023/24.

Eight per cent more people are sleeping rough in England, with the increase concentrated in London. In Scotland, reported rough sleeping among those accepted as homeless rose by 28 per cent.

'Core homelessness' – which includes rough sleeping, use of unconventional accommodation and unsuitable TA – is also increasing across GB, with the rate per

100 households highest in England. Modelling shows how different policy initiatives could combine to significantly reduce core homelessness.

This exceptionally bleak picture represents a further deterioration compared with last year's *Review*. However, there are some grounds for cautious optimism in 2025, if various new initiatives in the four countries are pursued effectively.

6. Help with housing costs

Sam Lister and Mark Stephens

Two topical issues about how households are helped with their housing costs are tackled in this chapter.

The first is a long view of the support provided to pensioners. The chapter traces the evolution of such support since the introduction of the state pension in 1948, and shows how its relatively low level led to high rates of pensioner poverty and dependence on social security. An important element in this support took the form of help with housing costs through social security, in particular housing benefit. The introduction of state-pension credit facilitated a dramatic fall in pensioner poverty whilst support through housing benefit also continued.

However, the chapter highlights the increased housing costs that pensioners will face as a result of falling levels of (outright) homeownership and the shift into private renting.

Second, homeowners' mortgage-interest costs are considered, in the light of the Bank of England's increases in interest rates between 2022 to 2024 aimed at bringing inflation back down. The chapter highlights the way in which homeowners' main housing costs are deliberately excluded from the inflation index. Hence, mortgaged homeowners experienced a disproportionate amount of the 'pain' inflicted by higher mortgage-interest rates.

The chapter highlights the inadequacy of using average mortgage costs when calculating inflation rates, since there is much diversity of experience. Analysis points to the need for a more realistic treatment of homeowners' housing costs in the target index and suggests that this might lead to better co-ordination of monetary and fiscal policy, as well as greater interest in reforming property taxation.