



Built Environment Committee

Corrected oral evidence: Meeting the UK's housing demand

Tuesday 6 July 2021

9.35 am

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Members present: Baroness Neville-Rolfe (The Chair); Baroness Bakewell; Lord Berkeley; Lord Best; Lord Carrington of Fulham; Baroness Cohen of Pimlico; Lord Grocott; Lord Haselhurst; The Earl of Lytton; Lord Moylan; Lord Stunell; Baroness Thornhill.

Evidence Session No. 1

Virtual Proceeding

Questions 1 - 13

Witnesses

I: Professor Chris Leishman, Professor of Property and Housing Economics, University of South Australia; Professor Michael Oxley, Emeritus Senior Fellow, Department of Land Economy, University of Cambridge; Professor Christina Whitehead, Emeritus Professor of Housing Economics, London School of Economics and Political Science.

Examination of witnesses

Professor Chris Leishman, Professor Michael Oxley and Professor Christine Whitehead.

Q1 **The Chair:** Welcome to the House of Lords Built Environment Committee's first public evidence session as part of our inquiry, entitled "Meeting the UK's housing demand". This inquiry will investigate the demand for new housing in the UK and how barriers to meeting this demand can be overcome. It will consider the key factors shaping the type, tenure and quality of housing needed in the UK and examine a range of challenges to meeting that demand, including skills shortages in the construction industry, for example for the sustainable buildings that we need for the future, the role of small companies and some aspects of the planning system. The committee will report by the end of the year and make recommendations to the Government.

Our witnesses this week are: Professor Chris Leishman, director of the Centre for Housing, Urban and Regional Planning at the University of Adelaide; Professor Michael Oxley of the Department of Land Economy, University of Cambridge; and Professor Christine Whitehead, emeritus professor of housing economics at the London School of Economics and Political Science.

Our session is being broadcast live on parliamentlive.tv. A full transcript is also being taken and will be made available to our contributors to make any corrections shortly after the session.

Perhaps you would like to introduce yourselves and have a go at the first question at the same time. I will start with Professor Leishman, and then go on to Professor Oxley and Professor Whitehead. Professor Leishman, you are very welcome. We are very interested in how you see the current composition of the UK housing sector and how it is structured in terms of private ownership, privately rented accommodation and local housing.

Professor Chris Leishman: Thank you, Baroness, for the introduction. I should just note that I have recently moved to the University of South Australia, so I am not now at the University of Adelaide.

The Chair: I apologise.

Professor Chris Leishman: That is quite okay. My recent move involved a few hundred metres as opposed to the 10,000 miles I moved a few years ago from Scotland.

I think we are all assuming that there will be an opportunity to provide a written submission at a later stage, and the first question very much suits itself to a more considered statistical analysis. I can certainly provide some good background about how demand and tenure patterns have been shifting in the UK in recent years. I will just keep my comments brief and give a flavour of how the housing system is changing.

Clearly, I am from the UK and have spent a few years now working in Australia. Part of what I do is provide international and comparative

perspectives. There are some interesting global trends. We are seeing some very interesting trends from the UK, the US, Canada and Australia playing out. In particular, we are seeing a rapidly ageing population and a large and growing divide between generations. Younger people in particular face extremely difficult barriers to entering home ownership and are increasingly becoming private renters for much longer, potentially even for life.

At the same time, we are seeing the size of households falling significantly, which creates a demand for housing in and of itself. As the population ages and becomes more heavily weighted towards larger numbers of smaller households, that creates the demand for a different type of product. Even if the population were static, which it is not, we would expect to see an increase in demand. This is probably now straying into the second question.

In the United Kingdom, there is a significant backlog of unmet housing needs. That has been well established by a number of recent studies. There is a need for additional housing supply, and I think we will see a continual shift away from home ownership towards private renting. That is driven partly by deteriorating housing affordability and partly by other factors such as speculation and the growth of private rental investment. We see that mirrored in other countries. It is a particular problem in Australia. We also see the growth of purpose-built rental accommodation in a number of countries. That sector is growing quite quickly in the UK, Canada, the US and Australia.

That is a broad overview of how I see the recent trends and the likely future direction over the next 10 or so years. I am happy to provide some written evidence and statistics in due course, but it is probably not the appropriate venue to be reeling out lots of numbers.

The Chair: Thank you so much, and we would love your written evidence.

Professor Michael Oxley: I agree completely with what Professor Leishman has just said. I have some numbers in front of me, but just going through and reading them out might not be the best use of our time.

I would like to make a couple of points. The first, I am afraid, is a rather academic but really important point on the use of some of the terminology that we are using here and that you have used in your brief. It is the use of the term "housing demand". We are being asked about housing demand, whereas the important consideration here for policy purposes is housing need. There is a very big difference between the two, because demand is very dependent on financial factors—incomes, affordability and so on—and need is really about households that cannot afford decent housing and do not have effective demand. In the UK, we are also seeing increases in indicators of housing need, whether they be indices of sharing and overcrowding or of homelessness.

The other point, which I can pick up on later if the questioning goes that way, is that I have done quite a lot of work looking at differences in housing policies and tenure internationally, and some interesting points come out of that approach, particularly regarding differences with regard to the private rented sector. We have a private rented sector that is somewhere around—now I will give the figures—19% or 20%, on the basis of recent data. It is a lot smaller in some countries and a lot larger in others. Most people quote Germany as having a very large private rented sector; it is up to 50% of households, depending on which data you look at.

A really important consideration is that the stock in the private rented sector in some countries—Germany is quite a good example—is privately owned, but much of it is socially allocated. There is a real blur between the social and private rented sector in some other countries. There are some very interesting policies elsewhere about getting the housing stock that is privately owned to be rented in a more social fashion, so that it becomes more accessible to low-income families in particular.

Professor Christine Whitehead: I am emeritus professor of housing economics at the London School of Economics. I am afraid that I did not hear most of Professor Leishman's or Professor Oxley's comments, so the comments that I will make may repeat what they have already said.

What I was going to say about tenure was that what surprised many of us is not only the massive increase in private renting from 2000 or a little before that, but the fact that it was much the same across the countries. It more than doubled in Scotland, England and Wales. Because of the data, we are not sure about the situation in Northern Ireland. This is very consistent and not specifically about pressures in London or some other part of the country.

The second thing to say, which may have been said already, is that owner-occupation in England fell but has now stabilised and increased.

Q2 **Lord Grocott:** Thanks very much for those introductions, and I am sure that we would really appreciate any written evidence. I have two or three questions, but let us just stick to one. What do we know about the demography of tenure as between owner-occupied, public and private? Are those three categories that people are in related simply to income, social class, age or family background? What measures, if any, are there of the demography of the different types of tenure?

A second question has arisen from the answers. It may not be quite right to ask academics for almost a political judgment, but it seems to be the case, not just in Britain, that there is a growth in private rented and in many cases a decline, or at best a stabilisation, in owner-occupation. Is this a good or a bad thing, and why?

Professor Chris Leishman: That is a huge range of questions. It is hard to know where to start. The UK's housing system does a reasonably good job of sorting. Previous studies have shown that the limited supply of social rented housing tends to end up being occupied by those in greatest

housing need. There is a related question of whether the supply is adequate to begin with.

Now working in Australia, I see a much more extreme version of a housing system that is modelled on the UK's system, in which the housing supply in the social rented sector is much smaller. Not surprisingly, we find that almost everybody in it is extremely old or sick and unable to work. In a sense, the system does a good job of sorting.

The more worrying sector is the private rented sector. I cannot help but look at the UK and think that it is doing a reasonably good job, in the sense that security of tenure is a little better and housing conditions seem to be improving fairly quickly. I know it is not my job to be commenting on the Australian system, but the greatest challenge in the private rented sector is the lack of security and the disruption that goes with being moved on from one dwelling to another pretty frequently. We know that it harms the educational attainment of children, for example, when they cannot put roots down and build up a network of friends and support in a neighbourhood for any great length of time.

We know that there is a very strong age component to tenure shifting going on around the world. The UK, the US, Canada and Australia have similar trends. Younger people are now increasingly unlikely to become homeowners and increasing likely to rent for much longer periods of time. In some ways, that is worrying.

Going back to your question about whether this is a good or a bad thing, there is another school of thought. One of my friends is a demographer, and he has an interesting perspective on this. He reminds us that, if we take an aspiring homeowner in the 1950s, that person might have been in their mid-20s. They would probably have 40 or 45 years of life ahead of them. Somebody with 40 or 45 years of life ahead of them now is probably aged closer to 40.

We could think a little differently. It is not about what age people are when they first enter home-ownership, but about how much life they have ahead of them. First-time homeowners are becoming much older over time. From a demographic lens, we could ask, "Does that really matter if life expectancy is increasing?" That is a counterargument to the view that it is a problem that renters are becoming more prevalent and home ownership is becoming delayed. Do those comments help at all?

Lord Grocott: Very much so, yes.

The Chair: Do you want to bring in the other speakers, or shall we move on to the next question, which is on the same theme of demography?

Lord Grocott: I would quite like to know the yes or no as to whether it is a good or bad thing.

Professor Christine Whitehead: I remember writing many articles in the 1980s about how unhelpful it was that people were entering owner-occupation so early, because people needed to move around, were not

settled and had many other things that they could do with their money. Therefore, I agree with Chris that people entering owner-occupation in their 30s is a good idea.

The only problem is that they are not in a position to enter owner-occupation even at that point, because if they have been in the private rented sector for a significant length of time, they have perhaps found it very difficult to build up deposits. They may have been paying twice as much in the private rented sector as they would be paying once they got over the deposit problem. There are structural issues that suggest that it is not the demography but the accessibility that is wrong, if that makes sense.

Professor Chris Leishman: Professor Whitehead has made a very important point. If we look at international comparisons, the cost of renting versus the cost of ownership is very different between countries. For example, in Germany, it is relatively cheap to rent privately compared to servicing a mortgage; in Australia, it is very cheap. In the UK, it is quite expensive to rent privately compared to paying off a mortgage. That is a really important factor. Renting privately is not really a big problem for people if their housing costs are low and they are able to save and invest in other sorts of assets. Where people are priced out of home ownership and paying very high housing costs is a particular problem.

Professor Michael Oxley: May I make a point that has already been made but needs to be stressed? It is about the changing composition of the private rented sector in the UK. We are seeing an increasing number of families with young children in that sector. That is a significant problem regarding security of tenure and uncertainty about what will happen to their rent levels in the future.

Q3 **Lord Carrington of Fulham:** What social and demographic factors shape housing demand in the UK? How might an ageing population and trends in household formation and immigration affect housing demand?

Professor Chris Leishman: The evidence in the UK, as well as in many other countries, suggests that migration is perhaps the most important factor shaping housing demand. We know that more than 50% of the population growth that has happened in the UK over the last 20 years has occurred through net overseas migration. As a comparison, something like two-thirds or so of population growth in Australia has occurred through net overseas migration. Indeed, until the pandemic at least, it was a stated policy of the Government here to drive that.

The predictions by various think tanks, as well as the ONS, are that the migration component of population change will keep increasing over time. It may reach 70% or 75% in 10 or 15 years' time. Migration may contribute more than 80% of population growth 20 to 25 years from now. That is a very important factor and one that is very unpredictable.

Even before the pandemic, the rate of migration into the UK was stumbling. That is not unrelated to political issues. This is not an academic opinion, but I think that the migration question was quite important in fuelling the Brexit debate. The Brexit decision has had quite an important impact on migration. Migration has fallen as a result of the Brexit debate and lobbying. The pandemic has kicked in as well.

The truth is that we do not really know how it will recover. We are in a difficult period where we do not really know what will happen next, but it seems likely that the importance of migration to population change will keep increasing. That brings all sorts of different issues, such as increasing diversity in ethnicity, and all sorts of different demand groups who have different needs and preferences.

There is also an economic imperative to this. The population is ageing, and we know that the household size will keep decreasing over the next 20 or 30 years. We know that there will be many more older people in the future and many more people living in single-person households. We know there will be more racial and ethnic diversity and that migration will be more important to the composition of population growth.

There is a strong economic imperative to this because, bluntly, countries need an inflow of younger people who are taxpayers to support an ever-ageing population. That is playing out in developed countries internationally.

Professor Michael Oxley: If you are not getting evidence from Professor Glen Bramley of Heriot-Watt University on this particular point, you should. He has written extensively on this topic. There is a very useful and relatively recent publication—I think it was from 2019—which he was principally responsible for, which was done for the National Housing Federation and Crisis. It looks at demographics, housing demand and housing need, and argues that, although demographics are very important, they provide only part of the picture. He argues that a whole range of other factors need to come more squarely into the picture when we are looking forward, particularly at what will happen to housing needs. That includes economic growth, growth in personal incomes and a whole range of factors affecting affordability.

He also makes the important point that is somewhat underplayed about the relationship between demographic change, housing stock and availability. The standard way of looking at these things is to say that demographic change has an effect on housing needs, housing demands and so on, but looking at the relationship the other way, the effect that availability of housing has on household size and, subsequently, on housing needs is also extremely important.

The emphasis of his study, which is called *Housing Supply Requirements Across Great Britain: For Low-Income Households and Homeless People*, is certainly at the low-income end of the scale, but he makes a lot of more general and broader points about the factors that are affecting demand and need as we go forward.

Professor Christine Whitehead: The core of what is happening in demographic terms is that, over the last 20 years, we have started to have to house four generations instead of three, because we are living that much longer. If you are looking at it over a 100-year period, probably the most important factor is that we live longer. The people who were lucky in the 1970s and 1980s bought housing and they will live in that housing for a long while.

Younger people will be helped into accommodation significantly by the bank of mum and dad, because we have a group of people with large assets and a group with very few. We have an issue with a group of people who can assume that they will be owner-occupiers and able to afford their accommodation going forward. It is inherent that, if we will live for 20 years longer, we need more housing, unless we want to live in multigenerational households, and there is no evidence of that.

Going back to Chris Leishman's point about immigration, it is very important that birth rates have been kept up significantly by the immigration that we have had over the last 20 or 30 years. In London, the Polish population has the second largest number of children every year compared to the UK-born. We know that when people come and stay they are young and they have children, which helps the system.

We have a very unclear position, because of both Brexit and Covid, on what our immigration status looks like in the short or long run. We know that the ONS figures are very unclear about what has happened in the last year. Certainly, a lot of people have left. On the other hand, we have more than 5 million EU people looking for settled status. There is lots of different information about what has happened over the last year or two and what is likely to happen in the future. I suspect that Brexit is far more important than Covid in that context.

The demographic factor that is most important is age, as well as the size of the household, as Michael was saying—how many children we will have. Birth rates are going down, so we will need immigration. That is probably the second most important factor.

The general understanding across the whole of the world is that we do not particularly like living with other people. If incomes go up, household formation goes up, because more people move out from their original household. A significant part of this—this is what Michael was getting at—is that incomes are probably more important than demographics.

Lord Carrington of Fulham: That was very helpful. Can I come back with one question, so that I understand it from a total layman's point of view? It sounds as though the factors that will impact housing demand in the future are probably fairly uncertain and unpredictable. How much can this be planned? How far should central government attempt to dictate the housing mix in 20 years' time, which probably has to be thought about fairly soon, as opposed to leaving it down to local government or, indeed, possibly market forces? How practical is looking to the future to decide what our demographics will demand of housing?

Professor Christine Whitehead: It is foolish to look at demographics on its own. We know that not just housing demand but household formation is affected by income. If our macroeconomists predict that we will grow at, say, 2% to 3% per annum, we can be pretty sure that we need a large number of houses. We will probably need them to be reasonably large, because people will want higher-quality housing. Incomes are growing, so they can afford it. If we are in a period of stagnation, it is extremely difficult to predict how many households will wish to be accommodated.

The problem is that new build, which is what we really have any control over, is a very small part of the total stock. As our Ministers keep saying, 80% of housing in 50 years' time is already in place.

Q4 **Baroness Bakewell:** Good morning. I am very interested in this discussion and want to take up this issue of an ageing population, which is not just a British problem. What people want is not housing but homes. The form in which people find their homes will have to change. It seems that, in this country, we have a lot of people who are old—I am one of them—and living in single occupancy of large houses, because the children have grown up and left. I am interested in your views on how you motivate older people to change their way of life and leave these large houses for younger generations with children.

The second point follows on from that. What provision can be made for old people who decide to spend their later years in a different form of accommodation than they have lived in so far? I am interested in the development of co-housing in this country. It was pioneered in Denmark, as you know, but I would be interested in your comments on the development of some form of occupation like that, which is an owner-occupier system of co-housing.

Professor Chris Leishman: That is a very interesting set of questions. I must say that it is a little outwith my field of expertise. It is more about the ageing population and social work issues, almost. It is a very thorny issue, though, and there have been attempts in the past to try to address it. We have, for example, the bedroom tax, which is a government policy intended to try to free up the supply of larger social rented housing units.

There are lots of very important behavioural issues going on that we do not really understand that well. Property is seen as quite a safe investment by a lot of people, and particularly older generations who distrust pensions, superannuation and stock markets. There is a very strong desire to try to hang on to properties, even though they are being underconsumed, so it is very important to try to understand this.

Owning a large-scale asset also gives people choices, such as staving off the decision to enter a care home. We are moving away from that model, but owning a large-scale asset gives people more choices and more control over their destiny.

Another point that has been made by older homeowners in workshops that I have been running is that even single, older homeowners who are

underconsuming their housing can play a very important role in the family in other ways. They have children and grandchildren coming to stay. They have children at university who come back home. There are all these other reasons for their hanging on to extra rooms, even though, most of the time, they are underconsumed. I would emphasise trying to understand those behavioural and psychological factors, but it is not quite as simple as older homeowners underconsuming their housing. There is a lot more going on beneath the bonnet.

Professor Michael Oxley: Just hearing what Professor Leishman said there about behavioural issues, I am rather tempted to make a contribution on this topic from a more personal point of view, rather than depending on my academic knowledge. As an older person with three grandchildren, I fairly recently made the strange move from the relatively cheap housing area of the east Midlands to the much more expensive London area; I currently live in London. Why did I make that move with my wife? It was, essentially, family pressure to be nearer grandchildren.

We searched for a property where my wife and I could live together with our three grandchildren, my daughter and her husband. We found it quite impossible, within our financial capabilities, to find a suitable property. That was not just because of price, but because, although we were prepared to live under the same roof, we did not want to be too close together. My daughter, for example, was insisting on things like the number of bathrooms, and she wanted a separate kitchen. The structure and pricing of the housing stock does not really work very well when we are looking at these kinds of factors. We bought a house that we can just about afford 10 minutes away from where my three grandchildren live, and we are making that work, after a fashion.

Baroness Bakewell: Co-housing is the answer to your family's dilemma. It is the ownership of separate units within a housing settlement. It might grow in popularity.

Professor Michael Oxley: If there was such availability, it is something that we would consider.

Professor Christine Whitehead: When I was dean of undergraduate studies, the most usual complaint from students coming back from holiday was that their parents had moved without telling them and they had nowhere that they could call their own in their parents' house. They were really upset about it. There are lots of issues in this practical world.

It is fair to say that the vast majority of older people, when asked, say that they want to die at home, and they want to die in the home that they are in. This is not good in many ways, including the fact that the housing deteriorates as you get older, because you do not do all the work that you should do. Unhappily, in the data, the quality of the housing is related to satisfaction, but it is inversely related: older people have poorer housing and like it better. That is a really major issue. Society wants people to move, but, on the whole, they do not want to.

I have done a lot of work on co-housing at second hand; my colleagues have done it. The main problem is how long it takes to set up, and what happens when somebody dies or leaves. For the generation who put all the effort in, it is marvellous. For the next generation, we need to make structures that make it work better.

Baroness Bakewell: I am very interested in those responses. Just to respond to Professor Leishman, people are reluctant to downsize because they want bricks as an investment. When they sell a large house and buy a smaller one, they suddenly have access to the sort of money that they might need to invest in the care that they want as they get older, so there is an upside to the whole issue of downsizing.

Professor Christine Whitehead: In that context, we now no longer call it downsizing; we call it rightsizing, because people often pay more rather than less when they move. That is really worrying. They want accommodation closer to the facilities that they want. That partly goes back to Michael's point, which is that the mix and location of the housing that we have is inadequate.

The Chair: We need to move on, because we will have to come back to this. It is a very important part of our inquiry. I would like to bring in Lord Moylan and Baroness Cohen. It might make sense for you both to ask your questions and then go to the panel, because I am conscious that we otherwise might not reach some of our final questions.

Q5 **Lord Moylan:** The pre-cooked question is one that I feel the experts may feel they have been asked already: what are the expected future trends in housing demand? To try to add some spice to it, accepting Professor Oxley's distinction between housing need and housing demand, and noting that this question is phrased to say "demand", can you say anything helpful about demand, given that so far, I suspect, you have been talking principally, at least on the numerical side, about need?

Q6 **Baroness Cohen of Pimlico:** I value the distinction made by Professor Oxley between demand and need. It suddenly came to me that you might get much more secure forecasting, Professor Oxley, if you started by estimating need, because that is reasonably clear. Demand is much fuzzier. Is starting from need a likely way to start, in forecasting terms?

Professor Michael Oxley: Most of the numbers that we have out there are forecasts of housing need. The problem with adequately bringing in the demand aspect of the issue—what people can afford, whether it is to own or to rent—is that it depends on a number of financial factors, each of which, on their own, require separate forecasts, and some of these items are very difficult to forecast.

If we were looking at the future demand for home ownership, for example, we would be looking not only at the demographics but at mortgage availability and costs, the structure of the finance market going forward and so on and so forth. Perhaps I should leave it there, as I am sure my colleagues have many points that are much more profound to make on this point than mine.

Professor Chris Leishman: The points raised by Professor Whitehead and Professor Oxley a few moments ago are quite interesting. We do not really know what shape some of the future demands will look like. We know that the population is ageing and growing, and that migration will be a big driver of this, but strange things happen in housing markets that are very difficult to predict. For example, if we think back to the 1950s, almost everybody who was buying a house had a mortgage. If we look at the housing market now, the position of cash buyers is very important. There are lots of people buying houses who have no mortgage at all. They have enough money just to buy a house. It is probably approaching something like 40% to 45% of buyers. That really distorts demand quite substantially.

The points made a moment ago about people who are ageing and upsizing rather than downsizing are pertinent. We see that trend in other markets as well. I am currently living in Australia, where there is quite a strong trend of seeing much older people, not just in their retirement age but in their 70s and 80s, who are moving back into the city because they can no longer cope with their large gardens, essentially. They are not buying small apartments but absolutely enormous luxury apartments with the same sort of value as an extremely expensive, large suburban home. That is the kind of thing that is very difficult to predict. There will be all sorts of these new demand groups emerging.

Secondly, because we have an increasingly diverse population driven by migration, with all these other tastes, preferences and household sizes, it will create demand for products that we probably do not even see in the market at the moment. We need a flexible and versatile housing system that can adapt to those changing trends.

Professor Christine Whitehead: I do not wish to add very much to this, except that there are certain basic things that seem to apply right across the world, one of which is, fairly closely, income elasticity of demand. If income goes up by a pound, the demand for housing goes up proportionately. Secondly, as I have already said, we do not like living with one another, right across the world. We may have very large households now, but the guess is that we will not have so many later on, although that does not mean that they do not want lots of housing space.

Lord Moylan: May I come in with a slight challenge? On this question of housing need and housing demand, looking at it from a practical politician's point of view, surely what matters is meeting demand rather than need. Demand tells you what people want, and satisfying what people want is what politicians and Governments are meant to do, whereas what need tells you is what housing experts think you should want. That is not always the same and does not necessarily take account of changing lifestyles or of changes in what is socially acceptable.

When I was young—I hope I am not offending anybody if I say this—it would have been a mark of social failure if you were still living with your parents aged 23 or 24, in many cases, whereas it is now much more socially acceptable. These things change, whereas the housing needs

assessment seems to be set against criteria that are pretty inflexible. There are things in them that are perfectly defensible, but other things that are perhaps less responsive to what people want. I have said that and it is probably a lot of nonsense, so why not tell me what a lot of nonsense it is?

Professor Michael Oxley: If politicians are not interested in housing need but only in housing demand, they do not need housing policies. Housing policies are about housing needs. Housing needs are socially and politically determined, but they are about the idea that each separate household requires a dwelling of an appropriate standard that they can afford. If we are just concerned about housing demand, we might as well leave it all to market forces, because markets in housing, by and large, take care of demand. Markets respond to demand in housing as they do in many other things.

Professor Christine Whitehead: There is harm, as we have observed in the last year, in overcrowding and in poor-quality housing, which impact on people's health. That is what we mean by "housing need": getting to basic standards that allow people to have the basic essentials, in addition to the absolute basic housing. That is what we mean by "need", and it is a political statement. Politics does good and bad things. For instance, if you want to reallocate the social housing stock more effectively, you have to stop saying that those over 70 cannot be moved, but politics will not allow that. There are uncertainties in everything, but most people would accept that, as a society, we do not want people having to sleep on the streets or to be so overcrowded that they cannot live a normal life.

Lord Moylan: That deals with a small part of the total housing picture, and it is driven by those who have difficulty affording housing in the market. If one looked purely at housing need, one would never have luxury apartments for people who want more space, for example. One would never have that sort of thing if one had a government policy of generating what met basic demands.

Professor Christine Whitehead: We live in a mixed economy. We allow the market to do what it likes at the top end. Maybe we are right, maybe we are wrong, but that is what a mixed economy does. I think Chris Leishman would agree with me that, on the whole, if you are just talking about affordability, so that you can have the essentials, you have to have a better universal credit system than we have at the present time. On the whole, that requires between 25% and 30% of people to have some help with housing, given our income distribution.

Q7 **Lord Berkeley:** On the question of housing demand or targets, we have had some very interesting comments. Following on from Lord Moylan's question about demand and the political side of it, the Government have a target of 300,000 new homes per year. Is that demand or is it need? Is it what they think they can deliver or is it an ambition, as one recent document says? We can talk about where and the size and age of units, but is it feasible to have a forecast at all? If so, is this the right forecast?

Professor Michael Oxley: The Government have presented a number that is an aspiration. First, I would say that, for a number of reasons, which I could expand on, we do need to build more houses. That includes more houses for the market and more houses to meet housing needs.

Among those people who have had a go at providing some estimates of requirements going forward, I would refer you again to the work of Professor Glen Bramley from Heriot-Watt University. In his work for the National Housing Federation and Crisis, which I referred to, he comes up with the estimate that, for the next 15 years in England, around 340,000 houses per annum will need to be built. He goes a bit further and says that about 145,000 of those need to be affordable. In some sense of the term, they need to be outside the marketplace and narrow market forces. Whether those kinds of numbers are achievable is a big question, but my short answer, on the basis of current policies, is that they are not.

Professor Christine Whitehead: This is an area in which I worked for 30 years and that I find infinitely depressing. Originally, Alan Holmans, who was the civil servant who worked on this, did a needs-based assessment every year. It was needs-based in the sense that they looked at the number of households that would require housing, so it was a household-based estimate that did not take the direct impact of incomes into account. On that basis, there have been many modifications but, until about 2014, it was done on roughly the same basis.

Then something happened to the household formation figures. They moved from MHCLG to ONS, which came up with much lower figures for household formation. At that point, the estimates of 300,000 or whatever came away from the household formation figures. At the moment, you can say that it is not evidence-based at all; it is political and an ambition. They hope that, through things like permitted development rights, they will manage to reach it, but it is not evidence-based now.

Professor Chris Leishman: I just want to echo my colleagues' views that the 300,000 is pretty aspirational. Before the global financial crisis, it was something like 240,000 per annum in England. It slumped during the global financial crisis to a number much lower than that. It was only last year that net additions hit 240,000 dwellings again. It was a U-shaped curve that went much lower than 240,000, and so, in many ways, 300,000 seems miles away from being achievable.

On the other hand, it is important to send messages. Going back to Lord Moylan's last question, which I did not comment on, an important part of what determines housing demand is that it is almost insatiable, because housing is such a scarce commodity, the price of which is always rocketing, unlike stocks and shares, which go up and down, and bond markets, which are susceptible to interest rates and inflation. People who have put money into housing see great returns, because prices keep going up. If the Government set a view that they will have a very aspirational, high level of housing supply, they are sending a signal to the market to reduce that speculative pressure.

One of the problems here in Australia is that people are rampant property investors. People own either zero homes or five. It is absolutely crazy. If we have a stated position where we will go for this very high, aspirational supply level, it helps dampen that speculative pressure, which helps indirectly.

Professor Glen Bramley's study shows that, to fix the problem, you would need something like 340,000 dwellings a year for 15 years. That is not intended to fix the problem entirely but to meet the backlog of unmet housing needs and to make sure that everyone who is in unsuitable or overcrowded accommodation can get into more suitable accommodation, and that everyone who is in unaffordable accommodation gets into more affordable accommodation. The 340,000 figure is the ultimate aspiration if you want to fix the problem. The 300,000 figure is a good aspiration, but I do not see housing policy delivering that; it never has in the past in the UK. It is important to send that message, for the reasons I have outlined.

Professor Christine Whitehead: They will meet it one year, because you can fiddle the figures from where we are to get to 300,000, but it will only be for one year.

Q8 **The Earl of Lytton:** Following on from that, perhaps Professor Leishman is the right person to try to answer this first. What proportion of housing need is driven by things like substandard stock that has irredeemably poor energy performance, dated accommodation or economic obsolescence, or stock where there has been environmental degradation of one sort or another because of traffic pollution and other, usually urban influences? Do we have a figure for that—where we need to reconstitute an element of the existing housing stock because of those sorts of factors?

Professor Chris Leishman: The blunt truth is that I do not really have a figure to hand and would not want to invent one. This is the sort of thing that would be best tackled by a later submission of written evidence. To give a flavour of my feeling on this, the UK has done a pretty good job at remediating its housing stock in recent years. The great burden of housing need and demand really arises from the housing affordability question, population growth and demographic shifts, rather than from remediating the dwelling stock. It is possible that my colleagues will disagree on this, so I defer to them.

Professor Christine Whitehead: Most estimates of housing demand take absolutely no notice of environmental issues at all. You, as a new committee, can help to change that. The honest answer is that these are in silos. There is one group of people who know about the environment and the costs of energy etc, and another who know about housing numbers.

Q9 **Lord Stunell:** It has been fascinating so far. I will ask my question in terms of need, not demand, as a result. What is the balance of need for new housing between private ownership, private rented homes and social

housing? What is the solution to housing need in terms of housing tenure? How should that affect the way that the new housing market or housebuilding programme is constructed?

Professor Christine Whitehead: That is an extraordinarily difficult question. We are quite unusual in that houses can move between tenures so easily. We have moved a lot of social housing into private housing, and a lot of owner-occupied housing into rental housing. We do not need to be tenure-specific and, of course, the planning system technically is not tenure-specific when it comes to new build, because they can move once demand or need changes. To some extent, the core of the issue comes down to how effective our income-related housing benefits are in achieving affordability versus the cost of new build in the social sector. The social sector can be looked at in terms of a 70-year period, in which case you make quite a lot of money out of it. There is a strong case for more social housing than we have at the present time.

Professor Chris Leishman: Professor Whitehead has hit the nail on the head. The tenure issue is becoming, in many ways, less important over time. We are making some progress on this. We are moving away from a binary system where people own houses or rent them. The affordable homes programme is pushing some good ideas such as shared ownership. We need to think of new tenure models, where people may be partial owners or have shared equity arrangements; they may rent privately and own part. That flexibility will help but, in the end, it is really the raw number of dwellings, and their design and location, that matters more than the tenure issue.

Q10 **Lord Stunell:** I will push on, and we will perhaps come back to that as well. The construction and finance industries are tuned up to deliver on demand, as expressed in finances, but it is not very well tuned up to deliver on need. What mechanisms would the panel see as appropriate for meeting that need that is not met by the normal operation of market forces?

Professor Michael Oxley: Looking at history is instructive on this particular point. I will not go through a lot of data, but last year we built approximately 148,000 dwellings in England, about 17% of which were, broadly speaking, for what we might call social and/or affordable housing. If you go back, you can choose the year, but let me choose 1968, when we built an awful lot of houses; we built 352,000 dwellings. What proportion of those were in the social sector? It was 41%.

If we seriously want to increase the number of dwellings completed per annum, we will have to rely more on social sector supply. That means more dwellings produced by local authorities and housing associations, if we continue with our current institutional arrangements, although I agree with Professor Leishman's point earlier that there is a case for looking at new tenure models that involve some kind of sharing as well.

If you look over time, the numbers of dwellings produced for demand in the private sector do not vary that much, although they do vary, of

course. The substantial difference is the number of dwellings produced by local authorities and housing associations.

Can I just take this opportunity to make one further point that is important in the mix of things that you are looking at? There is an issue to do with the distribution of wealth. One of the concerns about putting an awful lot of emphasis on producing more houses for the market and for home ownership, which is important, is that home ownership has an effect on the distribution of wealth in the country. We may have our particular political views about that. For some of us, it may not matter very much. For others, the effect that it has on skewing the distribution of wealth in the country towards those who own dwellings and away from those who do not is quite an important topic.

Q11 Lord Best: There has been a lot of talk about the need to produce more homes that are truly affordable. I know that Professor Christine Whitehead, with Professor Tony Crook at Sheffield, have been doing tremendously useful work looking at the Government's plans in the planning White Paper and seeing whether the planning reforms which the Government are now contemplating are likely to mean more or less affordable housing at the end of the day. I would like Christine Whitehead to start us off on that one, if she would. Will planning reforms mean more affordable homes—the need that everyone has been identifying—or might they, in fact, go the other way, just when we desperately need more of them?

Professor Christine Whitehead: It is a very difficult question to answer. As we know, the planning White Paper is called that, but it did not have that amount of detail in it. Practically, we produce a significant proportion of affordable housing at the moment through developer contributions. What is being suggested is that these will be turned into infrastructure levy, which will be a levy on all development, which is highly desirable.

The problem is that the amount that you can get in parts of the country that are not particularly rich is such that if we have, as was originally suggested, a single infrastructure levy of 2%, 5% or whatever across the country, there would be a significant reduction in the number of houses built in the north and in poorer areas, and therefore less affordable housing coming from the infrastructure levy, and more perhaps in London and high-value areas.

If you have a single value of your levy, you can take places that have lots of land value to help build housing. If you keep it as a single value, you still have to allow it to happen right across the country, so London and the south-east would pay less and get less affordable housing. The advice that is being given very strongly by many people is that, if we are to have an infrastructure levy, it has to be much more local, with much more local authority control than was implied by the original paper.

Professor Michael Oxley: I have provided some written evidence regarding the so-called planning White Paper, which I would be happy to

share with this committee if it thinks that would be appropriate. First, I am very concerned by what is said about infrastructure levy and Section 106, which Christine has mentioned already.

There is another point that is of importance, and that is that the White Paper concerns itself with what it calls the planning system. It makes comparisons with other countries, where it says that the planning system is much more flexible and responsive to demand, need and so on. An important consideration, again looking at other countries, is the distinction between a planning system and a residential supply system. We can look at differences in the so-called planning system in other countries, but it is important to look at the residential land supply systems in other countries, which is different.

By taking that particular approach, we find that there are many other countries—France is an example, and Germany is perhaps an even better one—that have very proactive, state-led promotion of residential land supply, not simply through something that we would call planning, but by the state getting more actively involved in the provision of infrastructure and in the acquisition and disposal of land, sometimes with infrastructure in place, to builders of various sorts, in the private and social sectors, to engage in construction. There are a lot of fruitful ideas that we could consider.

There are no silver bullets by looking at other countries, and we have quite a lot of good things going in this country, including Section 106, which we should not throw away, but a more proactive residential land supply system is something that we should consider.

The Chair: We will move on to our last two questions, from Baroness Thornhill and Lord Haselhurst. It may make sense for you both to ask your questions, and then our professors can reply.

- Q12 **Baroness Thornhill:** I have to say that I have found this whole session so thought-provoking. It has certainly provoked more understanding and thoughts in me. I have found the international comparisons particularly enlightening. I will ask the Chair's indulgence. Much of our last question has been answered in lots of different ways throughout, so I will change it slightly. I am really interested in Professor Whitehead's view about what happened to Letwin, given that she was on the panel. Have we learned any lessons from that, or has it been quietly shelved?

To our other two professors, I feel, as a former directly elected mayor, that local authorities are often portrayed as the problem. The planning system is the problem, and it feels like that very strongly. I would be very interested in your views on local authorities being part of the problem and the solution when it comes to barriers to meeting housing need—I will not use the word "demand" again—in the United Kingdom.

- Q13 **Lord Haselhurst:** My own answer to the question that we are addressing about the main barriers to meeting housing need is, quite simply, people. This is the problem that we now seem to have run up against. We had

another example of it in the recent Chesham and Amersham by-election. Wherever attempts are made to meet housing demand on any reasonable scale, there is popular resistance. Can we not find some way of ameliorating the atmosphere so far as new housing is concerned? Is it perhaps to give a greater role to devolved Administrations, which might be able to tune in more sensitively to the feelings of existing residents?

Professor Michael Oxley: I am not quite sure where to start with this one. On local authorities and people being part of the problem, there is an overemphasis on the problems with the current planning system. There is room for a lot of change, which may well involve a more proactive role for local authorities and, indeed, other tiers of government in managing and encouraging the supply of land, including the supply of infrastructure, for housing development. Of course, they need the tools to do that, which ultimately requires significant input from central government in providing them with the tools and making sure that they have the funding.

On the problem of people, if you are getting into the topic of nimbyism, I am sure that we could go on for quite some time about that. It is, in part, a question of demonstrating very clearly, at various levels, the benefits of a larger volume of housing construction and an increased level of investment in housing, and accepting that, if we get it wrong, there will be people who lose out in the process, as well as those who gain.

Professor Chris Leishman: These are really interesting issues. I could talk for a long time about those housing supply issues, because most of my work is on this issue, but I will keep it to a couple of minutes. Sometimes I feel that we are going round in circles in the debate about the planning supply, land supply, the land market and housing supply. We keep rehearsing the same arguments. There is a fundamental belief that, when it comes to economics 1.0 thinking, if we increase supply, prices drop. Therefore, if we increase the land supply by reforming the planning system, developers will suddenly start building a lot more housing and the price will drop. Why would that happen? Developers are not so foolish as to do this.

Going back to the days of the Office of the Deputy Prime Minister and the then Department for Communities and Local Government, that was an era when we were doing a lot of research and asking questions about how many houses are needed each year to make housing more affordable in the UK. There were a few offshoot projects which the UK Government funded, looking at the behaviour of housing developers. We established, essentially, the same conclusion that Letwin eventually came to—not that it was very well cited, disappointingly.

Local housing markets have a very limited capacity to absorb new housing supply. We can see that in the run-up to the GFC, where, in some parts of the UK, housing supply increased quite significantly. Developers struggled to sell the housing that they were building, and they were lulled into the idea of selling en masse, off-plan, to small-scale

property investors. That is when we started seeing the big increase in the private rental sector.

We need to understand the relationship between planning, land supply and the development sector much better than we currently do. Simply reforming the planning system will not lead to developers suddenly building a lot more housing. It is not going to lead to plummeting housing prices. Developers just do not operate like this.

Finally, on the issue of nimbyism, about two years ago, just before the pandemic hit, I was in the UK doing a whistle-stop tour, interviewing housing developers. I interviewed a land buyer from one of the largest UK housing developers, who told me that the most fertile ground for selling new-build housing was the list that they maintain of objectors. They compile a list of all the people who object to planning and development decisions, and they have a surprisingly high conversion rate; they eventually become buyers. That is a very important behavioural issue that we should also take account of.

Professor Christine Whitehead: The thing that would upset the system least and help it most would be to get local plans in place. Some 50% of local plans are either out of date or not in place at all. That is one thing that the planning White Paper is very clear about. If we know what we are doing and we involve the population at that local plan stage, rather than there is a limit to how long you can go on for and go round and round in circles, that will help significantly. Secondly, there has been significant growth in the use of partnerships between local authorities and the private sector involving housing associations, and those can help more to deal with local issues in that context.

Looking specifically at Letwin, it said two important things. One was that getting the infrastructure in place at the right time—that does not just mean at the beginning, but three or four times along the process—is phenomenally important. The hold-ups are not local authorities. The hold-ups are the water regulators, Highways England, which is a marvellous hold-up area, and many other factors. You may think you can build this out in five years, but you will build it out in 10. Developers genuinely say that they pay for sewerage for the first two years to enable the housing to be sold, because the system that legally has to be in place cannot be put in place at the right time. Infrastructure is a core part of the story.

The other thing that he stressed was that multiple providers on a large site—he was dealing only with very large sites—should be broken up or subcontracted in a very clear-cut way, so that we get at the different potential markets at the same time. That helps to increase sales, and therefore profitability, so there is more new building and things get built out more carefully.

Why did nobody take any notice of him? It was because it was not the story that people wanted to hear, which is that the planning system is the source of all problems.

The Chair: Thank you very much indeed. We have to draw things to a close. I would like to thank Professor Leishman, Professor Oxley and Professor Whitehead for getting our inquiry off to a very interesting start. We will reflect further on what you have had to say and perhaps be in touch. You also kindly promised various bits of extra evidence, which we would very much appreciate to help us with our inquiry. There was an outstanding question, which I was not able to put, about tax treatment of private housing, whether that adds to its attraction and whether members would like to see changes to that. I felt we did not have time to discuss that supplementary question today.

Professor Christine Whitehead: It would take a year.

The Chair: It would take a long time, but if you would like to comment on that in sending in any further evidence, we would be very happy to consider it. Thank you very much for your time.